
JPM AT THE BARCLAYS GLOBAL FINANCIAL SERVICES CONFERENCE

TRANSCRIPT

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MANAGEMENT DISCUSSION SECTION

Coimbatore Sundararajan Venkatakrishnan

Group Chief Executive Officer & Director, Barclays PLC

Thank you, everybody. It's a very, very distinct pleasure of mine to introduce the pre-eminent leader of our industry. Person who has been the pre-eminent leader of our industry for many decades, Jamie Dimon. It's an even greater pleasure when he was your former boss. So, Jamie, thank you. Thanks for coming. When I say Jamie's been a leader of this industry, it's not just that he has run the largest bank in the world, the most excellently run. He's shown us how to do it. But it's also he's been a leader for the way the industry should think about the business and the business of banking through the financial crisis, through the European crisis, and this year through what happened with the regional banks.

And that's very important for us to keep in mind. And it's also the basics of what good banking is about, disciplined growth, good risk management, the importance of technology and systems. He was talking about it a lot before many people did. I know you all want to hear from him. I'll just say one more thing, which is that when I used to work at JPMorgan, often we'd ask ourselves the story whether we were going to take something to him or not, face a problem. But what would Jamie think? What would he do?

To my surprise, and it should not have been my surprise, I found that I continued to do it afterwards. And I'm not the only bank CEO who does it. And there can be no greater tribute to a person than to say that you've taught us. So, Jamie, thank you for coming.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co.

Venkat, thank you very much. Kind words. Thank you.

QUESTION AND ANSWER SECTION

Jason M. Goldberg

Analyst, Barclays Capital, Inc.

If we could just put up the first ARS question as we get going. But Jamie, thank you for taking the time. Appreciate you being here. I really want to do focus on JPMorgan this afternoon, but I'd remiss if I didn't ask you about your macro view of the world. Perhaps on the consumer side, 80 million consumer customers, 12% deposit market share, over 20% card share. You must have a well-informed, real time view of the health of the consumer. We'd love to hear about it.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co.

Sure. Well, first of all, I'm thrilled to be here. Jason, one of the great analysts in banking, I read all your stuff, as you know. And Venkat, thank you for those kind words. I'll tell you about the consumer, but there's a big but, so I want to be – it's pretty good. 80 – they have more money than they've had. Home prices have gone up for the last 15 years. Asset prices have gone up. Their balance sheets in great shape. Their incomes have gone up. They've got more cash in their checking accounts than pre-COVID. It was a lot more and it's been coming down. So that excess – what we call the excess savings, seems to be normalizing.

Wages are going up, particularly the low end, it's pretty good, which is why you have a pretty good economy. And there are huge butts here. And I just think people make a mistake to look at real time numbers and not look at the future. And the future has quantitative tightening. We've been spending money like drunken sailors around the world. This war in Ukraine is still going on. Those are really big butts. To say the consumer's strong today, you mean, you're going to have a booming environment for years is a huge mistake.

Jason M. Goldberg

Analyst, Barclays Capital, Inc.

And then maybe, shift gears, leading positions on the wholesale front, I was hoping you could take us your thoughts there as well.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

Well, same thing. If you look at wholesale, and we were quite honest about it, we've been over-earning on credit. We're over-earning on credit. You see it in credit card where, we had I'd probably say the lowest credit card loss that'll ever go, the norm was 3.5%, the lowest ever go is like 2.75%, they hit 1.50%. Now they're going back to the 2.50%, 3.00%, just a normalization. Wholesale had the same thing. We had the lowest wholesale credit losses we've ever seen. Literally, probably in the history of banking, we had middle market losses zero for the better part of five years or six years. And it's still good. It's normalizing. Downgrades are being upgrades. There's a little more stress and strain, particularly in certain sectors like real estate. You're getting a little more stress and strain in subprime auto and stuff like that. But it's, I call it, more of a normalizing process.

If and when you have a recession, which you're eventually going to have, you'll have a real – a normal credit cycle, and that which I think is quite predictable. In a normal credit cycle, something always does worse than normal. So this one, the obvious one is office real estate. But there'll be a couple of other industries that probably do worse than normal this time around too.

Jason M. Goldberg

Analyst, Barclays Capital, Inc.

Q

And maybe just offer your high level perspective about...

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

But again, it's the same thing. The fiscal spending, deficit spending is higher than it's ever been as a percent of GDP other than war time. People – and that's before all the additional commitments to the green economy, the re-militarization of the world, the IRA Act, the CHIPS Act, Europe financing, the energy crisis, which they did last winter. God knows what it's going to cost them this winter. There's a lot of fiscal stimulus taking place out there. And the largest from COVID is still running through. The largest of QE is still running through. So we're still living on that and that's really strong. And of course, that drives everything, including business results. So businesses feel pretty good, if you look at their current results they're not so bad. But those things change and we don't know what the full effect of all this is going to be 12 months or 18 months from now.

Jason M. Goldberg

Analyst, Barclays Capital, Inc.

Q

I guess maybe talk at a high level, how you think the banking industry performed against that backdrop? Obviously, March was this mini crisis you've dealt with. We have this potential for a high interest rate environment to stick with us for a bit. You talked about potential CRE losses, which I know isn't a major concern for JPMorgan, but could obviously weigh on others.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

So the banking industry is quite strong and we call it a mini crisis, because there are only so many banks were offside in interest rate exposure and which everyone knew, by the way, it was in plain sight. You know, HTM and incented by regulations, to put your money in HTM, less capital requirement, didn't have to mark it to market, of course, accounting is not the marketplace. The market makes its own decisions about what they really think about accounting. And as you know accounting it can be a fiction like, which is the fiction between HTM and AFS and all that, I never particularly liked HTM. Why would you be better off tying your own hands and what you can do with securities? I just never quite understood that concept.

But that crisis, what we didn't know was these, the runnable deposits. Runnable deposit is not the same thing as uninsured. A lot of banks with uninsured deposits are quite sticky. And so we got to be a little more analytical about that. And I hope you don't overdo things regulations around that, too. But the thing about the banking crisis, and I would tell is about the economy in general, is if rates go up and I give that higher odds than other people. I think that the fiscal stimulus, the QT, the change of flows around the world, there is a chance that rates go up. But if rates go up another 50 basis points, that will cause more issues with banks, more issues with real estate, and if you have that with the recession, yeah, you're going to see a little bit more stress and strain in the system. And then the banking system, which I think is rather sound, a lot of these banks that you see are straining themselves today by buying back less stock, beefing up capital, reducing the duration in their AFS portfolios. But you will see that stress and strain elsewhere too. That will be Warren Buffett's famous tide going out, there's going to be a lot of people swimming naked.

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

And so, I as a risk manager, I look at that and you should be prepared for it. Every bank should be prepared for it. Some won't be, but – and so should other companies. There'll be leveraged companies, possibly private credit, if that happens, and I'm not saying it's going to happen, we don't know. I don't spend a lot of time guessing about outcomes of soft landing, medium recession, hard recession, because nobody knows. I do think we should be prepared for the tails, and as such, those are tails we're kind of prepared for. And I think other people should be too.

Jason M. Goldberg*Analyst, Barclays Capital, Inc.***Q**

I usually don't start with capital, but given the Basel III endgame proposal came out late July, I'm sure you spent all summer...

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

It did? What did it say?

Jason M. Goldberg*Analyst, Barclays Capital, Inc.***Q**

1,100 pages worth.

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

1,100 pages after 10 years. I mean, honestly, like this has been a lot for too long, but...

Jason M. Goldberg*Analyst, Barclays Capital, Inc.***Q**

Maybe at a high level, what were your main takeaways?

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

Let me count the ways. Hugely disappointing for the following reasons. So think of strategically, I would love to know, what they really want to accomplish. If they want the mortgage business outside of banking, they should say it, raise the capital, put operational risk against it and push it out. I think they don't want to do that, just tell us not to do any mortgage anymore. If they want private credit, leveraged lending out of the system, that's fine. But I think what is it they actually want? Do they want banks never to fail? I never thought that was the goal. But if they want banks never to fail, this isn't going to do it. We should do something else.

Did they look at other alternatives? Did they actually learn the right lessons from Silicon Valley Bank and First Republic? Like I think they have enough authority to tell banks you could take this much interest rate exposure and not that. And that would have solved some of these problems right there. So it was never a capital problem. And so I'm like, what do they want? Do they look at comprehensively. I would love to know the cost benefit to society of pushing some of these things out. I look at this major issue about we've gone from, in America, in 1996, 7,300 public companies to something like 4,500 today. So it should have gone from 7,300 to 14,000, with the growth – the economy growth.

Private equity has gone from 1,000 to 10,000. Why is that? Are we better off by having less transparent private markets than public markets? So I think there's a whole bunch of strategic issues they should have asked, thought, analyzed, shared some of the cost benefits, shared some of their thinking about all that kind of stuff. Then there is what I consider more tactical, like I've always thought G-SIFI is an asinine calculation, operational risk is even more asinine. Do you like diversification? I think diversification is a wonderful thing, but G-SIFI, some CCAR, some stress – not the stress testing, that actually incorporates, an operational risk is anti-diversification. In operational risk, are all revenues equally bad? Really? Honestly, I look at that, I think, who did that? What person, in what ivory tower thinks that that is a rational thing to do? And then I would prefer more transparency, not like on the models. No one's going to try to game it, but a little more transparent with the process they went through. Did all the governors have a point of view? I'd like to know what the other governors think.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

I want to know – go back to strategic – I'd like to know why on the international side. If you look at the numbers, so take, Barclays and us, you may not know this yet, but we would have to hold 30% more capital than a European bank. Is that what they wanted? Is that good long-term? Why? Didn't we say we have international just, what was the goddamn point of Basel on the first place? And I look all that it's like what is it they are actually trying to do? And so, it's by the way 25% – we think, like you said the 1,000 pages and we haven't been through the detail. But we take it the way it is, based on what we think today it's 30% more RWA. I don't know where they came with their 19%. I just I'm missing that. And it's 25% more capital.

And, you know, we will be forced to optimize in a million different ways. And the NPR probably won't be all the way there. But, every single thing was put in the outlier. Like G-SIFI was supposed to be adjusted by their own rules for the size of the global economy. It wasn't. It would be half what it is if they did that. So, I don't mind the changes they did make, which actually going to add a little bit of capital for us. I'd like to know why they didn't make the other adjustment. If that's the adjustment they should make, they should simply make it. FRTB (sic), so capital, the FRTB, I am not against proper capital but doesn't CCAR, G-SIFI, operational risk capital, FRTB, all double count, the global market shock that's in CCAR. What are they trying to do? All I want is fairness, transparency, openness and they should do what's right for the United States of America. I'm not sure they did most of what I just said.

Jason M. Goldberg

Analyst, Barclays Capital, Inc.

Q

A lot of follow-up.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

You can quote all that too, by the way, and the banks are quite upset. And that's also the other thing. I'm not sure it's a great thing that we have this constant battles with regulators, as opposed to open thoughtful things. We used to have real conversation with regulators. There's none anymore in the United States, like virtually none. This stuff is just all from up top, imposed down below and then you got it. Of course, we simply have to take it because there are judge, jury and hangman, and that is what it is. JPMorgan will adjust, we'll survive, we'll do fine. It will have unintended consequences that they may not like, including one day, I think you're going to see much more volatility in the market like you saw in COVID in February 2019, and they won't realize that they actually caused that.

Jason M. Goldberg

Analyst, Barclays Capital, Inc.

Q

I guess, are there any lines of business you feel need to cut back on or get out completely in light of all that?

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

Yeah. I'm not going to sit here and tell you where I am going to cut back lines of business. But yeah, we might. We – you have – every one of us will have to optimize different products, services, clients, locations. But I mean, give us time. We got to go through all the rules in detail. They're probably going to clarify with some – some are not completely clear yet and then we'll figure it out.

Look, all these banks are smart people. And also, it also, in my view, causes a little bit of this herd thing where the Federal Reserve should have a little humility, they're the ones who told the world rates aren't going up. And it wasn't the Federal Reserve in general. It's each one of them independently. In fact, it was each central bank. So if I were them, I'd have a little more humility over stuff like this.

Jason M. Goldberg

Analyst, Barclays Capital, Inc.

Q

You've been pretty open with your views with us today. I suspect for the last month or so, you've expressed these views with other regulators...

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

A

I was on vacation.

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

So you haven't done that.

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

A

Like trying to de-aggravate myself from this kind of thing, like... But, I want them to do the right thing. It's just clear to me that they didn't. And now, we have to go through all this rigmarole and NPRs. Do you think the NPRs going to make a shit of a difference? It's my academics argue with their academics, then they're going to do what they want anyway. That's all that's going to happen. Unless some other Fed governors or other people decide to get deeply involved, try to do what is right and fair and they think about what's good for the country. Not just, can they just stop themselves ever from being blamed for a bank failure.

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

All right. So I guess I won't ask the question, where do you think you have the greatest chance to make progress?

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

A

I expect no real progress.

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

So I guess in that backdrop...

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

A

Unless, some of these other regulators get tougher and decide they shouldn't be pushed around by one or two people in the Federal Reserve.

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

So I guess, if we take what you said, RWA is up 30%. Now, was that for JPMorgan? You were talking about it...

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

A

That's JPMorgan.

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

So RWA is up 30%.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co

A

But you – I don't know. My reference is roughly the same. RWA and CET1 have done slightly differently in this thing because CCAR is the absolute dollars. And so it's slightly different, that's why one is 30%, one is 25%.

Jason M. Goldberg

Analyst, Barclays Capital, Inc.

Q

But I guess you've talked about this 13.5%.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co

A

But all of this honestly – do they want banks ever be investable again? If I look at my money, of course, I'm not going to sell my stock and stuff like that, I think we'd navigate it. I wouldn't be a big buyer of banks.

Jason M. Goldberg

Analyst, Barclays Capital, Inc.

Q

Right. So, let's unpack that. So, RWA is up 30%.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co

A

I would – look, I'd be no better than equal weight or whatever you call it.

Jason M. Goldberg

Analyst, Barclays Capital, Inc.

Q

So, RWA is up 30%, assume you keep at 13.5% CET1 ratio, your 17% ROE target goes – ROTCE target goes to 14%.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co

A

Quick. Yeah.

Jason M. Goldberg

Analyst, Barclays Capital, Inc.

Q

So, I guess...

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co

A

I noticed.

Jason M. Goldberg

Analyst, Barclays Capital, Inc.

Q

So, I guess a couple of things. So, is 13.5% the right number or could that come down? Or what could you do to kind of work around that?

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co

A

Well, what I'd first say is that we're retaining more capital because we don't wait to the end of this thing to phase all in. We could still buyback some stock with approximately the rate we're doing it today and get there by the end of 2024, the new rules. Obviously, you just did a

A

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

calculation. The NPR may change a little bit, but I agree that's the right place to start. And then we will optimize differently. So, we will get back some of that, maybe not all of that.

I also think that the short run, like the next couple of years, is very different than you look at the long run. I think if American banks have to hold 30% more than competitors around the world, that is a huge negative over a long period of time. It may not be a negative over a short period of time, because of the position we've all built up. But basically it means – what it should mean is certain things should not be held in the banking system. That's what it means. Almost all loans are bad. Just listen to what I said, almost all loans are bad.

And the other thing we have to look at is, what does it mean for the consumer, like small businesses, mortgages, middle market loans, and it will cost more in credit. And I haven't done the economic analysis about what that cost is on growth for America and stuff like that. But, we'll optimize. We'll get back some of that. Some, like I said, will have unintended consequences. It may cause more concentration in banking by client. So, I can envision a bunch of things. But, what's going to happen is that the big guys will get more of it for a whole bunch of different reasons, not less of it. Even though I just said loans could be bad. Because you've got to earn it back elsewhere. So, most people wouldn't make loans to be in the loan business anymore.

Q

Jason M. Goldberg*Analyst, Barclays Capital, Inc.*

Why don't we put the next ARS question? So, I'm not going to let you get off the hook that easily, Jamie. So, 17% goes to 14%. Then there's mitigation, optimization, change in business practice, potential market share gains, reprice. What do you think that 17% number is?

A

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

I really don't know. And 17% is pretty good. So, I'm not – it's like my own people, they say, oh 17%, we've done it a couple of years. I did these numbers myself because people question these things. We used, I think, in our proxy 12 peers. And how many years over the last 10 years did a company earn over 18% even once, of those 120 years? If I remember correctly, it was 5 or 6, and we were half of that or something.

And how many earned below 6% in those years? It was 30 or 40 times. And so, if we could earn 17% for the rest of my life, I would take that in a second. I'd push that button right now and retire. I mean – and that 17% would probably be in 50 years, someone here could do the numbers, we'd probably be half of the global GDP. So, that's a good number. And if it's a little bit less, we can deal with that. But we'll – Jeremy, when we – obviously we're doing a lot of work now. When we do our quarter, we'll probably give a little bit of update what we think about it. But, it's not over yet. The NPR tends to change. I don't think it's going to change a lot, but it will tend to change a little bit.

Q

Jason M. Goldberg*Analyst, Barclays Capital, Inc.*

I guess, we're on the screen though. But the audience was roughly 50% 15%, and then 25% each 14% and 16%.

A

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

All right. Good enough. I'm not going to target 14%. You could take that off the table, okay? Okay, good.

Q

Jason M. Goldberg*Analyst, Barclays Capital, Inc.*

Right. We'll take mid-teens plus. I guess also we didn't talk about the new G-SIB rules, but with the proposed changes, it seems the practice of G-SIB management will be a harder to achieve. It seems like you've kind of had in this upward trajectory there. Any kind of increased ability to manage that more effectively?

A

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

No, the same thing. We take every one of these things and go manage it down to the product level, the regional level and the client level. So, we're going to do our homework and each one, including G-SIFI, operational risk capital. So, operational risk capital – and I don't know the

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

answers yet – will affect mortgages, which is already a shitty business. And is that what they really want to do? So, I don't know. And then like you said, it comes to optimization, whatever it is, if we can earn different types of revenues in that client or that product, something like that, you may be able to make up for some of it.

Jason M. Goldberg*Analyst, Barclays Capital, Inc.***Q**

Got it. And I guess, before moving on...

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

But I think they did two right things in G-SIFI – like the bucket is 10 basis points and the averaging is done slightly differently. Even though that – believe it or not, that's worse for us because it takes our 4.5% up a little bit.

Jason M. Goldberg*Analyst, Barclays Capital, Inc.***Q**

And then in next month, the SCB actually falls from 4% to 2.9%, I guess, against the new Basel reforms...

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

I'm not sure it going up to 4% should have ever happened. And it shows you about SCB. Again, that was never meant to be a regulatory capital regime. Why it's been added on top of all this capital is kind of beyond me at this point. And also I think having that kind of thing go up or down 1% in the year is always not a good idea. And it may be where they got to that 19% number. They took credit for that in the 19% number, which to me wouldn't have been completely honest.

Jason M. Goldberg*Analyst, Barclays Capital, Inc.***Q**

And I guess, could buyback share repurchase continue or that goes on hold until we figure this all out?

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

Is there anyone here from JPMorgan Investor Relations? No, I mean, we are buying back stock at a lower level. That can continue all the way to the end of 2024 and we can meet our new capital requirements. So, it will be less than we might otherwise have done. But, right now I'd rather wait and see. I'm also quite cautious, in case you didn't get it, about the environment, more cautious than other people. I think there is more potential odds of a accident of some sort than other people think.

Jason M. Goldberg*Analyst, Barclays Capital, Inc.***Q**

I guess, all right, maybe we can shift gears to maybe the business against that. Maybe just start with top of the house and just net interest income. Just your kind of macro thoughts in terms of loan growth, credit cards have been strong, most other areas have been subdued. Economy is slowing. RWA optimization becomes top of mind. Just kind of what's your outlook for here?

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

Yeah. Look, I don't worry. Loan growth is always an output. It's not a goal. We don't look forward. So, credit cards going up against mostly normalized or revolvers go up, and revolving – those notion that revolvers are higher they've ever been, not really true. It's actually – if you adjust for the economy to size the – our average revolver balance is still lower than pre-COVID, even though we're back at the number of total revolvers as before. The other loan areas are all over – real estate down a little bit, some levelizing, Middle Market down a little bit, some

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

because they used public market. The public markets opened up. So, there are bunch of industries that just sold bonds and paid off loans and stuff like that, which is completely normal.

And NII, I think we've given you numbers – they haven't really changed that much. You have them, right? Whatever they are, they're the same as they were before. But, I caution you, we're still over-earning in that number. And we're probably going to do a little bit better than we told you. But think of quarter by quarter because the uncertainties are so large, competition, the ability to move money, QT. QT has been all over the place. Like, first it happened and then the bank failures happened, they basically reversed some of it. The Fed sold a lot of T-bonds, a lot of that came out of RRP, not out of bank deposits. But, bank deposits are going to come down with QT.

At one point, you'll see reduction in deposits and there'll be more competition. Lot of banks don't need the money, so they haven't been competing. But, if you look at bank competition, it's very regional and it's very bank-specific. This bank wanted money, this bank is doing CDs. I just think what's going to happen with NII. We know it's going to come down to a different level. We just don't know when and I don't want to predict when.

Jason M. Goldberg*Analyst, Barclays Capital, Inc.***Q**

I still got to ask some follow-ups.

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

We still could earn good money. It isn't like – we're just giving back the over-earning part.

Jason M. Goldberg*Analyst, Barclays Capital, Inc.***Q**

You said a little better. So, your guidance was \$87 billion for 2023. So, you're saying a little bit better than that?

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

Could be a little better than that. Yeah.

Jason M. Goldberg*Analyst, Barclays Capital, Inc.***Q**

And then you've also talked about this mid-\$70 billion number at some point in the future. Although I think when you gave that number, that was before First Republic, I just...

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

No. I think – yes, that's before First Republic. Yeah.

Jason M. Goldberg*Analyst, Barclays Capital, Inc.***Q**

I guess, do you want to opine on that figure?

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

I'm going to let Jeremy do that when he does quarterly earnings. We'll give you an update. But I still think this is the over-earning component and I think I'm quite cautious about that, too.

Jason M. Goldberg*Analyst, Barclays Capital, Inc.***Q**

I guess, you touched on deposits in terms of dealing with QT and money fund competition. Betas have kind of been, I think, lower than expected at JPMorgan, so far. I guess your mid-70s number implies a catch-up in here. Just maybe talk to in terms of just how you manage the balances against this backdrop?

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

Yeah. I hate this deposit beta number, because it includes Small Business, large corporations. I mean, it's all over the place. We have a huge Payments business. I would say it's been what you would expect in everything other than Consumer, which is the bulk of it. So, large corporations and businesses that can move money pretty actively, we have to compete for that.

It's the Consumer side, where JPMorgan isn't as competitive as other banks. We're retaining a lot of the deposits anyway, because we have other programs and stuff like that. But that's the one at one point you're going to have to increase it. And even aside in my own company, Jenn and Marianne will say X, I'll say Y, Jeremy will say Z, that all in point. We don't know. I don't even care that much. It is what it is. It will be what it is. We're still going to earn you money. I just want to acknowledge the over-earning part. Right now, we're retaining more of NII than we would expect to, had there been a normal thing in that. Like I said, every bank is in a different position what they need or don't need.

Jason M. Goldberg*Analyst, Barclays Capital, Inc.***Q**

Got it. And then maybe shifting gears to trading and investment banking, I have to get the obligatory how's the quarter going question out of the way.

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

I always hate this one, too. Because really like it's not over yet. No one knows. Quarter-over-quarter – year-over-year, down a percent or two in trading. And I think it's something like that in Investment Banking. Pipelines are strong. But I always remind people, I never talk about pipelines. You know why? Pipelines like open and close, they don't really tell you what's going to happen for equity or certain types of debt or stuff like that, or M&A. It's a lot of people talking a lot of debt – lot of stuff taking place, markets are open.

Jason M. Goldberg*Analyst, Barclays Capital, Inc.***Q**

So, trading...

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

...and Markets – trading is doing fine. Yeah.

Jason M. Goldberg*Analyst, Barclays Capital, Inc.***Q**

So, down a percent or two year-over-year.

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

A

I think that's what I said.

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

And Investment Banking fees...

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

A

I'm sure my own people are going to correct me in that. I think roughly equivalent to last quarter, something like that.

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

Flattish...

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

A

Yeah.

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

...sequentially.

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

A

Yeah.

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

These are the questions I get asked. My phone's going to start buzzing if I don't get clarity.

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

A

I know. I know. But that's the hedge fund guys. Those of us who build businesses, our job is to serve clients through thick or thin regardless of the weather. We're going to earn our fair share of our clients' revenues over time.

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

So, we could pull up and talk big picture if you prefer. But if you look at aggregate, the big five U.S.-based trading banks, this will likely be the fourth straight year trading revenue is in the \$100 billion to \$110 billion band. That number used to be in that \$70 billion, \$80 billion band, kind of pre-pandemic. Maybe in the medium term or longer term, what do you think is the right number?

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co

A

Yeah. I think that – and that \$70 billion to \$80 billion was down from a much bigger number before that. So, it did have a huge – over long period of time down, that coming down. Some derivatives, some CLOs, some CMBS, lot of stuff went away. I think that \$70 billion in my own view is a little low. This is more normal. It can grow from here, but it's trench warfare. We have to compete with Goldman Sachs, Morgan Stanley, Bank of America, Wells and Citi.

But from here, that wallet may very well grow because remember, assets of the world grow and products grow and investments grow, international flows grow. So, I think it's possible it grows from here. If you have a recession, that's one thing; but if you have growth, it's another thing. But I mean, we hope to eke out share gains. That, to me, is the most important over time.

Jason M. Goldberg

Analyst, Barclays Capital, Inc.

Q

And then you mentioned pipelines on the investment banking front. This clearly post-Labor Day feels like there's some big IPOs in the market. DCM issuance was very active last week. M&A feels like it's coming back. Just maybe in terms of talk to kind of green shoots in what you're seeing there.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co

A

Yeah. And again, you're just guessing the weather here. But DCM is a steady amount because people refinance. Sometimes CFO's sentiment, they wait because they think rates are too high or too low. I think they make a mistake if they do that. I wouldn't spend too much time speculating about rates are going to do.

The DCM component, which is episodic, is M&A related. So, that will follow more M&A and a lot of talk taking place, whether it gets finished or not, I don't know. And ECM, you saw – to give you some numbers, I think in 2021, 400 IPOs; 2022, 40; this year, I don't know, some may remember 70 or 80 so far this year. It's open, but the open is much more for companies earning money, more legitimate, stuff like that.

And when I hear that and more people having those conversations companies going public, that it's going to be a down round. But to me, it's grow up on that one too, it's not a down round. The last one was overpriced. And so, yeah, ECM is open. That can stay open until it doesn't. And that's the most – that's the pipeline, it's more like an accordion. It opens and closes over time. It opens up when values are pretty good which they are today, and it closes when people think they can get a much better thing if they wait.

Jason M. Goldberg

Analyst, Barclays Capital, Inc.

Q

And then...

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co

A

My advice to a company, you can't go public and you want to go public and you need to go public, don't wait too long. I think the uncertainties out in front of us are still very large and very dangerous.

Jason M. Goldberg

Analyst, Barclays Capital, Inc.

Q

I guess against that, expenses in the first half of the year were \$40.3 billion. Even if adjusting for First Republic, you're kind of running better than your \$84.5 billion guide.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co

A

It's rough. Yeah. When you say better, that bounces around a little bit, it's roughly that, maybe a teeny bit better, but yeah.

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

But I asked – we had Daniel here last year, I asked him a similar question.

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

A

\$88 billion next year he said, something like that.

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

But I asked – we had Daniel here last year, I asked him a similar question.

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

A

While I pointed – he ended up beating last year by \$1 billion. So, are you going to beat that – or I mean...

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

But I asked – we had Daniel here last year, I asked him a similar question.

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

A

I don't know.

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

You don't know?

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

A

I like spending money. You know that, right?

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

Yeah.

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

A

No. I think what we've guided to before is still where we are today. But I also caution people here we are – our company is not afraid about spending more if we think it is good for the long-term shareholder. So, I always separate expenses into waste cutting, like BS, meetings, too much, reporting to people that don't read, and then investments. To me, opening a good new branch or building a good new system or hiring bankers in the country, whether it's wealth management bankers, investment bankers, where you know you're going to do okay, it just isn't okay in the 12-month time period.

Accounting is a fiction. 12 months means nothing to me. So, to me, I always look at what does this mean. If that's going to pay off, it's not an expense, it's a good thing to do. And there are also, by the way, bad revenues. Warren Buffett always says – he was in the insurance business. Sometimes you're better off taking your sales force and paying them, but paying them to play golf, not to do any more underwriting.

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

And that happens in the loan business, too. And the way we avoided a lot of problems in high leveraged loans is, if we got priced out, we wouldn't do them and those are good non-revenues.

Jason M. Goldberg*Analyst, Barclays Capital, Inc.***Q**

Because I guess as you kind of think about the 2024 budgeting process, are there any particular areas you think, I think, feel like needed the investment? And I think consensus has an \$88 billion number out there is, that's how you think about it.

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

That'd be roughly equivalent. But the budgets, they're in phase right now and people are doing it. And I think we've laid out for you guys a lot the investments where we're adding technology, AI, branches, bankers. In some of those investments, I can't tell you exactly what the return or some if we know exactly what the returns are going to be. And I think those plans will be roughly similar this year than they were last year, roughly. Some things up, some things down. And First Republic obviously changed a little bit where we have to deploy some of our resources.

Jason M. Goldberg*Analyst, Barclays Capital, Inc.***Q**

I guess. Speaking of First Republic, provide us an update in terms of employee customer retention, systems integration, any update to what looked to us as conservative assumptions around that deal?

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

Yeah, there's still conservative assumption around that deal. And again, Jeremy will update you more a little bit better on retention of – we've been losing a bunch of people, but they were almost all – from the time we did it, they were almost had signed out beforehand. Better retention of assets than we might have thought, better retention of deposits than we might have thought. More business related than consumer related. We closed, I think, 20 of their branches like literally this week. So, we're keeping 60.

Very happy with some of the stuff we found. Remember, very clean assets, very good clients, some very good bankers all across the board. They did some wonderful things in how they handle clients. We're trying to figure out how we can do that, enhance some of our offerings and stuff like that. Marianne and Jen have been doing a great job and the integration side is very basic, there's only so many apps. Almost everything they did was outsourced. Some are going to be done through ACAT. Some are going to be done through actual conversion of stuff like that. But we've done those before and we'll just hopefully get them all done by the end of 2024. I'm sure we'll get them all done by the end of 2024. I tell Jenn and Marianne we've got WaMu done in nine months. So just let's move on with the bureaucracy.

Jason M. Goldberg*Analyst, Barclays Capital, Inc.***Q**

This should be easier.

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

It should be easier.

Jason M. Goldberg*Analyst, Barclays Capital, Inc.***Q**

We touched a little bit in your introduction around credit quality, but you talked about Credit Card charge-offs being 2.6% this year, 3.5% normalized?

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

A

I didn't say that, but go ahead.

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

Well, not today but July – Jeremy said it in July.

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

A

Jeremy said, yeah.

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

Is that wrong?

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

A

No, we did say that, yeah.

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

What would you say?

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

A

Jeremy is usually roughly accurate.

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

I guess, we've talked about there's normalization and there's deterioration, obviously going through this normalization process, any signs of deterioration?

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

A

Very modest. I already mentioned, we look at like downgrades and upgrades in middle market and wholesale, more downgrades. You see, you've all seen deterioration, we're not big in auto subprime, but you've clearly seen it there. It's explainable. So I don't think it's nothing like the early indicators when subprime started going bad in the mortgage business in 2007. So there's a little bit, a little bit in some leveraged companies. So, yeah, but again, if rates go up and things get more recessionary, you are going to see more people out there with problems, part of that will be completely normal, part of that will be worse than normal because of the rate side, people are just not ready or used to 6.5% rates.

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

And then you mentioned kind of...

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

And that's possible. The other thing about the rate side, keep in mind is because people look at the treasuries yield of 4.2% – treasury, 10-year treasury, but credit spreads are low. You look at the – are you ready, okay, I'll ask you a question. This is what I ask the people, like high yield credit spreads today are what?

Jason M. Goldberg*Analyst, Barclays Capital, Inc.***Q**

Not that wide.

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

I'm going to say they're like 450 or 500, something like that. What were they – what's the worst they ever got before the Great Financial Crisis? 18%. And when I got to JPMorgan, I had them stress test to 18%. And they were, 'it'll never happen again'. So well, maybe not, but you got to stress test to 18%. Where do they get to in the Great Financial Crisis? 20%. And at 20%, there're only one or two people making markets in those bonds.

You couldn't sell them anyway. So, shit happens, folks. And when spreads are very narrow and sentiment changes rapidly and governments have to sell – the United States governments going to have to sell either – they're going to sell net new bonds of \$2 trillion next year and roll over another \$5 trillion. Governments are selling more bonds they ever sold before. Central banks will be selling more bonds. And then some natural buyers like China and Japan will be buying less, if not selling. So I'm on the cautious side on all that stuff.

Jason M. Goldberg*Analyst, Barclays Capital, Inc.***Q**

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

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Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

I guess, again...

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

A

Including credit spreads. I would not be a buyer of treasuries at 4.2%, nobody will buy our credit spreads at these spread levels.

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

So against that backdrop, you've added over \$4 billion to your ACL reserve of late. You're kind of modeling a 5.8% unemployment, up 200 basis points from where the last print was. With the advent of CECL, how much is this reserve building process already happened? And how much...

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

A

Okay. About CECL, this is probably one of those huge errors and mistakes. So that 5.8% is we have scenario planning. And I don't do the scenario planning, because like you said, I would be putting up reserves. Okay. I can't. I am quite cautious about what's going to happen in credit and stuff like that. I can't.

Our top economists, all these folks look at it, and you do which the percentage is going to get better, which the percentage to be the same, which the percentage to be adverse, which the percentage to be severe adverse and those percentages average to the 5.8%, which means it's worse than it is today. And that means our reserves today can handle that 5.8%. The \$4 billion that you had, I think roughly \$2 billion simply relates to the increase in credit card outstandings. So it's not part of changing anything. And a portion, I've got the number, relates to First Republic, close to \$1 billion and the others, then we do idiosyncratic stuff – upgrades, downgrades. Those are name by name specific. So it's hard to say that you can look at the environment today, you can add more reserves today. And it's hard to say the environment is going to be worse.

But that's why I don't like CECL, bounces all over the place. And I remind people from March, I mean, from January, the beginning of the year 2020 to June, we put up \$15 billion. And then from June to the end of the year, we took down \$15 billion. So, CECL is just a hypothetical number. It's very unfortunate it's incorporated in accounting.

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

I guess maybe bringing kind of this whole discussion together. One of my takeaways from your Investor Day was you have these big four businesses.

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

A

The other thing about our company, this is important, it relates to all these regulations too. We already run the company as if you're running it through an average cycle, i.e. we're already including the stress portion. So when we look at credit, reserving and underwriting and trading, we don't say things are great and we'll put up more capital later. We say, no, we manage the company through the cycle so we can bank our clients in good times and bad times, and they don't have to react in bad times if somehow you've got to pull back dramatically. And so we try to incorporate that all in how we run the company.

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

Putting it together, I guess, looking out, maybe what do you think are the two or three biggest growth opportunities the next few years? Payments, Wealth Management, international, or you tell us.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co

A

Literally, it's I think in general in Investment Banking, it's fighting to gain a little bit of share here and a little bit share there. It's area by area, country by country, segment by segment, industry group by industry group, FX in Asia, G10 here, like it is. But we think we can fight and gain share. That's the goal.

Payments, we're doing quite well. Our share has gone up dramatically. We hope to do that. We have a bunch of new products and services coming. Custody, we think we've gained some share, but we have new products and services coming.

Asset Management, if you look at what we're doing, we're just building the Private Bank and we're building Asset Management. Asset Management is more about products. So we've done a damn good job on certain new products and certain of these active ETFs, stuff like that. But on the Private Banking side, it's more bankers in more areas. And you can just see, we showed you the headcount we had. That's kind of the investment in that kind of area. In all these areas there's technology investments.

And then, in Commercial Banking, obviously, Silicon Valley Bank, we gained a lot of clients very quickly, but we're building, what we call the Innovation Economy to do a better job. And what First Republic did and Silicon Valley Bank was a big lesson to us, how they covered those clients. So we are putting more bankers on the ground to cover some of those clients, changing some of our own policy and procedures. Middle Market Banking is still growing and we have that Commercial Banking effort overseas. I just was in London and it's working. We're covering more clients overseas in Commercial Banking.

And then in Consumer, we gained share in Auto, though it has its own issues and stuff like that. We've actually gained a little share recently in Mortgage, tough business, but hopefully, we'll look at how these regulations turn out. We're gaining share in Credit Card. We've added what I call ancillary services in Consumer, the travel, dining stuff, which we have a new great lounge coming in LaGuardia. If you've been in Boston, you might have seen ours. And we're gaining share in Consumer Banking, Small Business Banking. We got products and services.

In those areas we're still opening branches. We're still adding products and services, adding better digital stuff. Wealth Management is a big area. I think we've really underperform – not underperforming. We could do so much more there in terms of gaining share. So you see us – and you see that by mostly by assets under management and headcount we're adding in branches around the country, et cetera and in some non-branch headcount we're adding that can serve clients. You might have seen these great new ads. We can serve you digitally – remotely, too. So a lot of stuff coming there. I think we can grow in every single area and of course we have real competition too, so I'm quite cognizant of that.

Jason M. Goldberg

Analyst, Barclays Capital, Inc.

I'll pull up there. We have about 5 minutes left to see if there's any questions from the audience. Right behind you.

Unidentified Participant

Q

Thanks for the time. We'd love to hear your thoughts on bank M&A and maybe, just size of banks out there. Yeah.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co

A

Yeah. So, when I hear people talk about banking, they act like it's a static thing that if banks do mergers, they're just all getting bigger. Go back to 2007, a lot of the big banks got smaller, quickly, called failure, and so it isn't like the system is static. You have some banks doing well, bigger ones, some not doing so well. And you're going to continue to have that. I think they should allow bank M&A so they can compete. That's not my own self-interest. I think it's a good idea, if you're two banks, you think together you're better off than separate, you should. And then you have new community banks all the time, like nonstop. You also have non-banks, but PayPal, Square, Apple, Chime, Dave, SoFi, it's a dynamic system. We have a lot of stuff taking place and we've got to compete with some of those people in some areas and some in a lot of areas.

And so I think there will be bank M&A. And I think Janet Yellen actually came out and said they should allow it, politicians say it shouldn't be allowed. They don't understand the dynamism of companies. And yes, some bank M&A will fail. But there's nothing wrong with failure. You don't want to stop people from doing what they think is a good thing with their capital and their companies. And as you know, mergers are tough. So, if we're advising a company, I'd say, you better be prepared for a bank merger, has a lot of complexity around technology,

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co

A

sociology, all these various things, management, capabilities, et cetera. So, but it should definitely positively be allowed. I think it will be because it's better for the system.

Unidentified Participant

Q

I got one over here. Sorry. To your left in the back. So very quickly, you mentioned a few times that you are more bearish than most. Hi, over here. Sorry. You mentioned a few times that you're more bearish than most and you've made a couple of comments over the last couple of months, the hurricane comment, obviously. Is there something in your business specifically that you're seeing or is it more your take on the macro indicators that a lot of other people are seeing as well and making similar comments?

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co

A

It's literally the extent of the fiscal deficits. The fact that we've never been through quantitative tightening before. So, I think there's a false sense of security that those two things will end out being okay. I don't know. They're big, huge, semi tectonic shifts that we've seen. Remember governments, we also have the IRA Act, the re-militarization of the world, the green economy. You've got a lot of stuff which is very different than the past and looks more like the seventies to me than anything else. And then this war, obviously it's humanitarian crisis, but it is affecting all global trade, all global alliances, all global investing. America with the Middle East, America with China. And obviously, oil prices, energy prices, food prices, all of which could be hugely disrupting to geopolitics.

And I just put those category things in this bucket that says that is a tough thing, and maybe they'll resolve and sort themselves out. Maybe they won't. And I'm – it just puts me on heightened edge of caution. And we could be sitting here in a year and I wouldn't be surprised of those things, if the 10-year bond is at 5.5%, or oil is at \$120 or \$150. And it's only that, I don't know, just in the back of my mind, I have to say that's not – these things are tectonic differences what you've experienced since 1945. That's what it is.

Unidentified Participant

Q

One more here. So on geopolitical tensions, I think you just came back from China. What's your takeaway from the trip? How do you think U.S.-China relations will go from here?

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co

A

Well, I put that highly cautious. So when I went there on that trip, the most noticeable thing to me, which now you kind of know a little bit, is that a lot of folks in Asia think that America wants to "contain and maybe hurt China", which I don't think is true. But I think the American government has been quite clear that isn't the goal. Their goal is to protect national security, American competitiveness and hopefully, that'll be done in a way that's fair and reasonable and with our allies.

The other big takeaway, by the way, is that the Chinese people are worried about China. We're all worried about China in America, but they were more worried about China. So you've seen FDI dropped like a stone. FDI and internal domestic things. So I think, it's an issue but I think, finally, the American government is doing the right thing. Gina Raimondo was there, Tony Blinken was there, Janet Yellen went there. The President will hopefully meet with President Xi soon and they should have very rational, private conversations, not insulting each other. Both countries can do unilateral things. Just remember that, China has for years. America kind of didn't and now we are and kind of pissed the Chinese off but part of their own medicine and I'm hoping it will sort out.

In terms of our own business, the risk reward, which was very good, has now become just okay. The risk is bad. Like, again, I don't expect war with Taiwan and stuff like that. But you have this say this could go south. Henry Kissinger has spoken about this and he knows far more about international relationships and geopolitics than I do. He's quite worried that we're off track with China and it can lead to bad outcomes. But the other good news is, 40 years from now, they'll probably be a fully industrialized nation with a big GDP per person, maybe not bigger than America, by the way. I think people have been a little foolish in how they looked at China as a 10 foot giant. China's got serious problems of their own, not of our making, including geopolitical, they've kind of pissed off all their neighbors a little bit, all of whom are rearming, they're not rearming because then the America did, they're rearming because China is scaring them with their behavior in the South China Sea, et cetera.

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

But the fact is, they'll probably be a large industrial nation. So we're there, we're very cautious. We're managing our risk but we served in China, hundreds of multinationals outside of China. We serve Chinese companies going out, which as long as we're not violating European or American sanctions rules, we intend to continue to do. And then we also bank companies in China, and we will – there will be some restrictions put on what we can do. And what all you can do in China and the government is trying to sort out exactly what it wants to limit or not limit. I hope they're quite careful about it.

Jason M. Goldberg*Analyst, Barclays Capital, Inc.*

Seeing we're out of time. Please join me in thanking Jamie for his time today.

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

Thank you very much. Good luck to you all.

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