Hi and good morning, everyone. On behalf of the Firm, it’s my great pleasure to welcome you all to our 2024 Investor Day. I'm just going to quickly hit on a few logistical points and then we'll get the presentations underway.

First on Q&A, like last year, in addition to the final session with Jamie, we will have some time for questions after the individual LOB presentations. And second, keep sending me your feedback, good and bad. Last year’s most frequent request was to shorten the overall day. We listened and lunch is, in fact, the last item on today’s agenda. Third, if you’re a fixed income investor, please note that we have also updated our investor materials under the Fixed Income tab on our website.

And while I’m up here, I would be remiss if I didn’t mention that today is Steven Chubak’s 40th birthday. So thank you for spending the day with us.

And lastly, on a more serious note, please make sure to read the disclaimer about forward-looking statements. Please silence your phones, sit back and enjoy the presentations. And let’s welcome to the stage our President and Chief Operating Officer, Daniel Pinto.

Good morning. So great to be here. Thank you for joining us today. So I will focus my remarks on areas of the company that have some strategic priority for growth and some other areas of focus. But before I go to that, I would like to spend a minute on the current, or recent, reorganization of the Corporate & Investment Bank and the Commercial Bank, putting it together.

So when the Corporate & Investment Bank was put together roughly 12 years ago, the idea was to serve big corporations, governments and big institutional investors around the world. And we saw at the time, even though every pressure was towards shrinking and reducing cost and becoming smaller, we saw that the view of the future will be of our growth. So therefore, we invest and we create a platform that was global, that was operating over time at scale, complete and diversified and our market share grew substantially over the years, so at the same time to serve the smaller clients. Doug was building the Commercial Bank. And it made a lot of sense at the time to keep it separate to make sure that it was a full focus on both sides. Now, both platforms got to a level of maturity that you can put it together to serve the clients better. And there are no two better leaders than Troy and Jenn to take it to the next level.

So now let’s go through the areas that are strategically important for growth in the company. I will start with a couple of comments on the Consumer business. So, we have 82 million customers and around 6 million small businesses. And we’ve been expanding into new states and new markets. In the markets where we are consolidated, our market share is around 20%. In the markets where we are not, the market share is in the low-single digits. So, one of the areas of opportunities that we mature the new markets is among the pros that is going to come that way. The other opportunity is deepening by creating better and more targeted client experiences.

So we have 24 million customers that they use more than one product, and 19 million of those, either they are both clients of the retail bank and clients of the credit card business. So, there is a lot of growth coming by deepening the relationship with those clients and offering products like wealth management where now we are about to cross or in the neighborhood of $1 trillion of assets under management. We are focusing on providing travel services and commerce services. So, the opportunity is huge, both in expanding into the areas where we are newer, and deepening in client relationships.

So, First Republic, great acquisition, a bit of – a year ago. So, clearly, the quality of the assets we acquired is great and continues to be so, but also, more important, the talent that came along with the acquisition is great. And one thing that First Republic did extremely well is to create a very, very good client experience. The clients love their bank. And one of the things that you will hear a lot from Mark O'Donovan about this is to learn from what they did and how they did it and create a model of single point of contact for affluent clients with a different client experience that will help those clients to navigate the complexity of the consumer bank in a better way. So, you will hear more about that.
So, the second point that I will like to touch on is Payments. We process $10 trillion of payments a day, the wholesale payment platform serves wholesale clients and serves, as well, all the retail clients. And a few years ago, several years ago, we realized that that industry was massively fragmented. Even the biggest had 4%, 5% market share. And the complexity of cyber and the rise of the development of cyber and our investment in cyber was going to be a good marketing tool that will help us to consolidate our overall market share and the industry will have consolidated.

The other thing that was happening at the time, it was very, very hot in this space, the fintechs, where the incentive for these companies was to invest as much as possible to grow the top line and forget about the bottom line. We knew that, and we had certain programs with them that we've been kind of covering over time. But also, we knew that sort of heavy investment model, it wasn't going to be sustainable. As soon as interest rates start going up, that is pretty much gone. So now, they are investing. They are very good. They are doing a very good job for their customers, but we are doing it, too. Also, there are areas of growth in the Payments business that we are focusing on. Corporates, particularly outside the United States, certain verticals that require specialization in the services that we provide like healthcare services, multiparty commerce and small business. So we have now around 9-plus percent market share from around 5% a few years ago. And the growth is going to continue because the same trends that we saw in the past we are going to see in the future.

So expansion into new markets. And I mentioned two or three things, some international, some, you know, the U.S. As the Retail business expanding into new states and new markets, the Commercial Bank is accompanying them. So we have 27 new locations in the last five years, the revenues of $2 billion that they are supported by 700 bankers. Also several years ago, Doug decided to complement the global corporate bank, focus international in the upper end of the middle market. Smaller companies were the ones that the global corporate bank was covering. And at the moment, we have already a thousand clients that we are covering. We are in 27 countries and with 90 bankers and generate around $350 million (sic) [in revenues] a year.

The Private Bank, International Private Bank, is another opportunity. It's also a substantially fragmented business everywhere. But Mary and Martin, they have been investing. We have added 350 bankers in the last several years from 2019. Assets under supervision has gone up by 57%. We have expanded the single coverage model from 8 markets to 18 markets and revenues in that space are still small but have tripled since 2019.

And then lastly, the Consumer business in Europe, particularly in the U.K. At the moment, we have 2-plus million customers. 1 million of those, they are highly engaged customers that they do around, on average, 40 transactions a month. And we are reaching around $22 billion (sic) [$20 billion plus] in deposits and is progressing. We are adding more products to the U.K. offering over time and looking at ways to expand into the rest of Europe. We told you in the past that we are going to be very disciplined about the cash burn of this business and we are way below those levels in 2023 and it will be in 2024.

The other opportunity is private capital. So every regulator around the world is concerned about this, and everything they do is to incentivize the growth of private markets. So we cannot ignore it. We need to really embrace it and make sure that we are properly positioned to participate in that market. It's an asset class of $14 trillion with plenty of dry powder in the sponsor space and growing, growing very fast on private equity, on private credit, in all the components of it. So we are really focused on three things in this space. First, it is how is a holistic way to cover sponsor clients across the Private Bank, across the Commercial & Investment Bank, across the whole company, and we have a good plan for that.

The second one is private credit. So, ideally, with every client in every single transaction, we want to offer a syndicated solution and at the same time a private credit solution. And the way that – our massive competitive advantage is capacity to originate. We know so many clients. And essentially, what we are doing is optimizing and leveraging our balance sheet with money from clients through distribution. I think that this is going to grow. It's an asset class of $1 trillion-plus at the moment, growing very, very fast.

The last point here is how do we continue investing and developing the venture capital space and the companies associated with it. So Doug has been investing in that for a number of years. But with the situation of Silicon Valley Bank last year, so the possibility of growth was very evident. So we added a lot of resources, with number of clients in that space have gone up by 190% and last year, the amount of revenues by 70%. So big area of focus, big potential. I think that we have a good plan of how to target the different pieces.

And then lastly, on the Asset Management, Mary’s business. So we have had a very, very good performance, investment performance year in and year out that had put us in a position to have net new flows year in and year out as well. And we have invested in several things. And one of those is active managed ETFs, is probably today the most successful active managed ETF platform that exists. And there are many opportunities. We have a great platform for real estate, a great platform for infrastructure. We need to develop those platforms further. And also find a way on the fiduciary space as we are finding in the non-fiduciary space to get into private credit. And Mary and the team are working on that.

So, now, I will spend a couple of minutes on technology. It's been a big, long journey, and it's a journey of modernizing our technology stacks from the layers that interact with our clients to all the deeper layers for processing. And we have made quite a lot of progress in both by moving some applications to the cloud, by moving some applications to the new data centers, and creating a tool for our developers to do it in a way that is a better experience for them and they are more effective. And we are making progress. The productivity of this organization
today is by far higher than it was several years ago, and still a long way to go. We have reduced by optimizing the infrastructure that we use, the cost per unit of processing and storage.

But AI and, particularly large language models, will be transformational here. That's why like a few months ago, we asked Teresa, who used to run Securities Services, someone with a great intellect, curiosity, and a huge ability to execute at scale to become the Chief Data and Analytics Officer. And her mandate here is to transform the data that we have together with the business into something that is usable, which is very, very important. We have plenty of data, but we need to transform it into a way that is used for analytics. And second one, create a necessary platform centrally and in the business to really take advantage of that data. So, we are making progress, but I think that this will be massively transformational. At this time, we've been investing in artificial intelligence for a number of years now and we have seen some progress, difficult to measure, but roughly the value that we assign to our artificial intelligence use cases is around between $1 billion to $1.5 billion and is in the fields of customer personalization, trading, operational efficiencies, fraud manager, credit decisioning.

But when you think about the potential of large language models in the big families of jobs and the productivity that that could bring along, so we have 60,000 developers. We have between operations and call centers, 80,000 people. So that is almost half of the company where this technology will be very, very impactful. And we have two leaders Guy Halamish and Mike Ashworth, the two big leads in operations across the companies, and they have their mandate to look at all the process in operations and find efficiencies. We have found some, and I'll give you one example. In KYC, know your client, in 2022, we processed 155,000 files with 3,000 people. By the end of next year, we will process 230,000 files with 20% less of the people. It's an increase in productivity between 80% to 90%. And that is just one little example. So the idea is to look at everything and see how much productivity is there.

So all this is great. But if we don't manage our risks and assign our resources efficiently, it really doesn't matter. The day-to-day of this is what makes the future possible. And risk management is a strong suit for the company, as you have seen year in and year out, but is a bit of a challenging environment. Who would have thought that after the pandemic, the war, geopolitical tensions, massive fiscal and monetary expansions everywhere in the world, we are going to be today in a situation discussing the high probability of a soft landing? And I think that this is a central scenario, it's likely, as inflation continues to come down, but there are tails and there are risks that may kind of derail us for that very strong scenario, and I would mention three, which are quite obvious.

First, the geopolitical risk. And particularly the confluence of geopolitical tensions and the electoral cycle in this country is a massive risk. It's no surprise anywhere it exists. The second one is, as this process of sharing the economy from COVID and all the other challenges, we have a massive deficit pretty much in every country and a massive amount of debt to GDP. So how that one is going to play out in a geopolitical world that is very different than what it was is another area that we all have to keep an eye on. And inflation. Inflation has been coming down with a lot of good things that happened, but it's still way above the levels that the central bank in the U.S. and other central banks will want it. So in the scenario where the rates have to go up again, low probability but not zero probability, then we're going to have a recession. So we are – obviously, we have our central case that is the soft landing scenario. But the risk of the tails, they are quite, quite substantial, and everyone and we need to be, as a company, prepared for if we are wrong and the tails take place, how we are going to position the company in a proper way.

Capital – we have a highly liquid balance sheet. We have plenty of loss absorbing resources, $520 billion, but it's something that we focus on it every day. And we have excess capital at the moment, but we have in the different businesses, in mortgages, in markets, in many places deployment of capital into clients that we need to optimize day in and day out. I'm very focused on that every day.

Expenses – as you see, we've been spending and investing more than others. But the discipline around this is very high. The ROI of the investment that we are making is good and the operating leverage that we are achieving is best in class as you see in the graph on the page. So we don't apologize for that. We think that we are making the investments to prepare the company for success in the future. We did that in the past and we will continue to do that going forward.

And the last point on regulatory environment, it is a tough environment, as you can see day in and day out. But it's our responsibility to participate and maintain the safe, soundness and resilience of the financial services industry because of our size. So we are not going to compromise on that. We are going to spend the money that is necessary to spend to have a control environment that is resilient and stable over time.

So now, as you can see, there are many areas of focus with opportunities and growth, so we feel very good about the possibility of the company to continue to grow going forward. But now to wrap up, I would like to remind you that in 2018 we set our target over time.

And we have many questions from some of you if we are going to revise it lower. Well, the answer to that is no. We think that there is enough growth and possibilities in this company to continue to perform over the cycle at this level. Clearly, the uncertainties – there are several but particularly the Basel III Endgame. So, we hear the same thing that you're hearing, probably what is going to come up is more reasonable than the first approach, and assuming that reasonable outcome materializes, the possibility of the 17% is there so we are reaffirming and maintaining that. So, I will stop here. I will hand over the podium to Jeremy. And thank you. Nice to see you all. Thank you and see you later.
Okay. Thank you, Daniel. Let me briefly tell you what we're going to cover today. As we've done frequently in the past, we'll restate our strategic principles and operating model. We're going to review our recent financial results, discuss the current operating environment, and then cover the financial outlook including our return expectations through a range of environments. So let's start by talking about our proven operating model.

We show you this page every year and the repetition is intentional. We have a strategy that is complete, global, diversified and at scale, and we don't expect it to change. Underneath that, we have exceptional client franchises delivering a comprehensive set of products and services backed by powerful brands. We apply unwavering principles across everything, our fortress balance sheet, our risk governance, and our culture. And of course, we focus on long-term shareholder value generation. We talk a lot about investing and it's investing in every way, from attracting and retaining top talent to delivering superior customer experiences. Finally and really connected with that long-term view, we invest in our communities, have sustainable business practices, and we integrate on our own terms environmental sustainability into our business and operating decisions.

As we've said in prior years, we believe that our operating model is a big driver of our outstanding financial results, powered in no small part by the breadth and depth of our franchises. On the left-hand side, you see the benefits of diversification. Different revenue types and businesses produce stable and growing total revenue.

The right-hand side of the page now reflects our new segment structure with the Commercial & Investment Bank. The relationships among our three lines of business allow us to serve clients across the continuum and have a complete set of products to fit the specific needs of each of our clients. And we operate globally and serve over 100 markets worldwide, including our recent International Consumer Initiatives and the ongoing international expansion in the CIB and Private Bank.

Our operating model is underpinned by world-class client franchises. On the left-hand side, we show our exceptionally strong share positions and we illustrate how the lines of business complement and reinforce each other. And these leading positions are tangible proof points of the benefits of our ongoing investments, consistent strategy and scale. The right-hand side shows market share growth over the last decade. In the CCB, we have 11.3% deposit share and are number one in four out of the top five U.S. markets and we have grown client investment assets by five times. In the CIB, we've had for a long time the number one wallet share in IB fees and Markets revenue. And we've grown market share in both Treasury Services and Securities Services. And in AWM, we've more than doubled client assets to $5 trillion, and we've had 20 straight years of positive net new flows.

While we are extremely pleased with these results, we don't think we're perfect. And given the strength of the competition, we don't take our leadership positions for granted. At the same time, we see the areas of relative weakness as opportunities for growth. Nonetheless, despite these opportunities, our strategy, footprint, client franchises, products and services have in fact produced best-in-class financial performance over the last decade. We could pick any number of metrics to look at. But just to choose one, tangible book value per share has grown at a 10% CAGR since 2005, well above peers. You'll notice consistent themes here. We invest through the cycle and we aspire to have the fortitude to maintain a long-term view even in the presence of short-term pressures, which has proved to be a competitive advantage for us. Our 2023 absolute results are worth highlighting. We grew revenue for the eighth consecutive year. Our adjusted overhead ratio of 53% improved by 4% year-on-year, and we produced $50 billion of net income and a 21% ROTCE. Strong results to put it mildly.

Now, let's turn towards the future. As we look forward and as we've been saying for a couple of quarters now, the environment is getting more complicated. We believe the tailwinds we have experienced recently will abate and will probably turn into headwinds. I'll cover NII in more detail on the next page. On credit normalization, it's worth noting that even though the charge-off rate for Card was already normalized at the beginning of the year, the full year effect will be a headwind to the year-on-year comparison.

Looking at 2024 and beyond, there are, at a minimum, a series of uncertainties. Regulatory capital is obviously a big one that I'm going to cover in more detail. There are various headwinds from proposed new consumer regulations which we feel quite strongly about and which Marianne will cover. We've previously said that we think our current stress capital buffer is cyclically low, so it will probably be a headwind for capital. And as Daniel just addressed, the geopolitical situation remains volatile and complex.

So, with that in mind, let's turn to the outlook, starting with NII. I'm going to start with the punch line here and direct you to the right-hand side of the page. We're revising NII ex. Markets up to $91 billion. That represents a $3 billion increase to the guidance we gave at fourth quarter
earnings. And as you can see, we are anchoring the explanation to the slide we used in the earnings presentation at the time since it contains the key thematic building blocks we are using for comparison. Relative to our update in the first quarter, this guidance represents a $2 billion increase.

The primary driver of the upward revision is the combination of a higher rate curve and, in that context, smaller-than-expected increases in the portfolio rate paid assumptions for the rest of the year. However, I would caution that it can take time to observe increased reprice pressure as a result of sustained higher rates. So the error bands here remain wide.

And I'll remind you of what I said on the last earnings call. We have around $900 billion of low-cost consumer and small business deposits, and relatively small changes in the pricing strategy could have a big impact on the run rate. In addition, I should point out that this outlook does include a placeholder for the impact of the credit card late fee rule.

You'll note that the total NII outlook increased to $91 billion. So total NII and NII ex. Markets are now the same. In other words, Markets NII is effectively zero and is driven by similar dynamics to the ones I discussed at earnings, as well as rounding. Stepping back, it remains the case that despite this upward revision, our current outlook relative to the 4Q 2023 annualized NII still implies sequential declines, which might raise the question of when we'll see the trough.

When I look at our internal outlook for the next six quarters, the sequential NII trajectory is a bit noisy and I see instances of sequential increases followed by sequential declines. We'll have to see how it plays out. But given that, I would discourage you from trying to call the NII bottom based on any given sequential increase over the next few quarters.

Next is the expense outlook. Our 2024 expense outlook is about $92 billion, reflecting the $1 billion Foundation contribution of appreciated Visa stock. I want to reiterate what we said in our recent 8-K filing that the $1 billion contribution is just pre-funding of what would have otherwise been spent in future years. So we're not changing the strategy or the amount the Foundation spends, and it has the benefit of being tax efficient. Also, reminder that the $92 billion includes the previously announced $725 million increase in the FDIC special assessment. So, in that context, if you go back to the $90 billion we guided during the fourth quarter, nothing has really changed in terms of operating expenses.

Now, let me give you some color on the drivers. With respect to organic business growth, Daniel covered the strategic importance of each of these initiatives in his section, and you can see some of the additional details on the page. I do want to point out that some of the growth is in the Corporate segment, and that's largely driven by our International Consumer Initiatives where the higher expenses are associated with higher revenues. I'll give you the technology detail on the next page in just a second.

We do see a modest increase from First Republic, but we also expect a lower 2024 exit run rate as synergies are delivered. The increase in volume- and revenue-related expense is primarily a function of our noninterest revenue outlook, especially growth and wealth management revenue across both AWM and CCB, and the expectation of recovery in the Investment Banking wallet, as well as increases in volume-related expense generally.

At the same time, we remain extremely focused on generating productivity in BAU in order to moderate the growth-driven expense increases. Marketing remains a cost driver. And we continue to see measurable revenue and franchise impact supporting robust card loan growth, strong customer acquisition, and great engagement across the deposit and card franchises.

It's worth saying that while we don't call out inflation as a standalone driver, you could argue that it's embedded in all of these, as both labor and non-labor expenses are higher than they otherwise would have been. And while we're past the peak inflation moment, we do continue to see some upward pressure on costs, especially as certain longer-dated elements of the expense base reset.

Now turning to tech. Sorry. I'm going to briefly cover our Firmwide technology spending, and later today, you'll hear more detail from the businesses about their tech priorities and spending in the context of their business strategies.

Starting on the left-hand side of the page, we expect 2024 Firmwide tech spend to be about $17 billion, up approximately $1.5 billion year-on-year. To highlight some of the drivers of the increase, First Republic integration did add a little bit year-on-year. Investments are up about $0.5 billion, which I'll talk more about in a second. And as I just mentioned, when discussing the Firmwide expenses, inflation remains a theme.

We're also explicitly calling out volume-related forces, which are pushing our tech expense up. Specifically, the use of data is growing. We have more digital engagement from customers and we're delivering new digital experiences. In addition, actual transactional volumes are increasing across the company and we've grown the number of employees. So all of this together drives volume-related increases to our tech spend. Offsetting those increases is the ongoing impact of our efforts to improve both the scalability of our infrastructure and the efficiency of our software development cycles.
I would also note that embedded in these expenses are some bubble costs as we're probably experiencing peak modernization spending. So there are some notable instances of overlapping processes and applications operating both in the cloud and on-prem, as well as some bubble expense from the physical footprint as we close down legacy data centers and move into our strategic ones.

On the right-hand side of the page, you can see the breakdown of the investment portion of the total spend by driver. $4.5 billion is products, platforms and user experience related. You'll hear more about that from the businesses. The remaining $3 billion of investment is on modernization broadly defined and notably, that $3 billion is flat year-on-year, and includes the cloud and data center work I just mentioned, as well as our ongoing efforts in cyber and resilience to protect the Firm and our customers.

And now, moving away from the expense outlook, let me expand a little bit on Daniel's comments about our tech strategy and what our technologists are focused on every day. Improving the efficiency of both our software engineering and our physical infrastructure is a top priority with the end goal being to get maximum productivity out of tech dollars, attract the best people to work here as software engineers, and benefit from all the innovation that is happening in the cloud ecosystem.

The items in blue at the top of the page are different indicators of our progress in moving to the private or public cloud, which Jamie mentioned in his Chairman's Letter. Specifically, the extent to which applications are running a large part of their workloads on the cloud, which is about 50%. The progress we are making in migrating applications to our modern data centers and the public cloud, which is about 80%. And progress migrating data to the cloud. 70% of our data has been landed in the cloud, but we should caveat that landing is not the same as having it be modernized and usable for AI and ML, so there's work to do there still.

On the bottom left-hand side of the page, you can see some indications of our engineering productivity, which we track across three buckets: speed, agility and stability. We've seen a significant overall increase in speed to deliver product features over the last couple of years. And in certain key high priority areas, we've improved significantly more than the average. At this point, agile practices are extremely widespread. But as one of my tech leads says, it's not about doing agile, it's about being agile. It's not about the lingo, it's about actually improving measurable outcomes, and we are seeing that. And as happy as we are about the improving dynamism of the development environment, we also need to recognize that given who we are, we run a lot of critical infrastructure.

So, stability and resiliency are absolutely essential and the increase in automated testing and deployment that comes with a more modern environment is delivering a significant reduction in incidence and a very, very high success rate in connection with releases into production. And on the right-hand side of the page, you see the more tangible economic benefits from infrastructure productivity improvement. The current environment is significantly increasing demand for compute, for storage, for everything as the company grows and becomes more digitally intensive. In the specific case of our so-called private cloud, which is the most modern JPM-owned infrastructure, despite seeing 50% growth in volumes, actual costs are only up 5%. So, as more of our estate moves to either private or public cloud and gets optimized in the new environment, we are optimistic about the efficiencies that will be generated.

So, that's it on tech. Now let's talk about credit. Let me start by giving an update on some of the more relevant Firmwide numbers. We're reserved for a weighted average peak unemployment of 5.4%, and we maintain meaningful weights on the adverse scenario as we still think the balance of risks is skewed to the downside.

On the bottom left of the page, we also thought it would be interesting to look at the evolution of the total allowance for the company since the fourth quarter of 2022. As balances, the economic outlook and underlying credit performance have evolved together to produce an overall increase in the allowance of $2.5 billion. Remember, that First Republic is contributing to some of that.

The remaining $1.3 billion of allowance increase included $1 billion of reserves for net loan growth, primarily in Card, as well as a $500 million build for Office, which you'll hear more about in the CIB presentation. And while we're at it, I should say again that setting aside the question of the weights, if you simply look at the card loan growth we expect this year and the typical seasonality of card balances, the reserve builds and the analyst models for this year still look low to us. The right-hand side of the page is focused on Card, which Marianne will cover in more detail. But we haven't really seen any surprises there, and we expect the 2024 Card net charge-off rate to be about 3.4%.

Okay, Now, let's move to the topic du jour, Basel III Endgame and the buyback trajectory. Given our stated views, we are encouraged by both Chair Powell and Vice Chair Barr's recent testimony that we should expect "broad and material changes". Understandably, people are interested in our opinion about what this could mean in terms of a likely final outcome. I want to again caveat that we don't have any information about the regulatory deliberations that you don't also have. And despite the recent press coverage, we think it would be naive to predict the outcome with any confidence. At the same time, we've obviously studied the issues closely. So at a minimum, we understand the building blocks. So, to help bring the discussion, we've laid out what you might call an informed illustration but that's all it is, an illustration.

You see that we focus on the major items in the NPR that received extensive comments. Retail gold-plating, operational risk, renewable energy investments, corporate risk weights, and then a collection of other capital markets items. To orient you on the page, the chart on the right-hand side shows potential outcomes in the Basel III Endgame RWA compared to the NPR. If you focus on the gray arrow on the left-hand side of the chart, moving down that axis represents a bigger decrease relative to the original proposal, or said differently, a smaller overall increase.
And as you go from left to right, you'll see a section for each of the categories where we've illustrated that some categories could have more outcomes than others, producing a broader range of potential final RWAs. And so, for each category, we chose a point estimate that we thought was a reasonable way to address the feedback and is consistent with broad and material changes. And those choices are represented by the blue diamonds with letters A through E. Those point estimates result in about a $250 billion increase in RWA or about half of the roughly $500 billion increase we estimated under the NPR as originally proposed.

Now, there are a couple of really important things to highlight. First is acknowledging that the blue diamonds that get you to about half of the RWA increase are just one scenario. You can get to that same half using any number of different combinations, and there are many other potential combinations you can generate, which would produce very different RWA increases and result in the wide range of outcomes you can see in the stylized distribution below.

Second, as a reminder, this is a single set of rules which requires agreement among three agencies, making the outcome even harder to predict. And finally, most of this page points to a range of RWA outcomes. But GSIB and SCB are also important components of our capital requirements, and we believe that “broad and material changes” should include some combination of GSIB and SCB, as well as RWA.

So, now, let's connect this illustration to the question of our capital return trajectory. On this page, we show you what you already know. Right now, we have quite a bit of excess capital. As I did with NII, I'm going to give you the punch line before the details. It’s clear that based on the amount of excess capital we have, it makes sense for us to increase the amount of buybacks relative to the recent pace of about $2 billion a quarter. And we have, in fact, started to do that.

Now, let's go through the details. We'll walk from our current $54 billion of excess capital to the first quarter of 2025. Based on analyst estimates of both organic capital generation and RWA growth, we would expect a net increase of about $28 billion. In addition, the recently announced Visa exchange nets about $5 billion. And we've previously said we think the SCB is cyclically low. So if that were to increase by 50 basis points, it would be a headwind of about $9 billion. Together, this leaves us with about $78 billion of excess capital as of 1Q 2025 on current rules.

The next bar introduces the impact of the Basel III Endgame. You can see that bar ranges from green, zero overall change in capital, to red, which is the roughly $50 billion of capital increase we estimated right after the NPR was released. The illustrative scenario we had on the previous page would be something in the middle, and everyone will have their own opinion about where we might land. Mapping all this to the right-most bar on the page, you can see that even relative to a realistic worst case scenario and including a management buffer, we still have a significant amount of excess capital. For that reason, we have increased buybacks a little bit. But I want to remind you that right now we still don't see particularly compelling opportunities to deploy capital. So you should expect us to continually assess the opportunity set in the context of our capital hierarchy and adjust our buybacks accordingly.

With that said, let's look at return scenarios. This is an updated version of the analysis we showed you last year. I won't repeat the description of what this is or the caveats about the analytical limitations of the approach. You can get that from last year's presentation if you want. Now, it is interesting to look at what's changed since last year. The launch point is different. Last year's fourth quarter return was similar, but the full-year return was lower. So this year’s trajectories lack the upward drift from the annualization of the 4Q launch point.

It's also worth noting that the economic environment is different from last year's. Last year, inflation was still running very hot and there was quite a bit of uncertainty about whether a soft landing was achievable. And if not, what type of recession we might have. As a result, all the scenarios included some form of a recession.

This year, at least according to the consensus of economists, the probability of a soft landing is quite a bit higher. And so the first two scenarios include versions of soft landings, although, of course, there are still a lot of uncertainty, and we still believe risks are skewed to the downside. This year, we also added the Basel III Endgame outcomes as a variable for obvious reasons.

And so what you can see here is that across a reasonable range of economic scenarios, we expect returns to normalize significantly over the next few years. At the same time, while this isn't exactly a through the cycle view, looking at the simulation provides additional context and support for Daniel's statement that assuming a reasonable outcome on the Basel III Endgame, 17% through the cycle is achievable. But of course, some years will be above that and others will be below. And in the end, the most important point is that we're confident in delivering strong relative and absolute returns in a range of environments.

So to wrap up, let me reiterate what's true every year. We continue to invest prudently to deliver share gains and superior returns. We are very focused on executing our tech strategy to prepare the Firm for the future. We are actively managing the balance sheet and we are prepared for a range of economic as well as capital scenarios. And through all that, our longstanding focus on delivering for our clients, customers and communities remains as strong as ever.

And with that, let's welcome Mary to the stage.
Hi, everybody. Thank you, Jeremy. Predictably, cautiously optimistic. We expect nothing less. Did anyone hear that song? The song was actually written by sticking this deck into a large language model and it came out with a song that played. Yeah, really? We can play it for you later if you'd like. And so, anyway, I'm Mary Erdoes for those of you who I haven't met, and I'm CEO of the Asset & Wealth Management Business. I'm really proud to be up here and launching the three line of business presentations.

In many ways, we're a microcosm of the Firm, and in other ways we sort of put the whole thing in perspective. How do we put the whole thing in perspective? You saw on Daniel's first slide, it was the newly organized business. We have everything. Chase, that's run by Marianne. We have the new behemoth of the CIB and the CB run by Jenn and Troy and Doug and Filippo. And then you have this relatively little $5 trillion asset management business. And that's exactly what it looked like up there.

But really, it's important to note it earns as much money as the largest asset management firms in the world. And so, it just actually puts into perspective for us everything we're going to go through here today into the size and scope of JPMorgan Chase and the earnings force that it has. I know it also happens to be your most important and favorite business because it's the business that you're in, the one of generating alpha. And each and every one of you are masters of that. So, let's get into who we are and what we are.

Just to reground us, we are a fiduciary, first and foremost. We've been managing money for individuals as well as institutions for the past 200 years. And we aim with one North Star to be the best, not the biggest. And the reason we do that is because we may very well end up being quite large, but if we do it the other way around with biggest being our goal, it's very hard to be the best. And our strategy has really proven to be quite sound. You can see that our investment performance numbers, which were laid out on one of Jeremy's slides, over 80% of what we do is beating peer averages. And clients want JPMorgan as their partner on the money management side. In fact, over $490 billion came in from new clients and new assets in 2023 alone. That's a pretty stunning number.

And you can see, overseeing this whole business, we've been through very many market crises. The Great Financial Crisis, 2012, COVID, the regional bank. And each time, Jeremy mentioned our fortress balance sheet is what makes us really the port in the storm. And 2023 was no exception to that, and this is where you'll see JPMorgan Chase taking step function growth in the marketplace. And so we did just that, and I want to just ground us in the who we serve and the what we provide to them. You will see this page in some other presentation. So, just to ground us, everything from the first-time investor, someone can walk into one of the 4,900 branches. And Kristin Lemkau's local and amazing Chase wealth managers, will sit you down. They'll go through a range of investment opportunities, all of them powered by Mike Camacho and his team who run solutions for Asset & Wealth Management. And together they partner to bring a wide array of solutions.

It can also be the most sophisticated sovereign wealth fund or pension fund on that far right side, where either Keith Cahill or Patrick Thompson's institutional salesforce will cover you from anything from a co-investment opportunity from our Private Equity group, all the way through to perhaps a direct investment that Doug Peino or John Simmons, who I see over there, will provide to the client. But across all of it is those same four pillars that Jeremy just went through. We are complete. We are global. We are diversified. And we are at scale.

So most importantly, how have we delivered for our shareholders? Let's just take a look at this. We continue to be a consistent growth engine for the Firm. Mike Mayo asked me this morning, “what is our main message?” That is it. We stay focused on delivering one thing, that's leading investment performance, and everything else follows. Strong investment performance leads to the first column, assets under supervision. That leads to revenue growth and that leads to profit growth. And each one of those green circles is a record. And in each year, we're setting at least one record across each of those measures.

How do we do it? The bottom is really one of those great asset allocation charts that you see Dr. David Kelly has these in his Guide to the Market presentations. You can find those Guide to the Market presentations, by the way, on almost every financial advisors' desktop with tens of thousands of followers he has across all of the different firms that serve wealthy clients. And we all know this well, the holy grail of asset allocation is having uncorrelated sources of returns, and that's exactly how we manage our business. Ironically, like a good 60/40 portfolio, that's what Asset & Wealth Management is. It's 60% NIR and 40% NII. And you can see all the dark blue are the NIRs, mostly management fees, and all the light blues are the NII, cash, banking, et cetera.

And like any good asset allocation chart, different years things can pop to the top, like lending last year, or to the bottom, like performance fees, which are very lumpy in the alternative space. But this diversification of what we've done has helped us to create two very successful franchises. So, it's just spend a couple of minutes on this page. We have two major businesses, roughly the same size. The one on the left is run by George Gatch, who's here in the front row, and he has been able to help take that business to the number five largest overall asset manager in the world and the number three largest active asset manager in the world, still more room to grow.
If you look at those numbers, both the US and international have doubled over the past decade across both retail, that's funds, and institutional. And one of the main drivers of this is the woman in the back of the room, Andrea Lisher. She runs one of the largest wholesaling forces in the country.

On the right hand side is the Global Private Bank, run by Dave Frame and Martin Marron. It's the most highly regarded private bank in the world. It's also grown its US and its international quite strongly, and it's grown large clients and small clients. I want you to just take note of that number that I shared with you in the last couple of years. Clients with $100 million or more with us have grown at about 2.5 times over the past decade, but maybe what's even more impressive is that what's been hit on this morning a couple of times. This Chase Wealth Management managed assets, where Asset & Wealth Management is powering the investment engine, it's grown fourteen-fold, and I promise you we have only begun to scratch the surface here.

When you pull the two businesses together in that middle box, you see a business that's doubled in size, now $5 trillion in assets. And I want you to just take note of two different areas. One, that Alternative Asset group, it's now over $400 billion run by Anton Pil. He oversees the success of many different areas like real assets, infrastructure, transport, growth equity, third-party private equity managers and hedge fund managers. Some of you are here in the room who we proudly invest in. But that also has the opportunity for significant growth as you think about the democratization of alternatives, which everybody is focused on. And when you put those two bottom lines of the Asset & Wealth Management sales force against the democratization of alts, you should expect very sizable growth.

I did want to make note of this cities. You can see we're in 133 different cities around the world, but that continuously expands. Just look at that number over the past 10 years, it's grown by 40 different offices, one for each quarter across Asset & Wealth Management. I didn't want you to think that the building you saw downstairs in the lobby, that David Arena and his team are building, is the only thing that they're doing. They're actually spending a lot of time making sure that each of the offices we open, whether it's the new Bangalore Center that just opened this year, or anywhere else, all of them are being invested in, like we talked about, for our people to be first-class places, for people to come to work. And actually, we actually think that's one of our edges.

People at JPMorgan don't need to be told to come to the office. They want to come in the office. They want to be in a place that is a delightful experience to be with their colleagues. When you pull that all together on the bottom of this page, you can see that over the last 10 years, we've delivered a very healthy 27% ROE on average. We've also done it with very prudent lending, almost negligible net charge-offs, and we have a balanced 30% margin. I say it's balanced because we are heavily reinvesting in this business and I want to just double click on that.

This expense page here on this next slide is a page that you're going to see in each of the lines of business. So let me just ground you because it's going to be the same one in each one. The first column is really revenue producing and volume related. The second is technology. The third is any M&A that we've done, and the fourth is other. So for us, the largest category is that first one, the revenue related is 65% of our $14 billion of expenses and it is what I think about as a good expense. It goes up when the market goes up, it goes up when we have strong performance, it goes up when we have larger volumes and distribution fees.

And much of it is comp related, but it's really market dependent, but it's also new advisors where we continue to grow. We will never stop investing in new advisors on the front lines so we run out of great people to hire. Technology is the second section there. That's the next most important, thanks to Mike Urciuoli, who's the Head of Asset & Wealth Management Tech. You can see these pie charts on the right, which you will also see in a number of the other line of business presentations, that we were very early movers to the cloud. And that's enabled us to move quite quickly on all things related to AI, which I will talk about in a little bit here.

On acquisitions, I just want to make note of the fact that our incremental spend is really almost nearly complete. We have a little bit more spend for the integration of First Republic this year, but otherwise, each of the six Asset & Wealth Management pieces of M&A that we've done over the past few years is on track to add tremendous value to both our shareholders and to our clients. And I just want you to rest assured that each and every penny that is spent here and in all the other line of businesses is just a relentless focus on the ROIs, the breakevens, the payback. Ben Hesse, who's our Head of Finance and Strategy, sits with our management teams on a weekly basis, and we try to go through and uncover each of these different areas, what's working and what's not. And we've been heavily investing for these many decades.

Let's jump into the first area of where most of those investments are, and that's the base foundation of how a lot of the relationships start when you come into the Asset & Wealth Management business of JPMorgan Chase. Okay. The vast majority of what we do actually starts in money market funds. That's a business run by John Donahue. I see him in the back of the room there. JD now has a black belt in financial crises, having managed through many of them, and you can see what happened last year through the regional banking crisis, a really sizable growth in the assets, almost $1 trillion now. It's a three-point market share gain, which is really sizable in one year. We now have a 16.5% market share. We are the number one institutional money market platform, but we still have room to grow. I want you to take note of that last box there.

The Morgan Money platform is an open architecture money market fund platform that we've seen tremendous growth on as we help people to pick any money market fund that they want and that was quite helpful through last spring.
The second area is deposits. You can see that those numbers are really holding steady, despite the food fight out there for deposits. Having both money market funds and deposits help us to just be agnostic with our client. They can move from one to the other, but they generally don't leave the bank. And that's an added value for us and a real competitive differentiation. And it's very critical because when you are on this page as someone's primary bank, both the assets and the revenues go up by, on average, 65%. So when we're more someone's private bank, assets and revenues go up quite handsomely.

Lending is also very important. But we don't want to do lending unto itself. And that's why that number of 2% credit-only clients is probably the most important one there for that area. We work very hard to make sure that our lending clients are getting the whole benefit of JPMorgan Chase and, in fact, have been working sort of coffee-cup-by-coffee-cup on each of these different ROEs for our clients. We've raised that by over 11 points just over the last five years, and 11 points is a lot on that book of business.

From this cash foundation, we then move into money management, and the money management is based 100% on research. So, if you just look at that first column there, we have over 1,700 investment professionals, of which that next column, a quarter of them, are in research. It makes us one of the largest buy-side firms on the Street. That group of people has hosted over 10,000 company meetings last year, CEOs and CFOs, basically one every 30 minutes coming into a building around the world to visit with us.

Each day, we take all of that information we gather, we pump it into a system that has 40 years’ worth of the data. It's about 1 billion data points per day. It gets synthesized into our proprietary risk system called Spectrum. And then, Gregg Ganselmen, who's Head of our Risk area, does independent risk, away from the portfolio managers, on everything from risk concentrations to VaR to liquidity, and very importantly, from outliers on investment performance.

We look just as much as the extra outperformance of an investment as we do from the underperformance of an investment to see why we're getting those results. And we actually believe that's part of our edge. Because if you look at those bottom numbers on the left, you see that 83% in 2023 that Jeremy went through. It is now up to 86% as of the first quarter. So, we're trending quite strong.

But perhaps the most successful of our investment performance numbers is the bottom right, and these are just stellar numbers. 94% of everything that we're doing in equities is ahead of our competitors. Paul Quinsee has led us to be the number one in active flows ahead of every one of our 3,000 active management competitors, and every one of them is quite formidable. That's led us to be half of the positive flows in the industry over the last three years.

And we think we win here because we keep investing in our talent and doubling down on how we train them. So, let's look at this page here. We've talked for years about JPMorgan being the place that hires, trains and cultivates great talent, new and existing. It's really the hallmark of what we do. It's a muscle we never let up on, and it makes JPMorgan a really coveted place to either start your career or retire from.

And I did want to make note of somebody who's not here today, Lauren Tyler, because her daughter is graduating from Yale this morning. But many of you know her from her years in Investor Relations. She's retiring from being our Head of Wealth Management HR (sic) after 24 years, so she can go and work on other boards. But she's really been instrumental in the cultivating of this talent, the diversity of talent, and had touched so many of us in this room. So, we're very thankful for it.

But she's always said, HR can't do this alone. You can't train these people with just HR. You need business people to get involved. I was looking at this table over here. I saw Jeremy Geller over there. Jeremy spends an inordinate amount of his time, in addition to running a large portion of our front-facing client advisors in the Private Bank, to being with our people and teaching them what you see on this right-hand side, which is culture.

I've talked before about JPMorganizing our people. That's a very important thing for us. And so, you will see that as we continue to hire new people on the left, we continue to increase the hours of training per hire, and we continue to diversify the kind of training. So, we talked about Python training being added a couple years ago. This year, everyone coming in here will have prompt engineering training to get them ready for the AI of the future.

But this HR is really a machine. I saw Robin Leopold, Head of HR, over here. I just – I found this statistic as we were preparing for Investor Day that is just mind-blowing, and I wanted to share it with you. So, JPMorgan has a number of summer analysts and associates who come in. We actually had 4,000 spots open for this summer. Guess how many applications we had for those 4,000 slots? 493,000 applications. So, we are ripe with the ability to pick talent, and it's very exciting. And the more we do with them, you can see the bottom, we deepen the relationships, we increase the productivity. And actually after we JPMorganize them, we think we get happier clients. Doing first-class business in a first-class way is a great way to make your clients happy.

Okay. So, not only do we work on this great talent, but we need to work on this great talent, because one of our acquisitions that we made is the one that's going to give the most leads across the bank, and that's Global Shares. Global Shares, for those of you who don't know, is a cloud-based share plan business that we bought in 2022. It's headquartered in Ireland. It's run and was started by Tim Houstoun, a great
partner for us, and now, Vince La Padula and Dan Steinkamp, who are right there in the middle, are overseeing that from the JPMorgan standpoint. They just hit over a million participants and $230 billion worth of assets.

We have some of the largest clients in the world, like Saudi Aramco, and we are creating what we think is the workplace of the future. Why? Because just think about what JPMorgan Chase has that the other people who are already leaders in this space don’t have. They don’t have a global business, all of them. Many of them are just U.S.-focused. They definitely don’t have 4,900 branches. They don’t have 6 million small business clients. They don’t have a Commercial Bank, and they don’t have the new innovation economy that I think we’re going to cover on one of the presentations later.

That’s the business that, Doug, you started with Melissa Smith, and then you made this great hire in John China from the Silicon Valley Bank. And then, we got First Republic, which has thousands of VC clients that you add together. So, when you take all of that, and you unleash the power of JPMorgan Chase, this workplace of the future should be a very good growth driver for our whole Firm.

Because it’s international, I just want to double click on two different international areas that I think are worth highlighting here for you, because Daniel mentioned international as a very important area. Also, others tend to be pausing or retreating here. So, this is important for us to continue to invest in. On the left-hand side is the International Private Bank. On the right-hand side is something I want to talk about in China. So, first, let’s talk about the left. This is the business run by Martin Marron. It is now the largest International Private Bank of any of the U.S.-domiciled banks.

We’ve been in lots of these places for many, many years. You see the bottom left picture there. That’s our — my favorite, Place Vendôme office. It’s actually where Jamie, Jenn and Troy just came back from after your time with Macron. You’ll have to weave that into your comments later. And 100 years later the picture next to it is a new office we just opened in Manchester last week. And that office, in that little selfie there — Ben, thank you for taking that. I heard that they were most excited about Sanoke’s business and the ability to combine the international consumer with that in an area that has potential sizable growth for us. So, that’s very exciting.

On the right-hand side, Asset Management China. Okay. So, we’ve been in China for over 100 years, and we finally have 100% of our joint venture owned by JPMorgan. For us, it’s critical because it’s a continuation of the research that I talked about. I always say to people, if you’re going to be a global investor today, you have to have on the ground research in China. It doesn’t actually matter where your dollars are invested in at the end of the day. It does matter that you understand the forces and dynamics that are happening in China to your company that you’re investing in anywhere else around the world.

And so, we have that picture in the middle there, those are our 400 new colleagues who are now 100% owned by JPMorgan. They just moved into the new JPMorgan Shanghai Tower, and they cover 800 Chinese clients. When you go there, which many of us are going there this afternoon to do a week of business reviews and the like, you will see five, six, seven companies coming in through the day. They’re all put up on this big screen, and you really get a sense of all of that information.

And I just wanted to make note on the bottom right. The other thing we’re going over there for this week is the China Summit. This is a summit that Filippo, who you will hear from in a little bit, after his time with Macron. That was his last major international public speech, and it was the day after his 100th birthday. It was really quite moving to the people in the audience. There were tears from many of the local Chinese. So, quite something. I hope this year is just as good.

Okay. One of the greatest growth areas, as we start to round out this presentation here, is the active ETF momentum that Daniel mentioned, and this is an area that George and Jed Laskowitz have been really, really doubling down on over the many years to get us ready for this. JPMorgan is leading the charge here on active ETFs. We started a couple years ago with almost nothing. Today, we’re the second largest active ETF provider in the world. Why? Because we have offerings in every one of those top 10 categories you see there. The breadth of what we do helps us to have that ability to talk to clients.

And as a matter of fact, we’re now number two over the trailing 12 months of flows into this space. Why? Look at the middle. The investment performance of the funds that we have out there is second to none, 96% of them outperforming our peer averages. And that’s led us to the top right, my most favorite page of this whole deck, which is those are the top five active ETFs in the world. JPMorgan Chase has three of them. That’s quite tremendous. This space has already, for us, grown to — it says $150 billion. We are at $180 billion as of Friday, and it has the potential to grow to over a trillion over the next decade.

Much of that growth actually is going to come from Fixed Income. So, I just want to quickly do a double click here on Fixed Income. Over these last 10 years, Bob Michele and his team — there you are, Bob, in the back. Bob Michele came to us over 10 years ago with a really sort of
rough set of performance in our Fixed Income world. And since then, you see the 63% turns into 86%. We've gone up 20 points in performance and we've tripled the number of four- and five-star funds there from 17 to 48.

You can see just a performance of one of the strategies. I happened to pick Global Bond Opportunities because it takes a little bit of each of the things he does. It's outperforming handsomely, 60 basis points for you equity people. In fixed income land, that's like a lot and really exciting. But we think the most important thing on this page is not his number one being number one inflows, but it's actually those SMA numbers on the bottom right. The number of SMAs we are able to manage with our technology is really the wave of the future. And so, that's why we doubled down on M&A.

I talked about this last year. I just want to reiterate what we did here, because I think it's an important growth driver for the future. We've taken our really successful SMA platform that we've had for years, and we bought two companies with the help of Brian Bessey, Jed, Ben and others. 55ip, it's a leading technology for tax optimization, and OpenInvest, which gives very curated preferences. With those two things, you can see the sizable growth we've had, and again, haven't even scratched the surface.

So, like many others, on the bottom right – bottom left, sorry, we do the basics. We take an S&P 500 portfolio. We optimize it for your taxes, for your preferences. You have too much financial services in your portfolio? Okay, we'll carve that out. You want to move to Florida? Okay, we'll figure out how to figure out the tax changes that you need to do. But just imagine, as you move across that page, when you can do tax optimization across your stocks and your bonds, imagine when you can also have a look-through in your alternatives portfolios and think about also being able to see assets held away.

All of that is being worked on by us at JPMorgan Chase, and already without it, we're number three in this space. We think we're going to continue to grow quite sizably. This will be helped by AI. So, I want to take a moment here for this page, which is about AI. We talked about Lori Beer and Teresa being really the leaders in technology, and they are working on all things tech, cloud, AI. But for Asset & Wealth Management, I just want to tell you, it is helping on two fronts, top right, it is helping on time saved, bottom right, it is helping actually on revenue growth.

Okay, so what are we doing? We're doing three main things. One, we're reducing the time for, like, hunting and pecking. You're on the call with a client and the client says, do you have something on your Large Cap Growth Fund? The system pulls up the Large Cap Growth Fund right while you're on the phone. They then say, yes, but I have some great competitor fund in that space already. It pulls that up, does a side-by-side comparison. And while you're on the phone, it spits out a sample email to the client, a compare and contrast, all there for you. Just imagine the time that saves from the callbacks, phone tag, trying to get the client going and finding all the information. So, endlessly helpful.

The second area is what Julie Harris, who runs our ops platform, calls getting rid of “no joy” work. Anything that you wake up in the morning and say, I can't wait to do the same thing I've done over the past 10 years of my life, rote repeatable work, we are getting rid of it at every front and it's really important. Some of the analysts have said already they get two to four hours back in their day, and we really haven't even begun, again, to get that out across all of the forces.

And then, we also use AI to do some of the hardest things, which is to map the brains of some of the smartest people in our company. We've taken Michael Cembalest's brain, and his 20 years of Eye on the Market, and now you can query it and you can say, what does he think about energy, or wait, what about last week's agricultural piece? And then, you can tie it with our stock picking list, which stocks would that lead you to want to buy, all there while you're on the phone with the client. And so, I think all of this is really important.

But maybe the best one is this one, which we just got on Friday. This is a new LLM called ChatCFO. And you would have thought – the client. And so, I think all of this is really important.

Okay, So, let's pull this all together in the last three pages I have here. First of all, this is the page I always try to go through, and it's really hard for me to help you to understand the culture inside of JPMorgan Chase. We talk about the stuff on the right. We refer business to this line of business, that business, invest in Asset & Wealth Management. We do IPO pitches. There's not a single one where all of us haven't thought about how to come together to try to win.

As a matter of fact, that's what Andy Cohen does for a living. He has something called 23 Wall that sits across the Investment Bank and Asset & Wealth Management to constantly find those opportunities. There isn't a city we're in, in the world, where we don't have an MLT leader, run by Peter Scher, who thinks about “how are we going to go talk to the mayor?”, “Should we do this stadium together as JPMorgan Chase?” “How do we talk to the clients with one voice?”

So, all of this is mind-boggling to us when we hear these stories about other firms who are having to think about paying for cross line of business referrals. And we always say here, can you imagine all the unintended consequences of that, of like “how many people touch the ball?” “Who's going to pay for what?” “Which bonus pool it's going to come out of to pay somebody else?” We have absolutely – that is just not how we live here.
We live for helping clients, and we often say it’s not just about the clients where you do a deal and you win. We celebrate just as much here what we call the empty tombstone. And the empty tombstone is the deal that sometimes you don’t do. It’s maybe the best advice for clients. And so, we have a culture here that those kind of things need to be equally celebrated. And so, that’s why perhaps we have so much success in the middle.

So, the last two slides here are bringing it all home, which is I want to reiterate the power of diversification here and know that we help clients across all these different products, all these different services and all these different geographies. We don’t sell products. We provide solutions, and that is why it doesn’t matter what the market environment is, we’re agnostic of it, to all of it. And you can see on the bottom, 80% of the last 80 quarters, we’ve had positive inflows, and as Jeremy said, 100% of the last 20 years, we’ve had positive inflows.

We added up those inflows over these last 20 years, and it’s a $1.9 trillion of new money that’s come in here just over the past decade. I’m excited to see what’s going to happen in the next decade. But most importantly, flows, as I said at the beginning, are a leading indicator of investment performance. So, you see those one- and five-year numbers. Those come from the past years. And so, when you look at 2023 and you look even at the first quarter of 2024, you should think of those as forward-looking indicators as to what you should expect from a financial perspective, which is why I want to close on this last page here.

The power of the diversification of this business, plus the traction of all those growth drivers, makes me want to have high confidence in reiterating to you our through-the-cycle targets, 4% on long-term flows, 5% on revenue growth, and a margin and an ROE that are both above or at 25% for the next three to five years. Our goal is to always under-promise and over-deliver, and that’s what we hope to do.

And with that, while I think that JPMorgan Asset & Wealth Management has a super high ROE, there’s someone that has an even higher ROE, and that’s Marianne Lake. So, I’m excited to bring you up.

Operator: Welcome to the stage, Marianne Lake.

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

Okay, Mary, I will take your ChatCFO, I will raise you one Bori Cox, who — take a wave, Bori — is CCB’s CFO, and is endless fun, never tired, never grumpy, knows the answers, it’s Christmas every day in CCB.

Okay, So, good morning. I’m excited to update you on CCB’s strategy and our performance. Today, I’ll start with an overview of the whole franchise. I’m going to update you on our progress since last year, talk about key drivers, our financial results, and touch on the macro environment. And then, Jen Roberts, Allison Beer and Mark O’Donovan are going to each come on stage and focus on answering your key questions, which Mikael solicited.

So, then let’s take a look at how we’re doing against our priorities. As you know, we hold ourselves accountable for delivering on the commitments we make, and it starts by growing our customer base. In fact, we outgrew both census and the competition. We continued to scale distribution, opening 166 branches last year. We added hundreds of business relationship managers and wealth advisors and launched relevant new products across the businesses like Freedom Rise, Premium Deposit, and most recently, Chase Travel.

While we continue to have more modernization work ahead of us, we accelerated moving analytical data to the cloud and have migrated more than 80% of applications out of legacy data centers. And the outcome of all these efforts can be seen in share gains and strong financial results. Last year, we gained share in our leading businesses in deposits, card sales, and outstandings. And yes, we reported a 38% return on equity, Mary. You’re welcome. But importantly, our return on equity was more than 25%, even when adjusting for through-the-cycle deposit margins and for normalized credit.

Moving on then to look at key business drivers. As I said, customer growth is the catalyst for the franchise. On the left, we’ve seen an acceleration in that growth since the pandemic and added 3.6 million customers or 4% year-on-year. But perhaps more excitingly, we are growing our digital engagement faster at 6%, and our multi-line of business customers faster yet at 9%. We’re also encouraged that two-thirds of both Consumer Bank and branded new card accounts are with millennials and Gen Z. So, we are adding more customers, they are more digitally active, and we’re deepening with them at faster rate. That’s the trifecta.

Let’s look at our share gains through a competitive lens. We are the market leader in Consumer Banking, Business Banking and Card, and we’ve meaningfully outperformed our leading competitor in both deposits and card. In Banking, we’ve grown checking accounts 20% over the last four years, and in fact, added 2 million net new checking accounts last year, about 3 times that of our closest competitor. And in Card, we’ve seen 30% growth since 2019, and last year, our marketing investments drove 10 million new accounts. While we’re adding customers to
the franchise at an accelerated pace, we’re also seeing strong retention with existing customers and maintaining focus to deliver primary bank and high card spend engagement. So, once you’re here at Chase, it’s all about how we engage with you.

We have a leading digital banking platform with 67 million active users, and we have the number one branch network. Increasingly, our digital and physical channels complement each other, and we’re connecting journeys across the ecosystem.

75% of all of our customers are 90 days digitally active, and two-thirds of our Banking customers visited a branch last year. On average, 900,000 people walk into our branches every day. Our customers are not just engaging with us more frequently. We’re driving stronger engagement, beyond just checking balances and activity. In fact, we saw a 20% lift in monthly engaged sessions through our digital channels year-on-year. Think about payments, offers, planning. Similarly, on the right, 20% more customers met with a banker last year to open or upgrade an account, to ask for financial advice, or for help with investing.

We’ve consistently demonstrated that when we launch new experiences, they scale quickly. Our most recent examples include, on the bottom left, we launched Chase Travel earlier this year, and in the first quarter, saw a 12% increase in bookings year-on-year. We have 10 million monthly active Credit Journey users, and since we launched credit score planner, 3 million plans have been created, which when completed drive an average 30 point score increase. Wealth Plan’s only been in market for a little over a year and already more than 1 million customers have created a plan, including 80% of first-time investors.

Finally, on the right, opening an account in branch now takes significantly less time to complete, given new digital capabilities, which is both more productive for our bankers and a better customer experience. And we are powering many of these new experiences using machine learning and AI.

This is not new for us. We’ve been using AI and machine learning for close to a decade and driving significant value. Initial use cases were focused on creating efficiencies and reducing risk, through models that protect our customers from fraud and improve our ability to service them.

We’ve only gotten more sophisticated since then, creating new solutions informed by our proprietary data to grow revenue through lead generation, sales effectiveness and personalization. Given our scale, we have some of the richest and most differentiated data assets in the industry, and it helps us to better understand and serve our customers. AI is like a 1,000 points of light. We seek to infuse it in every one of our products, experiences and customer interactions. And when we do, through digital marketing models, through predicting sales propensity, understanding customer intent, underwriting and line assignment models, curating content, predicting the likelihood for you to travel, you get the point.

When we do, we see improvement over prior models pretty consistently, 2%, 5%, 10%. And these kind of improvements at our scale are meaningful. And they’re also a critical component of improving the customer experience.

Customer experience is an operating discipline just like everything else. You have to work at it and you have to get very granular by business, by channel, by product, by journey. At the bottom, you can see we have record customer satisfaction across all channels last year and a very healthy 65 NPS for our Primary bank and highly engaged card members.

Making sure we have designed the right product for each customer segment is also a part of the winning formula, and when we do, we see a material improvement in customer satisfaction. I’ll use the Affluent customer segment to highlight the point. While the Net Promoter Score for Affluent customers in our flagship Total checking account is very good, when we upgrade them to Chase Private Client and cover them with a wealth advisor, we see a more than 10 point lift in NPS, as well as the relevant improvements in wallet share you’d hope for.

And then, moving down to Card, when we get these customers highly engaged with our Sapphire cards, we also see a more than 10-point lift in NPS, and we’re having good success in growing this portfolio. A great customer experience in core financial products earns us the right to deepen into adjacencies. So, let’s talk about Wealth Management and Connected Commerce.

Starting with Wealth Management, led by Kristin here at the front, deepening into the existing customer base is the strategy and fuels our growth. And we’ve been successful in CPC, increasing the number of customers with both deposits and investments by 50% since 2019. But we still see significant opportunity to further deepen, as more than 85% of our Affluent customers still do not have investments with us.

We feel poised to scale, as we have successfully grown our advisors, up 30% since 2019 and rounded out our product suite, including enhancing Self-Directed Investing and scaling new tools like Wealth Plan, all of which have led to a 60% increase in client relationships, including a record number of first-time investors last year. And as of today, we’ve basically hit our trillion dollar target in client investment assets early, of course, combined with favorable markets and First Republic.

In Commerce, the strategy is to connect our customers with top brands that they love, and the acquisitions we made have accelerated our growth. In Travel, we made progress in capturing more share of Branded Card Travel spend on our platform, an incremental 250 basis points. And travel bookings were up nearly 20% as we continued to invest in improving the experience. In Chase Offers, we saw a 30% increase in
spend on the platform year-on-year and are focused on sourcing relevant offers directly from merchants and increasingly personalizing the experience. More on Commerce later from Allison.

So, I'm going to skip over page 9. I already covered our summary financial performance at the beginning, and I'm going to dive into revenue on page 10. So, you can see on the traditional walk here that the two biggest drivers of revenue growth year-on-year are the macro rate environment and the acquisition of First Republic. Underlying this, however, there is meaningful organic growth across the businesses, which is best demonstrated in a multi-year view on the next page.

This is a five-year view of revenue growth drivers, and starting at the bottom with NII, the story is actually quite simple. Relative to 2019, the benefit of a 33 basis point higher deposit margin is about $3.5 billion. Deposit balances have been growing at a 12% CAGR, ending last year at over a trillion and delivering $9.6 billion of incremental revenue. The other big driver here is Card outstandings which, as you know, have not yet fully normalized, growing at a below trend 5% and delivering $2.8 billion of incremental NII.

So, of the total $15 billion increase, only $3.5 billion is related to deposit margin expansion, with the remainder reflecting underlying growth. Our outlook for NII is to be relatively flat this year, consistent with Jeremy's central case of $91 billion, a function of a modest decline in average deposit balances year-on-year, lower deposit margin as we continue to see some product migration in a slightly higher rate environment, offset by higher card OS, which we expect to grow double-digits, continuing to benefit from normalization.

Moving to noninterest revenue, where you can see that we've had a reported net decline of $3.4 billion. But over the five years, the businesses have faced a staggering $7 billion of headwinds, from a secular reduction in auto operating lease income, a dramatically smaller mortgage market, a step change in card acquisition costs of vintages that have not yet seasoned, and proactive overdraft policy changes. Which means that the businesses have delivered over $3.5 billion of underlying growth, and excitingly, more than half of that was generated by Wealth Management and Connected Commerce because of the investments we've been making.

Looking forward, non-interest revenue headwinds are mostly in our rearview mirror, and in some cases, present future growth opportunity as they normalize. And as such, we expect NIR to move higher this year, including continued contribution from our investments.

Moving to expense. We expect total expense to be up about $3 billion, excluding First Republic. And of this, we estimate about $600 million is due to wage inflation across the franchise. Starting on the left, the field and branch network is up $800 million, the biggest portion of which is compensation about equally impacted by wage inflation and by incentives on higher production. Tech and product expense is up $1 billion, driven by production tech expenses on higher volumes. But as you're going to see in a couple of pages, there's still a decent amount of continued investment in product development.

We estimate marketing expense to be up about $600 million as we continue to see strong engagement with, and demand for our card products. Operations and fraud losses are up $500 million on higher accounts and increased transaction volumes. And then, as I mentioned, we are seeing the impact of the annualization of First Republic at $700 million.

So, let's talk about productivity. Focusing here on run the bank expense of about $26 billion. And this excludes investments, First Republic, as well as auto lease depreciation - which is an accounting gross up and not operating expense. On this basis, our run the bank expenses have grown at a 6% CAGR since 2019, and for context you can see revenue, also excluding auto operating lease income, has also grown at 6% and total accounts at 5%.

We're seeing our customers engage with our channels and products more, with transaction volumes per account growing at 5%, and digital log-ins at 3%. Productivity has offset this underlying growth and inflationary headwinds, and we've delivered the benefits of scale with expense per CCB account growing at only 1%.

On the right-hand side, we selected the five largest contributors, which account for about 90% of the expense. And all growth represented here on the right is per account and at five-year CAGRs. From the top, field & branch and ops & fraud in blue are flat to down despite significant underlying volume growth. Card marketing & product benefits in purple, and this is good growth, has grown up 4%, driven by embedded benefits for our fee-based travel portfolios. And as a result, we've seen annual fees per segment grow at 7%, and a 9% decline in voluntary attrition rates.

In green, tech production is growing at a slightly elevated rate, which is a product of the cost of risk platforms and cyber controls as well as the incremental cost, as Jeremy said, of operating in two environments as we migrate out of legacy data centers.

And then finally in gray, our staff functions, real estate and regulatory assessments. And here this increase can be more than completely accounted for by a combination of wage inflation and the increases in FDIC assessments.

Now investments. Our outlook for 2024 is around $9 billion, driven by product development, which I'll come back to, as well as by distribution, first in marketing, as I said earlier, on strong card demand, but also in branch expansion, which Jen Roberts is going to talk about later.
On the far right, you can see an update of our return profile and in most categories we're re-underwriting that they remain on track. Just a minute on our Connected Commerce acquisitions, you can see I rated it amber, as our payback has extended from a little less than six years to a little over six years, driven by macro pressures on margins given airline supply constraints, but also the impacts of some delays in integration as we prioritize across the franchise, in no small part due to First Republic. For transparency, we will always update you with the math on the page, but it doesn't change anything about the investment thesis or business case for these acquisitions, which are very strong.

Then finishing expense in technology and product. We're going to spend about $7 billion on technology in total this year, which is about 10% of both reported and normalized revenue. And we estimate tech and product investment spend is about $4 billion, up $400 million. So, consider these numbers in the context of, yes, our revenue, but also the scale, the breadth and the depth of our businesses. Remember, we run a leading digital banking platform and the number one branch network, have leading deposit and card franchises. We move $6 trillion of consumer payments a year through our platform, have award-winning financial products that serve all customer segments, and we're constantly investing in refreshing them.

We're innovating and adding value-added services and adjacent experiences to enhance the customer value proposition, things like Credit Journey, Wealth Plan, Zelle, Travel, Offers, and of course, we're always focused on protecting our customers and eliminating points of pain and friction in the experience. And I'll remind you that it takes more than 100 products and services across CCB to deliver the end-to-end ecosystem to our customers.

So, rolling this all up by category in the purple bar in the middle, the biggest portion of spend is on platform capabilities like payments, like the deposit platform, the marketing platform, and the API marketplace. With a close second being on channel delivery and enablement, reaching our customers with the right product and the right offer in the channel of their choice. Third, are primarily customer-facing product groups across the lines of business, and then finally, a smaller but critical component on data, AI and ML.

Cutting across all of these is modernization, which is an investment we're making to stay competitive and to deliver new products and experiences to market more quickly while operating at resiliency, at massive scale. You can see that we've reached a plateau, but we do expect to spend similarly on modernization into 2025.

On the far right hand side, as I said, we have migrated 80% of applications out of legacy data centers, 55% of them run the majority of their processing in the cloud, and we've also migrated 90% of our analytical data to the public cloud. So, wrapping this page up and talking about the $400 million spend increase year-on-year, this is driven by product development and is primarily the impact of investments that we made last year in 2023. Looking forward to 2025, we expect product investment spend growth to moderate.

Changing gears and then moving to the macro environment, we'll start with the health of the consumer. Looking within our customer base, we can see that consumers remain healthy and resilient. Cash buffers have largely normalized, while balances are still above historical averages. Lower income segments saw larger gains off a lower base during the pandemic, and we expect them to fully normalize this year. Spend insights are largely consistent with Investor Day last year as after reverting back to pre-pandemic trends, per account spend remains stable.

Lower income segments are showing stronger spend growth, but with signs of trading down and getting a bit less for their money whereas higher income segments are showing lower growth with slowing discretionary spend, including in travel and luxury retail. And on the right, you can see that on the whole wages are keeping pace with inflation, with the lowest income segment seeing the largest relative gains. So, for consumers, to all intents and purposes, we're back to normal, with no obvious signs of deterioration.

Turning to page 17. Small businesses also remain generally healthy, with balances and cash buffers continuing to normalize. While we are seeing growth in small dollar lending, this is a newer product for us, and overall demand for credit remains relatively muted with debt levels below historical norms. Business spend is demonstrating some expense discipline, while payroll expenses continue to grow, businesses have successfully cut back in other areas.

Moving on to what we're seeing in terms of credit, and within our portfolio. In past years, we've highlighted how we structurally de-risked the business over the last decade across asset classes. There's not much new here. Our portfolio remains very clean and we continue to surgically tighten at the margin as needed. So, the outlook for charge-offs.

Things have played out as expected. Specifically Card delinquencies and losses have fully normalized with charge-offs in line with guidance at 3.4% this year and about 3.6% next year. As previously highlighted, loss rates in Auto and Business Banking primarily reflect normalization, but also a change in mix. In Auto, a mix shift away from Dealer Commercial Services and towards Retail, and within Retail towards used cars. And in Business Banking, a smaller graded portfolio and therefore a larger contribution from small dollar lending. We've been proactive in tightening and investing in new data and new scores to enhance risk management. And looking forward, we expect loss rates to be relatively stable.

Lastly, let's look at the changing regulatory environment. As you can see from the page, the industry is facing an onslaught of regulatory and potential legislative change. And each of these is significant in its own right, but together, the cumulative impact to the industry and to
consumers could be profound. These rules have not been adequately studied and the people who will end up being impacted the most will be everyday Americans, in particular, those who can least afford it.

This is less about us. We are likely among the best equipped in the industry to adjust and to evolve. We have the scale and diversification, giving us more degrees of freedom and affording us the chance to be more patient than smaller banks. Nevertheless, depending on the final rules, everything is on the table as it relates to mitigants. And I think it is reasonable to expect the industry will make sweeping changes to how products and services are offered and priced.

We put some pro forma consumer impacts on the page, and I want to enforce that this is just pure math. It's based on the rules as proposed and fully passed through. And to be clear, it does not reflect our intended strategy, but it is instructive in order to see the order of magnitude. The upshot of which is that credit becomes much more expensive and free checking may only be attainable for the most affluent Americans.

So, before I invite my partners up, I'm going to close the overview. I'm very proud to lead the CCB franchise and deeply appreciate the hard work, the heart and the humanity of our more than 140,000 employees and what they deliver every day. The work that we do matters to the customers and communities we serve and the economy overall. Our relentless focus on the customer is a proven strategy and the best team is the winning formula. We operate from a position of strength, we manage through cycles, execute with discipline, and invest for future growth and profitability.

We're well positioned to adapt and outperform in a changing macro environment while also responding to new regulations over time. And while these factors may impact our return on equity next year, given the power of our underlying earnings over the medium term, we expect the business will continue to deliver a 25%-plus return on equity. I remain very confident about the future of the franchise, yet we all approach the opportunities and challenges with humility.

With that, I'm going to hand over to Jen Roberts.

Operator: Welcome to the stage, Jennifer Roberts.

Jennifer Roberts
Chief Executive Officer of Consumer Banking

Thanks, Marianne. It's good to be back. Last year, I gave an overview of our deposits and branch network strategy. It remains consistent and it's working. So today, instead of an end-to-end overview, I'll focus on answering key questions about our deposits and branch network.

Starting with how primary bank relationships remain strong, we have continued to drive core customer growth, now serving 42 million consumer bank customers, up nearly 20% since 2019 on the strength of our model to grow, engage and deepen with our customers.

In Business Banking led by Ben Walter up here in the front, we grew customers by more than 40%, partially driven by rapid small business formation. We were the beneficiaries of that growth, driven by our strong consumer business and our holistic product offerings. The vast majority of our consumer and small business clients trust us as their primary bank, meaning we are their day-to-day operating account and at the center of their financial lives. Our customers are satisfied, and willing to recommend us to friends or colleagues, loyal with high retention rates and engaged across lines of business. Together, our best-in-class products, leading omni-channel value proposition and high quality talent drive customer growth across economic cycles.

You heard Marianne talk about the higher satisfaction customers have when they use the product that's been designed for them. That result is intentional as we are delivering value propositions to meet distinct customer needs, which fuels growth in segments where we see opportunity to gain share. Over the last five years, we've increased the number of checking accounts geared toward younger and lower income customers by over 50%, and continue to strengthen our Secure Banking product. For affluent clients, we've grown Private Client relationships that have deposits and investments with us by 50%, as we've added banker and advisor capacity and launched new offerings such as premium deposit. Looking ahead, we are tiering our value proposition and segmenting our distribution model to further accelerate our affluent strategy, which Mark will touch on in a bit.

In Business Banking, we're focused on products and solutions that help small businesses start, run and grow. In the small and micro segment, we've scaled our clients by over 40% and are offering capabilities that make running their businesses easier, including invoicing and payment acceptance. Among larger small businesses, we've grown deposit balances by 75%, driven by investments in incremental banker capacity to earn more of our clients' wallets. We've made great progress in delivering on customer needs across segments, whether that customer is an individual or a small business owner. And there is more we can do. When we get this right, every customer will be able to say, “Chase is the bank for me”, which we know is critical in becoming the bank for all.
So, what has happened to our deposits business over the last year? While macroeconomic factors are obviously important, our strong results are a reflection of the successful execution of our strategy. What this page shows is the change in our balances over the past year, broken out by customer growth, customer activity and in the last two bars, the net of yield seeking flows. Going from your left to right, we see continued strength in customer growth and normalization of cash buffers driven by higher spend that wasn't fully offset by wage growth.

As expected, we've also observed an increase in yield seeking behaviors. We were able to retain 80% of yield seeking flows internally, up from 60% last year, and generated net new money through our CDs and wealth management offerings. And beyond that, for customers who do outflow to online banks, which is less than 10% of our customer base, we have maintained a primary bank rate above the portfolio average. You might remember the two priorities we have in a rising rate environment. First, retain primary bank relationships. Check. Second, profitably, capture money in motion. Check. We have done so with a modest decline in deposit balances, a [low rate paid, and leading net customer growth.

So, what is our outlook? We're in a cyclical business and we have no crystal ball. So, while the outlook for rates continues to evolve, we're confident we have a playbook we can deploy in a wide range of environments. We remain focused on growing primary bank relationships, offering solutions to profitably capture money in motion, and accelerating our wealth strategy. Our current expectation is for rates to remain elevated for the next couple of quarters and for competition for deposits to continue. Therefore, we expect deposits to be relatively flat from now until the end of 2024, with a modest increase in rate paid. More importantly, through this cycle and beyond, we will continue growing our customer base, increasing customer engagement, and capturing higher wallet share to extend our leadership position.

On the note of share gains, this year, we extended our number one position by gaining 40 basis points year-over-year and 220 basis points since 2019. Excluding First Republic, we've gained 190 basis points of share, significantly outperforming our large bank peers. This is driven by a demonstrated capability to grow deposit share in different starting points and markets. What you're looking at here on the right is our deposit share gains across the top 125 markets segmented by our current deposit share position. Our growth in low share markets where we have less than 5% share today reflects our ability to acquire new customers as we've entered new markets. And we've been able to grow significantly in high share markets where we have greater than 15% share today, driven by deepening with existing customers and acquisition. And we now hold greater than 15% share in 33 of the top 125 markets.

The macroeconomic environment can influence results year-to-year, but we're confident our strategies will continue to drive sustained share gains over time. The value of branches extends beyond deposits. Branches directly support more than $35 billion in CCB revenue and are the storefront of JPMorgan Chase.

The impact of branch expansion has been core to our growth. We are the only major bank with significant investments in new branches adding nearly 700 since 2019, more than all of our large bank peers combined.

At the same time, we've consolidated on pace with the industry, repositioning our network in response to shifts in customer behavior and extending the reach of each branch to cover more customers. The performance of our new builds and their contribution to growth shows the impact of our strategy. 80 of our 220 basis points of deposit share gain were from branches less than 10 years old. Said differently, nearly 40% of our share gains are attributable to investments in new branches, and we're continuing this momentum with our recently announced plan to build 500 new branches in the next three years.

As you know, we invest through cycles and for the long term and it's been paying off. We have an arsenal of expertise that we leverage when we enter new markets, build branches and hire talent. The consistency of our strategy creates an unparalleled growth engine.

We are proud to be the only bank with a presence in all contiguous 48 states, and there's a lot more opportunity. We shared with you last year a target to reach 70% of the population within a 10-minute drive of our branches, and we're still planning on achieving it.

You'll often hear us say that banking is local and part of being the bank for all is serving Americans from urban centers to rural communities. So, we're broadening our drive time objective to reflect coverage in rural areas where customers typically drive farther for everyday services. We now aim to cover 75% of the US population within an accessible drive time. And to ensure we serve more Americans in smaller cities and towns across America's heartland, we're setting a new objective of covering over 50% of the population in each of the 48 states.

Our approach to expansion is not cookie-cutter. Just like we deliver customer segment strategies that meet distinct needs, we think about branch segmentation in the same way. We tailor our branch operating model at the local level to meet distinct community needs. Over time, we expect continued deposit share growth and have real plans to get to 15% deposit share with no intention of stopping there. We are confident in this because of our winning strategy, products and services that meet customer needs, and omni-channel value proposition that allows customers to bank with us in their channel of choice and a tailored local brand strategy.

With that, I'd like to hand it over to Allison to discuss Card and Connected Commerce.
Allison Beer  
Chief Executive Officer of Card Services and Connected Commerce

Thanks, Jen. It's great to be back. And so today, I'm going to address your questions on Card and Connected Commerce. Let's dig in. Starting with how we've been driving share gains in our business and our plans to continue to do so? We've been executing on our consistent strategy to deliver industry leading products that resonate across segments, and we continuously invest in adding more value to our products and our ecosystem to keep our cards fresh and relevant. These investments have enabled us to continue our strong momentum across key business drivers. We added approximately 10 million new accounts in each of the last two years, which helped us reach 56 million active accounts in 2023. This account production helped us fuel another year of strong growth of OS, with OS up 17% year-over-year. When calculating market share, we look at a number of sources, and while none of them are perfect, they all show one thing: that we're number one and we're gaining share in both sales and OS.

So, let's talk about what drives that OS. What Jen showed on deposits is also true for card outstandings. While macro factors are obviously important, our results are the reflection of the execution of our strategy. This page shows that last year's OS growth was driven by three key factors: low attrition, sustained customer engagement and strong account acquisition.

Starting with attrition on the left, which reduced OS by $7 billion, it has remained low over time due to our underwriting discipline and customer experience standards. Second, we see continued strength in customer engagement and deepening, which fueled normalization of revolving behaviors. We saw $11 billion of OS growth from mature accounts and expect this normalization to continue this year. And then finally on account acquisition, we have acquired 28 million new accounts since 2021, contributing $24 billion of OS growth in 2023. So, as you can see, each of these acquisition vintages drive outsized OS growth for more than three years with the largest impact typically in year two when retained accounts have a full year on book. And I'll note that 60% of these accounts come from deepening within the Chase franchise, where our data advantage further strengthens our underwriting capabilities. With continued strength in new account acquisition and retention therefore, the seasoning of new vintages and the tailwinds that we see on revolve normalization, we expect to again deliver double-digit OS growth in 2024.

So, to further this business momentum, we've been delivering on our product strategy that we laid out last year. Just as we're doing across the CCB franchise, in card, we're investing in new products and experiences and capabilities for key segments where we have outsized opportunities for growth. In the starter segment, as Marianne said, we launched Freedom Rise in our branches to better serve new to credit customers, and we're seeing strong early traction. The majority of these accounts are coming from customers aged 18 to 24, bringing younger customers into our ecosystem early in their financial lives with a product specifically designed for them within our risk appetite.

And then in small business, we had a record year of new account production in part driven by relationships in our market leading business banking franchise. Here, we have continued to strengthen our value propositions to meet the needs of all small businesses as we scale Ink Business Premier and the recently refreshed Ink Cash. And finally, in the affluent segment, Sapphire had its best year ever in new account production as we continue to invest in lifestyle benefits and experiences that differentiates our products, and resonate with this high spending client base. Earlier this year, we opened our sixth airport lounge and we have six more in the pipeline. And we continue to invest in our Commerce platform of benefits that I'll discuss in just a moment. Supporting all this, however, is our continued investment in improving our core capabilities as we continue to make our acquisition, our risk, and our fraud engines even better. Our product strategy, together with marketing, will fuel our growth toward our ambition of a 20% share of outstandings.

So now let me turn to that marketing. Our spend in marketing is a function of both the market opportunity and the demand for our products. It's an output because our binding constraints are our risk appetite and return hurdles, not a budget. We invested $6.8 billion in 2023 across product benefits and account acquisition. Product benefits, like those lounges, drive engagement with our products and then they allow us to charge for the value we provide. Last year, we saw a 20% increase in annual fee revenue. Acquisition is our largest driver of spend. And as I just showed you, it's a core driver of our OS growth.

During the pandemic, we saw outsized demand for cash back portfolios. We've since seen increased share of new account production from premium portfolios. And these premium accounts cost twice as much to acquire, but they generate 2.5 times more value. Our disciplined approach to marketing enables us to consistently deliver vintages that pay back in about three years with strong returns through different macro environments. We continue to see strong momentum in 2024, so our expectation is that we'll deliver sustained growth in new account production while maintaining our underwriting discipline and strong return profile.

And so with that, I'll turn to our last question, our progress on commerce. Before I get into the details of how we're doing, I want to spend a minute reminding you of the strategy. Getting this right is essential for the premium customers who pay high subscription fees for our products, giving them access to a franchise that provides value beyond thinking.
Our focus here is delivering our two-sided platform, connecting our millions of premium customers with brands that they love across journeys they do with us every day, like travel and dining and shopping. Through our commerce acquisitions, we now have the complete assets to win. We have the capabilities necessary to innovate on the end-to-end customer experience as well as full ownership economics. And as you've heard us say before, these investments kickstart a flywheel that brings value to customers, to merchants and, of course, Chase. So a bit on how we've been executing on our commerce strategy.

We're still early in this journey, but early for us means delivering $20 billion in commerce volume last year, driven by the strong engagement we're already seeing. For instance, in travel, 3.5 million unique customers booked on our platform, contributing to $10 billion in sales volume. And as Marianne told you, we just launched the Chase Travel brand.

We also debuted The Edit, our premium hotel program. The Edit allows customers to enjoy upgrades and other benefits at 800 of the world's most luxurious hotels. And customers can now book Southwest inventory directly on our platform. In dining, customers can now book restaurant reservations through the Infatuation and we expanded our EEEEEATSCON Food Festival to Chicago and Miami. And in shopping, we served 10 billion Chase offers to our customers, driving $8 billion in attribution spend for our partners.

We also launched Chase Media Solutions to bring even more brands on to our platform. And here, we've been busy building out assets so that customers can see offers relevant to them based on their preferences and their purchase history. So what's our outlook for these businesses? As Marianne said, we feel more confident than ever in our ability to execute on our ambitions in commerce. It will likely take us until 2026 to hit $2 billion in run rate revenue, and we're still on track to deliver $30 billion in volume in 2025.

But perhaps, more importantly, bringing our commerce assets together, along with our unparalleled scale and expertise, further cements us as a lifestyle brand. When we get this right, we become a trusted advisor to our card members as they look to us for experiences that inspire them because we know them. We're bringing a modern lens on luxury, and we couldn't be more excited about the era ahead. And all of this matters because once customers are in our ecosystem, we have more opportunities to engage them with relevant content and experiences. This supports our annual fees as we price for value and we reinvest in our customer experiences that fuel our commerce and banking flywheel.

And now, to talk more about how we're serving our premium customer base, I'll hand it over to my partner, Mark O'Donovan.

Operator: Welcome to the stage Mark O'Donovan.

Mark O'Donovan

Chief Executive Officer of Home Lending

Thank you, Allison. Good morning everyone. I'm excited to be here this morning to talk about First Republic. I'll spend the next few minutes updating you on progress on the integration, our business performance, and then a bit more detail on our go-forward strategy. So, first on the integration.

We're largely on track to complete all key milestones by year-end. We started with the mortgage portfolio, migrating over 100,000 loans in Q4 of last year, which was a tailwind for our Home Lending business in an obviously challenging macro environment. While we're not covering Home Lending today, I'll just say that our strategy remains consistent and the business was critical to the overall deal and the integration. Our next big milestone is this upcoming weekend. We're migrating over 800,000 deposit accounts and we are prepared to tackle any issues that may arise.

Now, turning to the business. Our focus since day one has been on stabilization, and overall, we feel good about where we are today. Core deposits grew 20% in the months following the acquisition, driven by the strength of our brand and our balance sheet, and they've largely stabilized since then. We've retained 85% of the initial client base and have also retained 80% of the employees we offered permanent roles to.

Now, turning to the way forward. First off, we've continued to learn a lot about the strengths of First Republic's model, and at its core, our operating and service models are more consistent than different. We put the customer at the center of everything we do, we offer a complete set of industry-leading products and services, and we strive to serve customers seamlessly with excellence across the whole relationship. Additionally, the assets we acquired complement existing strategies across the Firm, as you can see, going from the top to the bottom of the page. They enhance our ability to serve the Innovation Economy ecosystem, they add scale to our Commercial Real Estate business, and they accelerate our Wealth Management and broader affluent strategy in CCB. And these strategies aren't new to us, but First Republic has served as a catalyst to accelerate execution.
Now, let's see how we're doing this in CCB. In Wealth Management, we've been focused on scaling the business, and we have retained the vast majority of advisors and assets since the acquisition. About 160 advisors and $130 billion in assets, which as Marianne mentioned earlier, will help us hit our target of $1 trillion in client investment assets ahead of schedule, and we're also building service expertise in areas that complement our existing business, such as family office solutions.

Now, expanding to our broader affluent strategy, which you can think of as a continuum across three pillars. As you can see on the left, we start with Chase Private Client, and on the right, we have the J.P. Morgan Private Bank on the higher end. And in the middle, we're launching J.P. Morgan Private Client, a new tier in our continuum that rewards customers for deeper relationships on-us. This will combine the strength of JPMorgan Chase, our brand, our scale, and our distribution with the best of First Republic's model.

Across the bottom of the page, you can see how we're bringing this to life. First, a single point-of-contact that serves as the client’s relationship quarterback. Second, the full breadth of products across the Firm, so clients can’t outgrow us. And third, a concierge servicing model focused on end-to-end resolution across products and priority response with an emphasis on hospitality. This will be delivered through distribution channels that offer a one-stop-shop experience. Our sales force will cover affluent markets across the country, including in our new J.P. Morgan Financial Centers. We're opening the first two this summer, one in New York, one in San Francisco, with plans to open 20 more by Q1 of next year.

You heard Jen talk earlier about our branch strategy. We adapt our branch strategy operating models at the local level to meet the distinct needs of the customers in the communities we serve. For our affluent markets, we're tailoring our new Financial Centers to be premium in nature, with high-end finishes and a focus on elevated service. Think personalization, privacy, planning and advice, and we're also keeping the signature bites and even the umbrellas. While there's a lot we plan to leverage from First Republic's model, this is not about originating low-cost mortgages to drive acquisition. We already have relationships with millions of affluent customers in CCB with trillions of dollars in wallet, of which we capture a modest share. So, this is all about deepening through banking and wealth.

In terms of rolling this out, we'll start with the qualified First Republic clients at the deposit migration I mentioned earlier, and then expand to existing Chase and new-to-bank customers as a fast follow. We'll continue to learn, as insights will help inform how we scale this over time. So, we're super excited about the opportunity and we look forward to updating you on our progress.

So, with that said, that wraps the CCB section, and we'll open it up for Q&A.

QUESTION AND ANSWER SECTION

Marianne Lake  
Chief Executive Officer of Consumer & Community Banking

Oh, yeah. I’m coming.

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

All right. We're running a little late, but we'll take a couple questions. All right. Mike, go ahead.

Marianne Lake  
Chief Executive Officer of Consumer & Community Banking

Hi, Mike. We had the microphone ready for you.

Mike Mayo  
Analyst, Wells Fargo LLC

Okay. Thanks. You said moderating...

Marianne Lake  
Chief Executive Officer of Consumer & Community Banking

Yeah.
Mike Mayo  
*Analyst, Wells Fargo Securities LLC*

...investments in products and a plateauing of the modernization expenses. So, does that mean your expenses should go lower next year? Does that include the 500 branches and the expenses related to that?

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

Okay. So, tech and product, we said moderating growth with modernization being flat. So, I would look at tech and product being relatively flat year-on-year, but we still intend to invest in branches and marketing as we have a long-term view on the revenue generation and profitability of them. So, overall, if you look back over the last, however, many years, we've had a generational opportunity to invest in Commerce, in distribution, including branches, but also in premium account generation, and then keeping up with changing customer expectations, and engagement of moving banking away from transactions, we feel properly invested right now. And so, I would imagine that you would see, as we grow, our marketing and our branch investments will grow, but our tech and product will level off.

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Mike Mayo  
*Analyst, Wells Fargo Securities LLC*

Okay. And that AI-specific benefits financially...

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

Yeah.

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Mike Mayo  
*Analyst, Wells Fargo LLC*

...what are you seeing? You guys have given metrics in the past and for your area in particular. Thanks.

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

So, we were a pretty significant contributor to the numbers that I think Teresa showed last year and we delivered against those commitments. With AI, I know you're all going to always want to hear the thing that we say 50% on, but it is like a thousand points of light, everything is getting 2%, 5%, 10% better everywhere, and so — and it's not just generative AI. I think that there is — we're on the precipice of a step change in productivity, but we're just grinding out more value everywhere. I'll give you an example. If we have customers who have started an application with us across any of our products and abandon the application, if we simply nudge you to remind you that you abandoned the application relative to if we don’t, we see 10% to 20% improvement in completion rates, and this is just regular AI. And so, we're getting, as I said, 5%, 10% better all over the place in everything we do, every interaction, everything that we're investing in, and as excited as I am about new forms of AI, it is also as important, if not more important, that you get your foundational data platform and data quality right. So, we're spending a significant amount of time working on that.

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

Got Ebrahim down here.

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Ebrahim H. Poonawala  
*Analyst, BoA Securities, Inc.*

Thank you. I guess, maybe just going to, I think you mentioned you expect a modest increase in rate paid on deposits. As we look back at the last couple of years, it's been 20 years since we were in a higher normal rate environment. Just give us a sense of what's been the positive, negative surprises when you look at the deposit base, and how do you assess brand loyalty as we look forward in terms of defensibility of that margin, if we remain in a higher rate environment?
Marianne Lake  
*Chief Executive Officer of Consumer & Community Banking*

Okay. So, I'm going to let Jen do this one and I'll add something, if anything.

Jennifer Roberts  
*Chief Executive Officer of Consumer Banking*

Okay. So, in terms of how we measure the sustainability of our – the brand value, it's really on primary bank, and we have not seen any changes to primary bank over the course of time as we had captured money in motion. I think I mentioned we captured 80% of money in motion, up from 60% last year. We really see our customer growth continuing. Our net customer growth is stronger than the competition. And as we're capturing primary bank and that money in motion, we can see the value of our omni-channel value proposition, where we deliver products that meet the same customer needs. So, I think that's pretty proven.

I think in terms of what's going on with the rate environment, obviously, as I mentioned, we have no crystal ball, so we're continuing to monitor. We still have rate hikes in the – I'm sorry, rate cuts in the near future that we potentially expect. However, we know that it could stay higher for longer, and with that, we want to make sure we're executing on our strategy, which could mean that we might need to make adjustments to our rate paid.

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

I would just add that, we had a thesis, if you go back even to 2015, before the last rate cycle, where we said the investments that we've been making in our brand, in our branches, in our value-added services, in our core products, in our service model, in our risk, these are all things that will protect the franchise and allow us to deliver growth and primary bank relationships at a lower structural rate paid than in previous cycles, and I think that this has been proven out in this cycle. So, we continue to believe that's true and it all comes back to growing the customer base and achieving primary banking relationships and loyalty, and clearly, that's something we've been able to do – Jen has been able to do.

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

All right. Ken Usdin down there.

Ken Usdin  
*Analyst, Jefferies LLC*

Hi, Marianne. Ken Usdin from Jefferies.

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

Hi, Ken.

Ken Usdin  
*Analyst, Jefferies LLC*

Wanted to ask you about your – the card normalization and stabilization comments that you made. So, I think we got one – at least one more quarter where delinquencies would say that losses should go a little bit higher yet still. But more importantly, I think you made a prior comment I think in the past that the Firm was underwriting to like a higher – like a 4% underwriting rate. You mentioned about tightening on the margin. So, just wondering can you talk about like where are your underwriting to...

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

All of that?
Marianne Lake  
**Chief Executive Officer of Consumer & Community Banking**

Yeah.

Ken Usdin  
**Analyst, Jefferies LLC**

Yeah. Like, where are your underwriting to now? How do you get confidence that we’re getting...
Okay.

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

Yeah. So, about 150.

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

Okay. Great. And that’s at pace with prior...

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

Yeah.

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

Yeah. And then, you’ve got the J.P. Morgan Private Client expansion as well. So, I just wanted to understand how much – what are we talking about in terms of expansion for private client locations, and is this getting all rebranded under J.P. Morgan Private Client? What kind of timeframe is that? And then, is this expecting to bring in new clients or develop the relationships? I just wanted to dig into those...

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

Yeah.

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

...two different models. Can we take the Chase branch expansion metrics, so to speak, and overlay them on to J.P. Morgan Private Client to get a sense of value generated from that or is this a totally different algorithm?

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

So, I’ll just – big picture, totally different, J.P. Morgan Private Client in terms of physical branches, very small. Do you – Mark, do you want to take this one or do you want me to do it?

Mark O’Donovan  
**Chief Executive Officer of Home Lending,**

I’ll take it. That’s fine.

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

Yeah.
Mark O'Donovan  
*Chief Executive Officer of Home Lending*

So, the initial – they will be branded JPMorgan, not J.P. Morgan Private Client, so think J.P. Morgan and Chase. Initially about 20 branches, converted First Republic branches. And then, over time, we’ll continue to evaluate the Chase affluent branches as to whether there’s a rebranding opportunity or we’ll scale further, either with the offering within the Chase branches or look at the branding, too. So, I would look at it as a test and learn, and we’ll evaluate it over time whether we’ll scale from 20 to a lot more or a lot less or offer the products within the Chase branches.

Jennifer Roberts  
*Chief Executive Officer of Consumer Banking*

And I’ll just add, Betsy. We have more than 1,000 Chase branches that have an affluent skew and our intention is that we’re going to be learning in the JPMorgan branches different parts of the operating model that we think can extend more broadly. Really, it’s about deepening with the existing Chase customers where we have a very small share of their overall wallet. Obviously, it’s part of – partly of retaining the First Republic clients and making sure, we have a stable relationship with them, and frankly, can grow them. But our biggest opportunity is within the Chase Affluent customer base where we have a lower share of wallet than we’d like to.

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

And that’s, in even bigger picture, that’s the point. So, as excited as we are to try and do a great job serving heritage First Republic customers, this is much more about the millions of affluent customers we already have in our existing footprint and making sure that we can take those learnings and then start scaling across the network. So, whether we rebrand some branches, JPMorgan or have some side-by-side doors is an evolution over time, all assumed in those net growth numbers that we said. Thank you.

**MANAGEMENT DISCUSSION SECTION**

Operator: Welcome to the stage, Jenn Piepszak.

Jennifer Piepszak  
*Co-CEO of Commercial & Investment Bank*

Good morning, everyone. I was thinking it’s a really good thing that Mary didn’t hand off – have to hand off to the CIB, because she would not have been able to say it is a higher or even higher ROE business. So, anyway, it’s nice to be back with you all, again, this time with another terrific partner, representing another extraordinary franchise in our company.

Troy and I are humbled to be here as Co-Heads of the Commercial & Investment Bank, and this year, we’re joined by our partners, Doug and Filippo, the Co-Heads of our new Global Banking franchise. You all know Doug well from his leadership of the Commercial Bank, but many of you may be meeting Filippo for the first time. Filippo has been at the Firm for nearly 25 years, serving in senior roles in both Banking and Markets. Most recently, he was the APAC CEO, and now, in addition to his role as Co-Head of Global Banking, he is the CEO for EMEA, and we are all really excited for you to meet him.

So, first, I’ll share an overview of the new CIB, and then Troy will provide updates on three of our businesses: Markets, Securities Services, and Payments. Then, Doug and Filippo will do a deep dive on Global Banking, and after that, Troy and I will come back up for Q&A.

The Commercial & Investment Bank combines two of our leading businesses into one wholesale franchise. As Daniel mentioned, combining these businesses made a lot of sense. We serve a diverse client base ranging from corporates to financial institutions of all sizes across sectors and regions. With our complete product set, we meet the full spectrum of needs from daily trading and transaction processing to strategic events and actions. Our clients don’t just want products, they want solutions for their challenges. We can now offer a more seamless client experience across coverage, product, and servicing.

We can better serve certain segments as ecosystems rather than individual companies. For example, infrastructure firms and their operating entities, as well as sponsors and their portfolio companies. We can deepen our relationships with clients in all stages of their lifecycle. For example, a typical Middle Market client relationship often begins with Payments and Working Capital Solutions, then extends to broader financing and hedging needs, as well as early-stage fundraising. And as they grow in size and complexity, that can lead to an IPO and
Beyond, and we can do all of it. And finally, we can bring the best of our people, our ideas, and product expertise to all of our clients, regardless of size.

In practice, we have taken two heritage organizations, which you can see on the left, and now we are organized around both products and clients. You, our investor community, will see the new CIB from the product lens in Investment Banking, Lending, Payments, Markets, and Securities Services. On the other hand, our clients will experience a more unified front in the way we deliver our solutions by segment, as you can see on the right, and Doug and Filippo will talk through this view when they cover the new Global Banking structure. By eliminating organizational lines, we can spend less energy on internal coordination and focus more on serving clients.

This combination reinforces our strategy of being – I'll say it one more time, it's worth repeating – complete, global, diversified, and at scale. We have leading offerings in Investment Banking, Lending, Payments, Markets, and Securities Services. We have a broad international presence, serving clients in over 100 markets and we've strengthened our domestic offering, too, because we're now in 85 of the top 100 MSAs. Our combined revenue of $64 billion in 2023 underscores the benefits of our diversified model, where cyclical headwinds in one business are often offset by growth in others. And lastly, we operate at scale, which we all know in these businesses is an imperative to being an end game winner.

The competitive landscape for our businesses continues to intensify from traditional peers in areas like Middle Market and Investment Banking, as well as non-banks in areas like Private Credit. You can see this in our market share trends over time. In Investment Banking, from 2019 to 2023, we lost share in ECM, but that was partially offset by gains in M&A. In Markets, our share has been relatively flat in a wallet that is materially elevated from pre-pandemic levels. And in Securities Services, we've gained some ground in a business that is a game of inches.

Payments clearly stands out from the rest and Daniel touched on this. Our share growth of over 300 basis points is primarily driven by wallet consolidation to the largest banks, but also importantly, due to our impressive share growth in Middle Market, which is an output of our unwavering focus on this segment over the last decade, and thanks to John Simmons and the team.

Like the product split, there are also regional differences which you can see here at the bottom. In the Americas, we've gained 90 basis points with improved performance in Payments, Investment Banking, and Securities Services. In EMEA, we lost share as competition there has intensified, and in APAC, we gained share primarily driven by Equities. Overall, we're at 9.9%, representing a significant lead over our peers. It would be easy to be complacent with our market share and business model, but we're never satisfied knowing the opportunities that exist when we double-click on these numbers.

So, to do that, we're constantly looking at sub-products, client types, regions, and industries to defend areas of strength and to identify pockets where we can continue to grow. On the left, you can see our product ranks relative to our peers, which we're incredibly proud of, but we still have plenty of opportunities to gain share, particularly in areas where we're not number one, like Securities Services, Cash Equities or M&A, and you can also see opportunity on the right by region.

Okay. So, now, let's look at the financial performance of the CIB. 2023 revenue of $64 billion and net income of $21 billion have grown meaningfully since 2019, and while there are always puts and takes in any moment of the cycle, we have been able to maintain an ROE of 15% as we've absorbed significantly higher regulatory capital. In the medium term, using the illustrative Basel III Endgame scenario that Jeremy laid out and some mitigating actions, our ROE is likely to be around 16%, but I would reinforce Jeremy's earlier caveats on the uncertainty of the final outcome. And as a reference, because you're all familiar with previous guidance from the heritage CIB and heritage CB, the outlook for the combined business under existing rules would be about 100 basis points higher than the 16% that we're showing you here.

Moving on to expenses. This year, we expect expenses increase to roughly $35 billion, market-dependent, which is up about 5% year-on-year and in line with our guidance at fourth quarter earnings. The vast majority of this increase comes from two categories. First, technology, which is roughly split between $400 million run-the-bank, largely driven by business volumes, increased demand, and inflationary headwinds. And then, the remaining $200 million is change-the-bank, which you can see on the right in our investments, going from $3.4 billion to $3.6 billion. And the second largest driver is revenue-producer compensation and volume-related expenses, which reflect both business growth and inflation.

On the right, you can see our total investment spend of $4.7 billion, that's up roughly $400 million year-on-year. Half of this is from revenue producers and acquisitions, and the other half is in technology, which I'll spend a few minutes on before I hand it over to Troy.

You can see here on the page, we expect technology investments to increase to $3.6 billion in 2024. Our spend is across three broad categories. First, regulatory, risk, and controls to protect the Firm and our clients. A portion of our investment will always go towards this, and of course, we'll always spend whatever it takes.

Second, infrastructure modernization, which includes migration to new data centers, public and private cloud enablement, as well as things like cybersecurity and resiliency. And as you can see on the top right, we've made progress here. We expect to largely complete our data center migration by the end of this year, and around 40% of our applications are now running in the cloud against a target of closer to 60%.
Third, approximately $2 billion of investments in products, platforms and experiences, which you can see, broken out on the bottom right. This includes several areas you’ve heard us discuss in the past, such as our Markets pricing, risk and trade management engine, our Payments transactions engines, as well as investments to enhance our value proposition such as data solutions in Securities Services and the Digital Commercial Bank. So, as we think about this $3.6 billion going forward, we would expect the growth to be closer to flat on an inflation-adjusted basis. However, the mix between the categories and lines of business will naturally change over time as investments roll off and our strategic priorities evolve.

So, with that, I’ll pass it over to Troy.

Operator: Welcome to the stage, Troy Rohrbaugh.

Troy Rohrbaugh
Co-CEO of Commercial & Investment Bank

Thank you, Jenn, and good morning, everyone. So, I’m going to start with Markets, where in 2023, we generated $28 billion of revenue with $19 billion in FICC and $9 billion in Equities. As an at-scale and complete player, we are a top counterparty to both institutional and corporate clients in every major region. We serve our clients’ multiproduct needs with 60% of our top institutional clients trading four or more products with us. 75% of our clients are engaged with us throughout the entire trade lifecycle from both pre- to post-trade. And the completeness of our offering also results in a consistent halo effect, which I mentioned two years ago and still holds true. Clients for every dollar of ROE – lower ROE business they do with us, they reward us with a multiple of that in higher ROE business. We are also omni-channel, providing clients choice in connectivity, growing in both electronic and voice revenues. And our analysts keep us top-of-mind with our clients, providing differentiated and top ranked research.

Moving on to performance. We are the top global franchise with a consistent market share of 11.4% in a wallet that remains elevated. However, this higher wallet has intensified competition from both banks and nonbanks. In FICC, despite being number one, our share is lower than pre-pandemic levels due to both renewed focus from our peer banks and changes in the overall wallet mix. From 2022 to 2023, we did regain some share here from improved performance in SPG and Rates, and wallet normalization in Commodities. In Equities, it’s a tight race at the top. And in 2023, we slipped to number two, due to relative underperformance in both Derivatives and Cash. However, here we’ve been on a multiyear journey investing in our capabilities and growing our share by 120 basis points since 2019. While total revenues are what we’re measured against, equally important to us is client market share, because regardless of macro conditions, clients underpin our long-term strategy. From this lens, we’ve gained in all segments as shown on the right.

Looking ahead, in spite of stiff competition, we are well positioned to pick up share in a wallet that we believe will remain elevated above pre-pandemic levels. So, how are we going to do that? So, despite being a leading Markets franchise, there are many opportunities for growth in individual client segments and products, and we’re focusing on all of these. For example, with clients, our partnerships across Markets, Payments, and our new Global Banking business will help us further penetrate the growing corporate wallet. And in products, we are strengthening our position with enhancements in Private Credit, Financing, Energy, e-Trading and Digital Channels.

So, I’m going to pause here for a second on Private Credit. As Daniel mentioned, it’s a very important and growing space, and we believe we have an advanced strategy across the entire CIB. We believe we are uniquely positioned to be an important part of all aspects of the ecosystem.

Firstly, we are already the largest financier of Private Credit portfolios, and we will remain a significant player in this space. Second, we already have dedicated capital on our balance sheet that we put to work in direct loan format for our corporate borrowers. We are also developing a co-lending program to enhance the amount of capital we can put to work in the space.

So, whether it’s a direct or broadly syndicated loan, we can be truly (sic) product-agnostic to our corporate clients’ borrowing needs. And finally, we believe the end game solution will involve us participating on both sides of the market, lending and borrowing, and we believe this will not only benefit our clients, but certainly be beneficial to our business. Against all these growth opportunities in Markets, we will have capital headwinds, given the Basel III Endgame. And as both Jenn and Jeremy mentioned, we are anticipating a more measured and manageable rule outcome versus the original proposal, but however it lands, we have proven we can deploy resources with both discipline and dynamically.

So, moving on to Securities Services, where we are a leading custody and fund services provider with over $30 trillion in assets under custody. In 2023, we delivered a fourth straight year of record revenue and we are the only top-tier player with an operating margin of 30% through the cycle. Also like Markets, this is a game of scale, and with consolidation trends across the industry, we are well positioned to serve the largest clients as they become increasingly global and complex. Our client franchise is diversified across segments and geographies, with more than half of our revenue generated outside the U.S. We also have the unique advantage of being the only global custodian with a leading markets franchise, enabling us to have front-to-back relationships with our clients.

Looking at our financial performance. We’ve grown revenue by over $600 million to $4.8 billion, benefiting not only from rising rates, but also from a higher and stable deposit base. Despite significant margin and fee compression across the industry, we’ve managed to deliver fee growth
of 4% since 2019. While we remain the number three player, we've improved our market share by 40 basis points and continue to profitably close the gap to number one through many of our product offerings, outlined on the right.

With our more mature products, we focus on growing assets and volumes efficiently. Since 2019, we've reduced our cost per trade in custody by 7% by investments in automation. And our scalable solutions in trading services has delivered a 74% reduction in cost per trade there. At the same time, we're investing in newer products such as ETFs, with assets under custody there up nearly 200% and alternatives up close to 100%. And we're beginning to roll out our Data Solutions platform, Fusion. Overall, we are focused on not just delivering a complete and differentiated suite of products to our clients, but doing so in a scalable way that enhances our ability to invest and innovate.

Now, turning to Payments, which – there we go – that will teach me not to have the clicker in my hand. Now, turning to Payments, which continued its strong performance in 2023, generating over $18 billion in revenue. About 90% of that comes from Securities – Treasury Services, where we're tied for number one. And the remainder is Merchant Services and Trade. From a client perspective, roughly two-thirds of our revenue comes from corporates and about a third comes from financial institutions and a small fraction from SMBs.

And we support these clients in over 160 countries in over 120 currencies. And as you can see on the right, we are unique in our ability to combine the safety, scale and resiliency of a global and regulated bank, along with the agility and innovation of a fintech.

Taking a look at our year-on-year performance, Payments grew revenue by over $4 billion. While this was primarily driven by rates, it's worth noting that we generated strong fee [sic] fee-related growth of around $800 million, which offset the decline in deposits. The majority of these deposit outflows were due to a purposeful repositioning of our book and market conditions. We are pleased with our performance in our core business, and our multiyear investments have led to significant share gains and fee growth.

On the right, you can see that we are growing across client segments as well. We extended our lead with financial institutions supported by our extensive network, best-in-class (sic) U.S. dollar clearing and our robust risk and compliance framework. We are also winning more mandates with corporates because of our scale and completeness. Beyond our core TS offering, on the bottom right, we highlight a few of the products with double-digit fee growth, such as Merchant Services, Digital Channels and Cross-border FX.

Clients are becoming more complex, global and tech savvy. To continue supporting them, we are delivering a unique set of capabilities such as an end-to-end Payments offering that addresses opportunities in key client segments and quarters (sic) [corridors], and Filippo will expand on that shortly; omnichannel and embedded finance for the largest e-commerce clients; compelling data and analytical tools; and finally, modern, scalable and cloud native infrastructure. All of this will enhance our scale and value proposition in Payments, leading to further share gains over time.

And now, you're going to hear about our Global Banking business from Doug and Filippo. With that, I'll turn it over to you, Filippo.

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**Filippo Gori**

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

Thank you, Jenn and Troy. It's great to be here today to my first Investor Day, and I'm looking forward to meeting many of you this afternoon. Also, Doug and I are really excited to have the opportunity to share with all of you our vision for Global Banking. Now, Jenn described how we've organized the new CIB through both a client lens and a product lens. We will focus on the client lens.

Let's go back to a couple of months ago when we formed Global Banking. The aim was to align our heritage Commercial, Corporate, and Global Investment Banking businesses under a single management team. The reason for doing so was to continue to simplify the way in which we serve our clients and the way in which we deliver our comprehensive products and services.

Our heritage businesses were both extremely successful in their own right. Bringing them together as part of a combined new line of business is the kind of natural evolution that will make it even easier for clients to do business with us. And this will better position us to deliver our world-class wholesale banking solution, which range from strategic advisory and lending (sic) [financing] to Payments and risk management.

So, what is driving this change? Whether we are working with a mid-cap or a mega cap company, our client needs are becoming more sophisticated than ever. Therefore, it made a lot of sense to evolve our operating model to best meet those needs. We believe that by better segmenting our coverage model, we can enhance the way in which we serve the unique needs of our clients across their life cycles.

As Jenn and others on stage, we're keen to support companies as they scale and grow from emerging start-ups to large multi-national corporation. Depending on their size and needs, clients will be covered either by the Commercial Banking or the Global Corporate Banking always in close partnership with Global Investment Banking. Furthermore, our coverage teams bring expertise and tailored solution across
eight industries and 28 subsectors. Combined as one franchise, we can serve the entire continuum of our wholesale client universe in the best possible way.

We want to bank businesses from the start, supporting them as they grow, ultimately creating client for life relationships, because we believe that there is enormous value to the power of incumbency. Long-term relationships built over years of coverage foster that kind of trust that is essential to helping clients and pursue strategic milestones such as an IPO or a sale. The trusted advisor relationship and the deep understanding of our clients' business enable us to have them achieve their ambition by delivering the totality of the Firm.

In its simplest form, we believe that a successful banking business relies on three things: our people, the strength of our relationships, and a complete set of products and services delivered with excellence. We have all of them. Jenn discussed our strategy of being complete, global, diversified, and at scale. In this context, the size and the scale of the Global Banking organization is unique. We serve over 75,000 clients, having added 5,000 clients last year alone.

Our bankers operate out of 225 cities in more than 45 countries, helping to deliver the expertise and capabilities of our global Firm locally. Building deep relationships with clients worldwide, as well as our commitment to the communities where we live and work is essential to our long-term success. For instance, this year, we are celebrating our 100th anniversary both in Hong Kong and in Germany, without mentioning our 225th anniversary here in New York.

The formation of Global Banking helps accelerate our efforts to serve more clients across the globe. But we are also harnessing the power of our data to discover new clients, as well as to improve our understanding of clients' needs to bring them differentiated solutions, ultimately serve them in a bespoke manner. Together, all of this drives our business that generates IB fees and lending fees (sic) [revenue] of $7 billion each and Payments revenues of $18 billion.

Global Banking starts its journey from a position of incredible strength. For the past 15 years, we've been number one in global IB fees. We have also top position in nearly every client segment, product segment, and region. And in many cases, we have been the leader in those markets for years. That leadership extends also into Commercial and Global Corporate Banking, where we have relationships with most of the Fortune 500 companies. We are also number one in Middle Market and number one in U.S. multifamily lending.

But it's not just about being number one. We are committed to being a purpose-driven business that drives real impact in our communities. For instance, in 2023 alone, we deployed $18 billion to our community development and we financed and facilitated $90 billion to our support – in support of our sustainability goals. We have an incredible team, an extraordinary client franchise, an iconic brand and unique capabilities. But – and this is incredibly important for us, we are not standing still. We believe that enormous growth potential remains ahead of us.

While each of our businesses are performing incredibly well, we operate in a massive addressable market and there are many opportunities to build on our strong momentum and growth for share. We see potential across all of our businesses and we want to highlight five of these opportunities for you today.

Starting with Payments, which is often the first product that we provide to new clients and has been one of the Firm's biggest growth areas in recent years. And then moving to Investment Banking where notwithstanding the fact that we are already the market leader, the business still has enormous potential for growth. And then Financial Sponsors whose scale and role in the market is expanding each year. The Innovation Economy which is a high growth global ecosystem that is a top priority for us and for the rest of the Firm. And finally, the Middle Market where we continue to deepen relationship in existing markets and expand upon our U.S. footprint. We'll go through all of these exciting opportunities individually starting with Payments.

Now you heard Troy speak about our world-class Payments business. Global Banking is a key delivery channel to our Payments capabilities. This is really important and position us to be the primary operating bank for businesses of all sizes. And thanks to our complete product offering and ongoing investments in our platform, we have a real competitive advantage. These capabilities are the foundation for gathering core stable operating deposits. Also, additionally, we are really focused on delivering an exceptional onboarding and servicing experience. When we get this right, it's incredibly powerful and a key differentiator.

For instance, in 2023, we grew our Payments fee revenues by 14% and that momentum has continued well in 2024. And the best part is we are just getting started. In cross-border payments and cash pooling, our teams are seeing substantial growth, a trend that we expect to continue as global trade corridors evolve and grow. In key growth areas like the Middle Market or the Innovation Economy, we have a major market opportunity to add new clients and deposits.

And also, in Commercial Real Estate, which traditionally was a lending-only business, we are now rapidly gaining share as the primary operating bank for our CRE clients. Now, we're being ranked number one in Investment Banking fees for 15 years, but we are not satisfied with just being number one. We have the opportunity to win far greater market share because of the strength of our integrated teams, our long-standing client relationship, our global footprint, and our complete product offering.
Looking at Investment Banking overall though hides the opportunity that exists when you examine this business at more granular level, eight industries become 28 subsectors, four regions become over 45 countries, and our traditional three products categories can be broken down even further. Now, at the bottom of this slide, you can see an illustration of just one of those cross cuts. Looking at our position across subsectors and products, green is obviously where we are number one, yellow is where we're number two or three and red is number four or lower.

Right now, in this field of 84, we have 36 greens, 34 yellows and 14 reds. Our goal is to make more of these – all those boxes green and for none of them to be red. We are also looking at areas where there are positive secular trends. For example, just to name a few, we have identified green economy, healthcare services and software as areas in which to focus more of our time, our intellectual capital and our balance sheet. We are continuing to invest in our teams and in our capabilities around the world to deliver even more value to our clients as one fully aligned Global Banking organization.

And now, I will hand over to Doug to talk about the remaining opportunities. Thank you very much.

Operator: Please welcome to the stage, Doug Petno.

Doug Petno  
Co-Head of Global Banking

Thank you, Filippo. So I want to add my thanks to all of you for being here today. We're delighted to have you with us. Let me start by punctuating the point in Global Banking, we believe that we're building something unique in financial services and quite powerful for our clients. We have an outstanding and growing client franchise. We're covering our clients globally, but at a very local level. We're segmented and focused to best serve their needs. And we're working completely as a team now more than ever as one Global Banking business, closely partnered to deliver the entire Firm with tremendous capacity to invest and we are on offense with a very deliberate through-the-cycle growth agenda.

So Filippo just spoke about our high potential across Payments and Investment Banking. I want to highlight some specific examples where we see real opportunity. As Filippo mentioned, we have the potential to grow market share across many segments within Investment Banking. In particular, Financial Sponsors is a large market opportunity. It plays directly to our strengths. There's $3 trillion of dry powder across this asset class, as well as several trillion dollars of invested capital that will need liquidity at some point.

And what's really interesting is that over the last five years, about half of the Investment Banking wallet from Sponsors has come from Middle Market-sized transactions. Within Global Banking, that gives us a huge competitive advantage as the banker to over 28,000 Middle Market companies. Right now, we're covering over a thousand Financial Sponsors. And to support our growth, we've expanded our teams globally with a dedicated focus on infrastructure, middle market private equity and sponsor M&A.

And as you've heard from Troy, we've continued to build out our private credit and direct lending capabilities. We can deliver a comprehensive suite of financing alternatives to our clients, and we've been actively deploying our balance sheet over the past few years. Together, JPMorgan has the unique advantage of broad-based capabilities, content and footprint, and we believe that the steps we are taking now will best position us to be the complete provider of both capital and advice to Financial Sponsors.

We're also excited about our work to serve the Innovation Economy. And as I previewed at this meeting last year, we've accelerated our strategy to be the best financial partner across the entire venture capital ecosystem, serving VC firms, the venture capital partners, the startups and their founders in a completely coordinated way across our Firm. We have the world's best Investment Bank, Private Bank and Commercial Bank. And this is all about delivering one face to this important part of the economy.

And with the banking disruption about a year ago, we added over two years' worth of clients in only a matter of months, and many more came with our acquisition of First Republic. To support this growth, we hired over 200 bankers as well as senior leaders in select markets. We expanded our presence internationally. We set up dedicated teams for high-potential subsectors like software, applied tech, and climate tech. We launched our team focused on early-stage start-ups, and it now allows us to acquire clients in a much earlier stage in their growth cycle.

And we accelerated our investment in our digital capabilities focused on our Innovation Economy clients. As you can see, our investments have driven strong client acquisition and is accelerating revenue growth with last year being a complete step change in our market position. And we're just getting started. So Jenn spoke about our unique position to bank entire ecosystems. Financial Sponsors and the Innovation Economy are two outstanding examples of doing just that.

The last opportunity I want to highlight is within the Middle Market. And as I've discussed here for many years, we've been executing a long-term through-the-cycle organic growth strategy with a goal to build a truly national Middle Market business. We started back in 2010, and since then, we've established banking teams in over 70 new locations. We're now local in 85 of the top 100 MSAs in the United States, and we're
calling on over 50,000 prospective clients. This year, we’ll move into seven new markets and we expect to hire roughly 150 bankers across this effort because we continue to see tremendous room to grow.

Importantly, the locations that we choose and the prospective clients that we are targeting are informed by the power of our data. We’re being patient and disciplined and this focus in investment is accelerating growth in client acquisition with record new relationships added in 2023. It is important to note that when we enter these new markets, we become deeply active in our communities and we invest for the long term. Revenues from our expansion markets reached $2.2 billion last year. In addition, this business is accelerating. Since 2019, average deposit balances have more than tripled and we’re only scratching the surface.

Our demonstrated track record gives us the confidence that we have significant upside over time as we become the primary bank in all of our markets. So beyond expanding client coverage, we are also strategically investing in our platform and capabilities. We have dedicated teams focused on empowering and enabling our bankers. We’re building a data-driven business to better inform risk decisions and deliver insights to both our clients and our bankers. We’re innovating to create powerful solutions, and we’re focused on optimizing the client experience across their entire journey with us.

And these investments are paying off with real value across many important KPIs. For instance, Middle Market banker productivity has increased 18% year-over-year. Client satisfaction for client onboarding in Commercial Banking is over 90%. And lastly, our cycle time for onboarding clients in Middle Market is down over 70%. So all of this supports our ultimate goal of providing both our clients and our bankers with the tools to make them as successful, productive and as efficient as possible.

So as we continue to grow, credit discipline remains core to our culture and it’s a common language across our business. It is anchored in rigorous client selection, being prepared for a full range of economic outcomes and taking a patient, through-the-cycle approach. Reflecting this ongoing discipline, our overall net charge-offs have been less than 20 basis points in each of the last three years.

In C&I, we feel good about our current portfolio. Our exposure in North America is diversified across U.S. markets. Overall, it is well structured, granular and high-quality, with 59% of our exposure rated investment grade. Of our non-investment grade exposure, 70% is secure. In the past year, we’ve clearly seen the impact of higher labor costs, baseline inflation, interest rates, along with elevated geopolitical and market (sic) [macro] uncertainty, and through all of this, any stress or losses that we have seen to date have been idiosyncratic or concentrated in sectors that we’ve been watching closely.

Looking forward, we’re carefully monitoring market conditions and we’re staying close to our clients. And even though the market remains competitive, we continue to find attractive opportunities to lend while we’re maintaining our underwriting discipline.

So likewise, in Commercial Real Estate, we remain confident in our underwriting and our portfolio overall. Across JPMorgan Chase, our total commercial real estate exposure is $206 billion, including $30 billion acquired with First Republic Bank. About 90% of this exposure is held within Global Banking, where our strategy has been to build a franchise to thrive through the cycle, banking only the best developers and investors, focused on stabilized properties and the least volatile, more cycle resistant parts of the market.

As such, Commercial term lending multifamily is our largest concentration, primary lending against stabilized B and C class properties in supply constrained markets, with rents for the properties we are financing below overall market averages. We underwrite at current rents, not rising rents and we use conservative interest rate assumptions. And the loans here are highly granular with an average loan size of about $2 million. This portfolio has performed well over time. So our heritage CTL multifamily net charge-offs have been less than $1 million in total over the last five years.

In addition, we are closely watching our office portfolio as the sector is under stress and clearly impacted by higher rates and strained market fundamentals. Our office exposure represents less than 10% of our overall Commercial Real Estate portfolio and we feel like we’re adequately reserved with a loan loss allowance of around 8% for our secured office portfolio. Moreover, office non-performing loans remain manageable at less than $500 million.

With that said, higher for longer interest rates, upcoming maturities, potentially weaker broader fundamentals may drive further downgrades. And while charge-offs are forecasted to be higher year-over-year, we expect them to be manageable and primarily concentrated in office. So overall, across C&I and Commercial Real Estate, we’re remaining disciplined and we’re well-positioned for a range of economic outcomes.

So to wrap up, in Global Banking, our objective is to be the most important financial partner to our clients. To do that, we’re executing a deliberate strategy. We’re investing to grow, expand and deepen our client franchise. Today, we’ve given you only a small window into the tremendous whitespace we have in front of us.

We’re delivering training, insights, workflow and technology to empower and enable our teams focused on serving our clients in a highly differentiated manner. We’re using data to drive our business. We’re innovating to extend our competitive advantages. We’re relentlessly focused on our client experience. And although market forces continue to impact our business and the industry, complex markets actually play to our strengths.
So as we execute this strategy, we believe we will continue to deliver the results you expect, highlighted by our rigorous focus on expense and capital efficiency, and strong earnings, and returns while we make the critical investments in our future.

So with that, again, thank you all very much for being here. I'll now turn it back over to Jenn and Troy.

Operator: Please welcome back to the stage, Jenn Piepszak and Troy Rohrbaugh.

Jennifer Piepszak
Co-CEO of Commercial & Investment Bank

Okay. Thanks, Doug. Thanks, Filippo. So, to wrap up, I started by saying we are humbled to lead this franchise. We have a strategy that works, the capacity to invest through cycles, and a team that knows how to execute. So where do we go from here? This slide highlights the growth opportunities we’re most excited about, all of which you’ve heard us talk about, but just to recap: first, deepening our relationships with clients across the board, from extending our lead with financial institutions to improving our position with corporates, as well as targeting high-growth sectors like technology and healthcare and end-to-end ecosystems like Sponsors and the Innovation Economy.

Second, closing addressable gaps, for example, in Markets, financing and e-trading; in Securities Services, Alternatives and Middle Office; in Payments, Cross-border FX and Merchant Services; and in Banking, M&A and ECM. And again, those are just a few examples. Third, improving our reach as we expand in Middle Market, capitalize on new corridors, and strengthen our international footprint. And finally, harnessing our data assets and using AI and ML techniques to offer innovative solutions to clients.

To do this, we will, of course, maintain day-to-day discipline, continue to optimize our model and transform for the future, which remain our core operating principles. While there are some headwinds, obvious headwinds around capital and heightened competition from both banks and nonbanks, we believe we have the right strategy, business model, and, most importantly, the best people to outperform in any environment.

So, before we open it to Q&A, Troy, do you want to touch on the other topic du jour?

Troy Rohrbaugh
Co-CEO of Commercial & Investment Bank

So I figure what you're all waiting for: a bit of color on the second quarter. So, in Banking, we remain cautiously optimistic. There's improvement in overall market conditions. The pipeline remains healthy. So with that, we expect to be in IB fees up mid-teens (sic) [year-on-year] for the second quarter. In Markets, we expect to be up mid-single digits (sic) [year-on-year] for the quarter. We're seeing in Equities, improved sentiment, a strong earnings season, volatility that's underpinning secondary market and client activity. And in FICC, we're seeing a continuation of the first quarter with stronger revenues in Spread products tempered by slower revenues in Rates.

So with that, thank you all very much, and we'll take some questions.

QUESTION AND ANSWER SECTION

Jennifer Piepszak
Co-CEO of Commercial & Investment Bank

Betsy?

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

Betsy, go ahead.
So we do both a bottoms up and a top-down analysis of our capital. We obviously work very closely with CIO, Jeremy and the corporate finance. And we have a set of allocated capital given to us in the CIB. We then do an analysis by business of where we think the biggest opportunities are and the places that we can shift capital. We're also very cognizant that there is a big halo effect that I mentioned.

So it's not a simple formula of, well, what makes higher ROE? We just move capital. So we try to make sure that we allocate capital to the part of the business that clients expect from us and then create excess capital wherever possible to allocate to the largest opportunities. And each of our businesses have within them a capital allocation team. So Markets being the most intensive, they spend a lot of time on whether we should shift capital away from rates to mortgages, to equities, how we're going to grow the franchise, where are our clients interconnected. So it's a fairly complex formula, but we do it with a lot of deliberation and we do it constantly.

And we also then do it with a client lens to make sure the capital we are giving in the individual client is actually being rewarded with business across the Firm. So we do it with both a product and a client lens. And we just want to make sure we're getting the above hurdle return we expect from a client perspective. And then on the product side is where are the best opportunities and where can we create the most excess capital without damaging the franchise.
Jennifer Piepszak  
Co-CEO of Commercial & Investment Bank

Yeah. And I would just add, Betsy, that it's not a zero-sum game. So we have a process about how we allocate capital at the company. These growth opportunities don't change that process. So to Troy's point, that disciplined approach would still be there. And if we have the opportunities above hurdle, we can deploy more capital to do that.

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

Gerard Cassidy down here.

Gerard Cassidy  
Analyst, RBC Capital Markets LLC

Gerard Cassidy, RBC Capital Markets. You guys showed us that you've been able to maintain your wallet share in Investment Banking. Can you talk to the FICC and the Equities decline in market share? Was that more from competitors being more aggressive or re-emergence of the Europeans or was it more a focus on your capital because of the unknown Basel III Endgame so you weren't as aggressive?

Troy Rohrbaugh  
Co-CEO of Commercial & Investment Bank

So, I can take that one. So I'll start with Equities. We did lose share last year and I will also give Pranav and Jason a chance to chime in. We did lose share last year, but we feel really strongly, like we're on this multi-year journey where we gained a lot of share. And we've solidly put ourselves in a position to be number one or two in what is a three-horse race.

So on a multi-year basis, we feel really good about the direction of travel. Obviously, last year, we did lose some and there are specific reasons why we did. It's not predominantly driven by a change in allocation of certainly risk appetite or balance sheet. In any given year, other banks may perform well, specific client transactions, large one-offs. We're very diligent about where did lose share last year. But we're comfortable that we can continue to regain that and keep a multi-year trajectory in Equities.

In FICC, we've lost share from the peak. And we mentioned it last year, when Daniel spoke about it, some of it is a change in wallet mix. You've seen a shift towards the spread piece of the business, more revenue from corporates. You see just an increased trading wallet. You've seen a large increase in the amount of revenue from Energy. So these are things around the mix. And then previously we had some underperformance in spaces like Rates and we feel we've corrected that. We gained a little bit of share last year. But FICC is a very competitive environment. That share gain is difficult. We still believe strongly we can continue to grow some, but it's going to be harder yards there.

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

Ebrahim, go ahead.

Ebrahim H. Poonawala  
Analyst, BoA Securities, Inc.

Thank you. I guess maybe for Troy. just. I guess, electronic trading on the Fixed Income side, you hear a lot from the non-banks in terms of the disruption risk. So one, give us a sense of the disruption risk to Fixed Income trading for the banks. And second, what's the ability of JPMorgan to actually play a disrupter and gain share if that disruption occurs?

Troy Rohrbaugh  
Co-CEO of Commercial & Investment Bank

So, this is the space we're super excited about, like we have gained share against the competition you describe. We've competed against non-banks for ever and we do it quite successfully in large parts of our business. FX being a prime example where there are non-bank competitors, but we're still the leading volume and revenue franchise. And what they've done is while we've still gained share there, they've taken it from other people in the market. So, we're used to competing with them.
Troy Rohrbaugh  
*Co-CEO of Commercial & Investment Bank*

I think one specific area where non-banks have done very well are in credit and in ETFs where you have like electronic trading there, the number one being a non-bank. And we feel really good that we've invested heavily there in the last two to three years and we have gained share. Our goal there is very solidly to be the top bank and be in the top three across the whole spectrum. And we feel like we're definitely making progress there. And some of those non-banks have lost some share to banks that are competing more aggressively.

Jennifer Piepszak  
*Co-CEO of Commercial & Investment Bank*

And while the margins are razor thin in e-trading, you do see higher volumes, as Troy said. But also a greater opportunity for internalization. So, there's efficiency there as well.

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

Ken Usdin, go ahead.

Ken Usdin  
*Analyst, Jefferies LLC*

Thanks. I was wondering and hearing your cautious optimism about the outlook and the strong pipeline, can you give us a status of like how the different major product areas are feeling in terms of their openness – ECM, DCM, Advisory? And then within Advisory, just the strategics versus the sponsors, just is there a staging effect kind of who's ready and who's still waiting and that kind of thing. Thank you.

Jennifer Piepszak  
*Co-CEO of Commercial & Investment Bank*

Sure. Doug or Filippo, you want to take that one?

Doug Petno  
*Co-Head of Global Banking*

Okay. Product by product, so DCM, we've set record volume in terms of new issuances, clients are bringing forward a lot of terming out of their revolving credit, just taking advantage of where rates are and the fear rates may go up from here, and just sort of the high-for-longer scenario plays out. So, we've been quite active. Who knows whether that has brought back? There hasn't been a whole lot of deal financing. It's mostly been just regular corporate finance.

ECM, year-over-year, it's better. IPOs market is better, but nowhere near where it's been or what it's capable of, and we see a continuing pipeline building and backlog building in IPO market. And then M&A, there hasn't been a lot of strategic activity. I think people are watching and waiting, seeing where the market goes, hard landing, soft landing, no landing, what the election outcome is going to be.

You have regulatory effects on potential combinations. So, a lot of forces at work there. But again, there are animal spirits that you could see starting to spill into the markets. We've got pipelines that are strong and building across all three product types and are cautiously optimistic that if the broader market holds together, we'll have a very interesting year, certainly a better year than last year.

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

We'll take our last question from the investor down there.

Denisse Becerra  
*ESG Integration Specialist, DWS Group*

Thank you. I have a question. I know that there have been a lot of questions about the strategy. The question goes more into some recent cases that we have seen in banking where there has been young people being under a lot of pressure and there was a death in one of the
Denisse Becerra  
*ESG Integration Specialist, DWS Group*

American banks recently. When you’re stating this ambitious strategy and you want to keep being the best and now you’re the best, but you want to keep growing, how is this pressure going to be managed, trickled down in terms of human resources, allocation? Can you speak a little bit more of detail on how this will look in terms of hiring process, maybe cleaning headcount, if you can give more details around this? And also some of the, let’s say the way the bank manages, among especially junior associates in Investment Banking division? That will be my question. Thank you.

Jennifer Piepszak  
*Co-CEO of Commercial & Investment Bank*

Sure. So, I can start with like there is nothing that is more important than the health and well-being of our employees and we’re aware of those stories and they’re tragic and incredibly sad. And so that is our job, not just the CIB leadership team, the operating committee, every leader in this company, their job is carrying our culture and caring about the health and well-being of our employees. So whatever it takes to make sure that we are caring about the health and well-being, that’s what we’re going to do and that has to happen bottoms up.

And as leaders, we have to be proximate to that. We can’t just sit in our offices and like go through business reviews. We have to be out in the field and every one of us are, so that we have a sense of where the pressure might be mounting, and we need to give people the resources to be able to cope, but nothing is more important than the well-being of our employees...

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

Yeah. I mean...

Jennifer Piepszak  
*Co-CEO of Commercial & Investment Bank*

...and no strategy is worth the health and well-being of our employees.

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

Yeah. I mean, all that I’ll add is, I see Robin Leopold right there, who runs our Global HR, and I know Doug and Filippo like specifically in banking, this has been a very important area of focus, like managing workflow. And I know Filippo, Doug and their team are very focused on it. Robin and team have like many detailed programs across the company to make sure people’s mental health is being cared for, that the workload is balanced, that they can have a real work-life balance. I believe deeply that’s part of the culture here, and what makes it difference, and people truly care, and that really is what we hope flows down and make sure like one of these tragedies doesn’t happen.

Was that it, Mikael? All right. Thank you.

Jennifer Piepszak  
*Co-CEO of Commercial & Investment Bank*

Oh, well. Okay.

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

Thank you.

Jennifer Piepszak  
*Co-CEO of Commercial & Investment Bank*

Thank you.

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**QUESTION AND ANSWER SECTION**

Operator: Welcome to the stage, Jamie Dimon.

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

Who picked my music? Welcome, everybody. Listen, it was a great day. I used to have a couple of quick comments and we'll open up the questions, any questions on your mind whatsoever. I hope you see – that you see a little bit of the detail that goes into managing this company. I love the chart, the one that Filippo showed, we have the same granularity everywhere, where we are weak, not where we are strong, okay, so in certain countries and certain products and services, we've got competition from nonbanks, Chime, Apple. We've got competition from Jefferies. We always look at the best competition as Goldman Sachs in this and Morgan Stanley in that, and not the worst competition, because we all benefit from bad competition, but we all have to compete with the best, and we have to compete with the best in AI and technology. And so, I hope you saw there was no complacency here, whatsoever.

The work ethic is important. Nothing is more important than our people. I hope you got a feeling for the talent of our people. I mean, this place is chock-block with talented, smart people who also give a damn about the human beings that work at this company. The second that unfortunate death happened, a bunch of us were right in Robin's office asking measure this, that, what do we know, what can we learn from it, etc. So, also you all from research, I just want to mention real quick, too, because Mary showed you I think you spent almost $500 million in research, well, the Investment Bank spends even more, and we don't talk about a lot, but it actually forms the foundation of how you educate the world about companies, products, services, markets, etc.

When a lot of us go to Shanghai and Hong Kong tomorrow, just to give you a snapshot, you should have thousands, I think like 3,000 people kind of circle in and out of there, hundreds of companies, government officials. If you go back years ago, we used to research on 40 or 50 Chinese companies, now it's 300, and the same kind of numbers are taking place in India, the Middle East, etc., where we're constantly educating, those are also the people we cover. So, to me, it's just constantly growing the franchise. I hope you also saw how well the people work together here. I mean, when you have a private banking client or a financial sponsor, normally we'll bank their companies, we'll bank their individuals, we'll bank their partners, we'll bank them in the Private Bank, and this whole Innovation Economy, you're banking the venture capitalists, you're banking the venture capitalists' kids, you're banking the corporations they are financing. So, it's a very broad-based effort and huge growth opportunities.

Huge challenges, huge growth opportunities, which we're completely prepared for, and I think no matter – and I also think, by which I didn't use to think, in some of these businesses, people are going to have much higher shares. They cost a lot of money to run. Regulations make their costs even more. So, I don't know why if you can't have with certain clients where you already have a 20% share, I would have said you're kind of capped out at fixed income at 11% or 12%, I don't think so anymore. I think someone would go to 15%, 16%, 17% easily and still allow our client to have a diversified funding source, etc. So, I'm going to stop there and open it up to anything that's on your...

Right there. Yeah.

Erika Najarian  
*Analyst, UBS Securities LLC*

So, during his presentation, Jeremy mentioned three things that you need clarification on before distributing the excess capital more robustly.

**Q**

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

Yeah.

**A**

Erika Najarian  
*Analyst, UBS Securities LLC*

Number one is, obviously, Basel III endgame and based on the Journal article, that's likely going to be end of year. The second is GSIB recalibration. Who knows when that's going to happen. And number three was CCAR or DFAST. With DFAST coming in late June, is that going to be enough new information or incremental information for you to start thinking about, what that quarterly run rate of buybacks could look like in the second half of the year?
Jamie Dimon  
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

Yeah. So, I would make it really clear. Okay. We're not going to buy back a lot of stock at these prices. And I – we do not consider stock buyback returning cash to shareholders, that's giving cash to exiting shareholders, we want to help the existing shareholders. I look at this as cash in store. So, if the number is $35 billion, $40 billion, whatever you call the number, it's going to sit there until we could deploy it at very good returns. Buying back stock as a financial company, greatly in excess of 2 times tangible book is a mistake. We aren't going to do it.

We're doing a little bit more – if you look at Visa, okay, it's kind of market neutral. The market goes up and the market goes down, so will Visa and JPMorgan stocks. So, in our mind, we're not going to do dollar-for-dollar offset. In our mind, we are doing a little bit more because of Visa. Also, as you know, hedge funds and people, they trade when the market opens, they trade when the market close, we simply aren't going to tell you anything anymore about stock buyback. We're going to surprise you all the time. Okay. We're going to – I want to out-trade the hedge funds is what I wanted to do and that's been my instructions to these guys.

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

Mike, go ahead.

Mike Mayo  
Analyst, Wells Fargo Securities LLC

Well, following-up on the last comment. I guess, why are you smarter than the $7 trillion investment-grade bond market? It seems like you've talked down the – I know it’s scenario analysis, but it seems like you're more pessimistic about the economy, about the industry, about your own stock price. I mean, Apple is buying back a lot of stock at much higher valuations, I think. So, what do you see that the $7 trillion investment-grade bond market doesn't see when you issue these kind of concerns?

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

Did you see that, there's a little chart that I think – the consumer folks put up about the forecasted interest rate curve, and the most important thing is how dead wrong it's been. So, I'll tell you, the investment-grade credit spread, which is almost as low as it's ever been, will be dead wrong, too. I predict that like night and day. It's just a matter of time. And what it has me, I'm cautiously pessimistic. I think pipelines come and go. I think interest rates go up and go down. I think there are long-term trends and short-term trends. I'm cautiously pessimistic. We have the most complicated geopolitical situation that most of us have seen since World War II, if you study history. We don't really know the full effect of QT. I find it mysterious that somehow, it had this beneficial effect, but it's not going to have a negative effect when it goes away. And I personally, inflation may be a little stickier than people think and that rates may surprise people, and we'll be patient. Like I said, that's earnings in store. It doesn't go away. You haven't given up on a future opportunity by letting it sit there. It's no different than if you came into a windfall and you leave it in cash for a while.

Mike Mayo  
Analyst, Wells Fargo Securities LLC

So, if I accept the cyclical argument you just made, structurally, would you want to make a case or would you make a case that JPMorgan is at a breakout stage in its corporate lifecycle, where you're implementing AI better than anybody else, you're spending $17 billion on tech every year, that you're gaining share faster than anybody else. And maybe that 2.3 times tangible book value looked expensive in the past, but if you look over the next one or two decades, it's not so expensive and you might regret not buying back more stock now.

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

If I regret buying back more stock, there are parts that I won't regret, right. I mean, the stock has done quite well, so. Look, I think we're in a very good position to continue investing in our future and we're not going to buy back stock now, other than what he just mentioned, okay. So, sorry about that.
Hi. Okay. Thank you. I will continue the questioning along this line a little bit, but one of the underlying questions is we know you have a lot of excess capital. And by the way, the deck is fantastic, and you guys make it look easy to do so well. I just have to say, it’s — every year you come in here and you’re crushing it, and I know it’s hard work, but you guys make it look easy. So, you’ve got the 17% ROTCE on average over time and you’re sitting with all this excess capital. And the question is when we do know the Basel III Endgame rules, how are you thinking about the speed with which you deploy that excess capital? Is it something that we’re just going to grow organically into it, which could take many years, or do you feel that as a steward of shareholder capital that there’s a need to really optimize sooner? Could you give us a sense as how you’re thinking through that?

First of all, Betsy, I just want to welcome you back.

Thank you.

Great to have you here. So, I don’t know exactly the answer to that yet. I don’t think we’re hurting shareholders by letting it sit there. I think we’d be hurting shareholders by using it to buy back stock. We may have some future organic growth opportunities. We’ve mentioned a lot here. So, if these folks up here can put capital into work either by building AI or by making more loans or by — we will do that. We can do some with the narrow frame where we’re just doing it for a three-year return, and we could do some with the longer frame. But we are quite comfortable we can grow the company, do a great job for shareholders, and eventually deploy that capital wisely.

And then also M&A opportunities clearly could exist.

Yeah. We — I think it’s a great — we’ve done a lot of small things and stuff like that, and obviously First Republic. There may be opportunities like that. We don’t count on that. I think it always makes sense to look and learn and maybe not do them all but learn constantly what they’re doing. Remember, I’ve already pointed out — a lot of our competition is — Apple moves money, holds money, lends money. They’re becoming a bank. Chime, Dave, Venmo, Cash, Square, they have — I forgot the number because I asked recently, like 100 million accounts. We’ve got competition. Jefferies is doing a good job. Goldman is doing a good job. Wells Fargo is making a comeback. People — their competition is tough.

So, both are true. We have tough competition, and we’re going to have great opportunities. We’re comfortable, we’re going to do a great job for you. But deploying — buying back stock at these prices will not be one of them. We’ve been very, very consistent. When the stock goes up, we’ll buy less. When it comes down, we’ll buy more.

Warren Buffett set a price, which I don’t know if he sticks to today, but he had set a price. In our mind, we’re going to be more aggressive when the stock comes down. And it will probably be at a time you’d be surprised we’re buying it back. It might be at a time when our ROE is down to 10%. The finest year we ever had was that year where our ROTCE was 6%. And like the year after that, we brought back quite a bit of stock.
Hi, Saul Martinez, HSBC. I guess a broader question on regulation and maybe this is a little bit more geared towards the CCB, but I mean, there's been just a broad-based regulatory onslaught, not just Basel but the late fee rule, Reg II, debit interchange, merchant settlement, overdraft, CRA, just goes on and on and on. You obviously have a political cycle. A little bit unclear how all this will play out. But if this continues and you do continue to see this sort of regulatory push, how does that impact your strategy? How does that impact how you think about capital allocation, and just the optimism generally about hitting your financial returns?

I wrote a very specific thing about trading. We have $80 billion of capital deployed to trading. We've lost money trading in the last 10 years 30 times, 30 days. Make $100 million a day, on the average day we lost, we lost something like $92 million. In the great crisis with Lehman, the worst quarter ever, we lost $1.7 million. We have $80 billion of capital deployed. Basel III would have made it $120 billion. Who's the beneficiary of these great markets? And they make it seem like we're a hedge fund. We make $100 million a day, like almost day in and day out was, obviously, volatility, going up and down. The beneficiary of those markets is retirees, pensions, investors, schools, states, governments, the federal government. We have the best markets in the world, with very narrow bid-ask spreads and the knowledge of that, those secondary markets and the research around it, are what create the best primary markets in the world. So, what's the point of going from $80 billion to what might be a $120 billion of capital? I think there should have been – the QIS should have been done beforehand.

I think regulators should be telling you what they want the outcome to be. They've already driven 80% of mortgages outside the banking system and then they just announced, the FSOC. I think the FSOC just announced, well, maybe there's so much risk in these outside bank mortgage folks, they don't have the liquidity, they're a bad market to fund, securitizations, etc. But they want another insurance scheme to protect mortgage brokers?

I mean, are they kidding? Is that what they really want to do? And I just – I think there should've been far more forethought about how these things were done. And I wish some of the press would ask those questions, was, who invented operational risk capital? They were supposed to clean up GSIB 10 years ago. Dodd-Frank, we've been waiting 10 years for this, constant rules and regulations, and I think they're damaging America at this point. We think the average mortgage cost 70 basis points more than it should, because of bad excessive securitization and servicing requirements, and origination requirements.

That's what they should be thinking about. What's the right thing for the system? What do you want? Plus, think about forward looking, what's our biggest risk? What's the biggest risk in the financial system today? Do you think it's CCAR? We do 100 stress tests a week. This is one test, and it actually does make people think that they've conquered their risk, and they can do something with CCAR. We do a hundred a week. Okay. CCAR doesn't worry us all, you know what worries me the most – cyber, trade, deglobalization, Taiwan.

And then I think we could fix – I think we could have created a banking system that you would not have some like Silicon Valley Bank or First Republic. So, we're not even talking about that anymore. And that's what I – they should be forward looking, thinking about the real risks to the systems, which you see are cyber and of course, as people go to the cloud, it creates a whole other level of cyber risk, which you've seen already if you read some of these announcements coming out, so – and then, of course, these additional rules. I mean, people say, what will be the consequences of that? Is that fair?

I mean you all aware, how many of you have ever gone a parking ticket? What happen when you didn't pay it on time? They doubled it. If a bank doesn't offer certain products and services, the customers are going to pay more, and you know who they often pay it to? The government. Taxes, parking tickets, municipal bills who charge excessive fees relative to what a bank might do, so they should be asking, how many clients you are going to drive out of the banking system because of Reg II, which, a lot of these will end up in lawsuits anyway, at this point. Do they really understand what banks do to, a bank account, that debit card is cash in your pocket but it can't be stolen? It costs a retailer 5% to process cash and it costs 40 basis points to do a debit card, which is like cash to them. Is that fair to tell an industry you cannot
Jamie Dimon  
*Chairman & Chief Executive Officer, JPMorgan Chase & Co.*

collect your costs at all? And so, I – look it’s time that the industry is just pushing back on these things, and they should. And then the consumer side, in particular, what will be the outcome? So, I think Marianne kind of said it. We will adjust. We don’t think our average returns will change over time, may very well change in the short run. You lose $0.5 billion of revenue, but over time, you may be a slightly smaller business but you’ll probably have the same return targets, you’ll just bank less customers of a certain type, or you’ll charge a little bit more.

The first Durbin amendment pushed 5 million to 10 million people out of the banking system, and they can’t even acknowledge that. And so, yeah, this is serious. We’ll be fine. The other thing is, what do they really want? A lot of the things you heard about are going to help – hurt mid-sized banks. We literally have traditional lending and deposit businesses, and they may not be able to afford all these changes. If that’s what they want, then that’s what they’re going to get. They should have thought about it beforehand.

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

We have a question from Glenn Schorr.

Glenn Schorr  
*Analyst, Evercore ISI*

A question on buybacks. Just kidding. I want to get your perspective on private credit. So, Troy made a lot of good comments about JPMorgan being a great lender, financier, partner to the industry, I believe it all. We do watch more middle market loans being made on the private side, some large corporate, more of the asset-backed finance world is migrating there through either bank partnerships or sales.

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

Or insurance companies now, another whole level of risk. Yeah.

Glenn Schorr  
*Analyst, Evercore ISI*

With a big multiple. So, the question is how much, I want to get your perspective on how much of what our traditional credit markets owned by banks in the past better off in that better – it might be a regulatory arbitrage thing, or it might just be locked-up long-term financing, but it seems like more as migrating over there. Just figured you’re in the best position to help us.

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

Yeah. I mean, so the first thing I think, which Troy has mentioned about it, we will compete, we can do effectively private loans, the unitranche, done differently, done quicker and different covenants and terms and stuff like that. So, when you come to us, it’s really, if you’re the client, it’s what you want and not what we want. As it turns out, private credit costs more money for the most part. That changes all the time. So right now, it’s 200 basis points more. I think we’ve seen like 10 or 15 deals. They got out of private credit, went back in the syndicated loan market to save the 200 basis points, which they’re very sensitive about at higher rates and maybe are less sensitive at lower rates. And so, we’re going to compete. And obviously – and I mentioned publicly that some of these folks are dancing in the streets. They’re out there publicly saying that “we’re dancing in the streets”. But of course, it’s regulatory arbitrage. And again, if that’s what the regulators want, so be it. But again, we will compete. We’ll be fine.

The other thing, which has always been on my mind, is I’d rather earn the 200 basis points more. And remember, when we earn the 200 basis points, we also get other revenues. These folks don’t. So, our relationship – we have Payments and Custody. So, we get other revenues. So, in some ways, it’s a better economic deal for us. But if I were them, I’d look at private credit that has some real pluses, private markets, which is – it’s good that you can get private money longer.

It’s good that some of this money is financed longer. That’s not a negative. There may be other pluses, but here are some negatives, okay. Some of these things are not marked-to-market with the same discipline that we do. I think some of these private credit people are very smart, they’re very good, they know exactly what they’re doing. But my experience in life is, it’s not true to all of them. The problem isn’t caused by the good ones. It’s caused by the bad ones, and when the bad ones cause a problem, what’s going to happen? And you could predict this like the sun coming up. They’re going to look at all of them.
Jamie Dimon  
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

And some of them, they’re going to say – now they’re going to retail, not mark-to-market. That’s going to be very different than institutional, not mark-to-market which you saw in private equity. But when retail has a different mark-to-market, that little old lady is going to say, I didn’t know they didn’t have the same transparency as public markets. I didn’t know they didn’t have liquidity around these loans. I didn’t know that they were being marked on a different basis, a theoretical mark-to-model as opposed to mark-to-market, and it may cause problems.

So, to me, people should be analyzing things beforehand, not afterwards. And so, in any event, we’ll compete. We’re going to be fine. We’ll be okay, no matter what happens with any regulations anywhere. But the question they should be asking is, what does it mean for the United States of America? Oh, the other – one last thing, a lot of those folks who took private credit loans will be stranded when the shit hits the fan, because they can’t roll over a loan at 14%. Their company won’t be able to afford it.

So, banks tend to work with the borrower and the middle market loan in the crisis, we’re getting LIBOR plus 1.75%, maybe you’re going to charge them LIBOR plus 2.25%, because we want them to survive. In the mark-to-market world of private credit, they have to, as a fiduciary, book it at par, which means they have to roll over at 14%. Private credit hasn’t dealt with high interest rates, hasn’t dealt with a recession, and it hasn’t dealt with high spreads.

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

Question down there.

Unidentified Participant

Does this mean you’re in no rush to buy a private capital company?

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

We are not going to buy a private capital company. I mean – wait, let me take it back. The way we run the company is Mary and Troy and Jenn and Doug and Filippo and all the people – they should be thinking all the time, regardless what I say, okay? No, I mean that. I have an opinion, but if they came in and said, we’ve got a great thing that makes sense for us. Then, yeah, fine, we should do it.

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

Hey. Mike, go ahead.

Mike Mayo  
Analyst, Wells Fargo Securities LLC

Succession?

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

Yeah.

Mike Mayo  
Analyst, Wells Fargo Securities LLC

How much longer do you intend to be CEO? And I guess, what, we’re looking at 2.5 years? What’s the chance – I know I grabbed you in the hallway that you would go to government and go out before the 2.5 years? And what’s the chance you add on like another five years after this 2.5?
Jamie Dimon  
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

Yeah. So, here’s some basic principles. It’s up to the board, and we have some board members here. It’s not up to me. I have the energy that I’ve always had. That’s important. I think when I can’t put the jersey on and give it my fullest then, I should leave basically. The board probably – it’s up to them at the time. Will I stay as Chairman for a while? We’ll see. But I think the – and we’re on the way. I mean, we’re moving people around.

That’s the other thing I should mention. If you look at our company, a lot of these folks have been all over the company now. They’ve been in CFO jobs and in the Consumer side, the Investment Banking side. So, they have deep knowledge of the whole company. The whole Operating Committee, which I think you’re almost all in the room here, they all know all parts of the company. So, you’ve seen succession – we got built in the succession with Daniel Pinto. How many companies can say that? And then, you should evaluate yourself. You guys, all the analysts whom always ask that question, like is there a good potential succession. You can elevate the people you see as leaders yourself. And I think most would say, yeah, there are actually some really great potential CEOs here and stuff like that. So, the timetable is not five years anymore. That’s it?

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

Yeah. Ebrahim, go ahead.

Ebrahim H. Poonaawala  
Analyst, BoA Securities, Inc.

Just one quick question. You’ve been pretty vocal about the U.S. deficit. It has an impact on rates and the economy. Just give us a sense of what the end game here is, how we should think about just the tail risk event from that, how you manage the bank for that? And you had a lot of discussion in D.C. How does this resolve itself, given the size of the deficits today?

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

Yeah. I would put myself in – concerned about that too. What I don’t know is the timetable. The debt to GDP is 100%. The deficit is running 6% or 7%. It’s the largest peacetime deficit we’ve ever run. And remember, that deficit is large. Even if you look at the world, it’s still a large number, and most of the countries are doing it, not to that extent in size. The debt to GDP is going to grow kind of straight line for 10 years. And then, it’s going to grow like a hockey stick after that, mostly because of medical.

Somewhere along that journey, and I don’t know if it’s 6 months, 6 years or 16 years, it will be a problem. So, obviously, for the United States, the sooner we deal with it maturely, the better. We shouldn’t wait when we know it’s out there. And of course, today you read about the Chinese are selling some of the treasuries and mortgages and there’s a whole section in The Economist, which is the best, if you don’t read it, you should read it every week, about the deglobalization of financial systems out there, because of sanctions and war and restructuring of global trade. And it goes to the history of reserve currencies, etc.

We simply don’t know, but I would put it as a risk out there. And I would tell you that if you look at future issues – so, forget current, the current – the consumers got money. Wages are going up at the low-end. Companies are making more profits, but all of that is also fueled by fiscal spending, all of it. Corporate profits are made at the margin. When corporate profits – when sales go up 3%, profits go up 10%. When sales go down 3%, profits go down 10% or more. It depends what kind of industry you’re in. And so, we don’t know the effect of that.

We do know the consumers are running out of excess money. Small businesses are running out of excess money. We don’t know when it’s going to end, but it looks like sometime early next year. And we don’t know the deficit problem. But remember, you go back to 1970 – I’m going to go back to 1972 – no, go back to 1980 when Volcker was there, the debt to GDP was 35%. The deficit spending was less, okay. Inflation had started going up in the 1970s, guns and butter, Vietnam War. So, much smaller deficits, but inflation at 12%. So, when Volcker raised rates on a Sunday night by 200 basis points, the debt to GDP was 35% and the deficit was 3%. Something drove that inflation. And so, if you look at the future – and looking at the future is very different than saying what’s happening today. Well, inflation is going down. It almost doesn’t matter. It’s possible that inflation is embedded in the system at 4% for next year, and there’s not a damn thing anyone can do about it. That is possible. And I’m not saying it’s going to happen. We don’t make bets in the future, and I also don’t believe in central base cases at all. But that is a risk. And if rates go up a little bit more, like with the 10-year bond to 5.5% to 6%, spreads gap out a little bit – that’s a different world. That’s a different world for real estate. It’s a different world for assets. It’s a different world for private credit. It’s a world that a lot of the people in the world have not seen.
Jamie Dimon  
*Chairman & Chief Executive Officer, JPMorgan Chase & Co.*

1972, the market hit an all-time high of a little over 1,000. It didn't hit it again until 1987. It hit at 1,000 in 1968. Shit happens. And I'm not even talking about the geopolitical world, which is even far more complex, including the effect of oil – we've been talking about, there's an article in the paper today about internet cables, fiber cables. We've been preparing ourselves for those to be cut for years. They are very vulnerable. So are pipelines for oil and gas. And so, I just – I look at the world situation and I'm quite cautious. I like having a lot extra capital right now to tell you the truth.

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

Okay, Steven Chubak back there?

Steven Chubak  
*Analyst, Wolfe Research LLC*

Thanks, Mikael. Jamie, I wanted to ask you on two topics. The first is QT. Now that they're at least slowing the pace, wanted to get your perspective on how you could see this unfolding. What are some of the potential tail risks that you envisage? And then, the second one, just on the topic of private credit. The regulators have outlined at least some of the risks that you flagged, but they've also indicated that they don't necessarily view the risk as systemic, given lower leverage, as well as better asset liability matching. Just wanted to get your perspective on both the QT, as well as the systemic piece related to private credit.

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

So, I'm going to do the private credit. I don't think it's systemic either, by the way. So, I'm not sitting here saying, it is systemic. It's growing rapidly. Anything that's growing that rapidly, if you look at almost every major financial crisis, it was new financial products, often around real estate, but new financial products. Almost every single time. So new financial products that are untested often cause a problem. Whether it's systemic or not, that remain to be seen. I don't think private credit itself is big enough to cause a systemic problem.

But remember, markets panic, so, something can cause a market panic. So it isn't that they're systemic, but panic can become systemic, all on its own. The financial crisis was the first time you ever saw that the market – what was happening in the market affected the real economy. It was usually the other way around. So, of course, market panic will happen again. I guarantee you, every single one of you in this room will panic one day and you want to sell your stocks and get out and the sentiment will go a different way. At that point, we're not going to panic because we prepare for that kind of stuff. And so, I don't think it's systemic.

QT, I just don't know. I mean – again, I look at it differently. We've never had QE. We've never had QT. The government has spent $10 trillion, our government since COVID, $10 trillion, borrowed it and spent it. Okay? And I don't know how that's not inflationary one way or the other. And then the government also bought $8 trillion of bonds, $4 trillion in the Great Financial Crisis, $4 trillion in COVID. Now this happened globally, it wasn't just – ECB did it, Bank of Japan did it, etc. We've never had QT. So, it's hard to say, here's what's going to happen. I'm a little worried about it.

I do believe that it will cause problems in the marketplace at one point. One of the things that we didn't put up here and maybe one day Jeremy can do it, is that with all these constraints the banks have, there will be a point in time we have $1.2 trillion, $1.2 trillion of cash and marketable securities and you are going to come to us and want us to bid in $40 billion of bonds out of a mutual fund or something. Or to do a repo against very good collaterals. You can liquidate some of these portfolios as people panic. Because they're going to panic, and people will want to liquidate their mortgages, liquidate their bonds, and liquidate their stocks, and there's a way to do it. And we're going to say, we cannot do that. And you're going to say, well, why not? You have $1 trillion of cash. $500 billion at the Central Bank. And we're going to say because it's sitting in this little constraint over here. It may be SLR, it may be LCR, it may be CET1. So, those constraints will hurt. Now they're talking about fixing the discount window which they should have done 10 years ago. So, I don't know what it's going to do.

But I do think it will cause that, that you will see like we saw, it was in February, in COVID in February 2019, and they go back to that. When the second they started doing it, they got to a certain level. It caused a little bit of problems in the market. And that, I can guarantee it will happen again. We're not there yet. We're quite a way away from that.
Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

Yeah. Well, I mean, again, when the board makes a decision about who the next CEO should be, one of the considerations is keeping the best people. If you put a new person in a job and they drive everybody else, that obviously wouldn't be a particularly good thing. But I think it all comes down to that everyone, including the young kids, are treated with trust and respect, that they know that it's not about being a friend of Jamie, or about being right about something. But they know that when they walk in that they can contribute to the best of their ability, they're treated respectfully. We want the truth, the whole truth, nothing but the truth. We don't spin stuff. We don't spin it for the board. We don't spin it for me. We don't spin it for anybody else. People are supposed to do a full assessment, including all these people decisions, like, when we make people decisions, a lot of the people on the Operating Committee get involved in those decisions too. And one of the things that people think that people crawl their way to the top of these companies, no, very often they're pushed to the top because people want to work for them.

And I actually wrote in my Chairman’s Letter this year. Do you want to work for a jerk? Anyone here? Well, of course not. Do you want to work for someone that treats you with respect and just tries to do the right thing for the client, the company, the country, the community? Probably. And so, you know that that’s – and that’s a different level. We need you to be smart. We need you to be dedicated. We need you to have all those disciplines and that discipline. I mean, a lot of companies don't have deep discipline about where they make money and how they make money, why they do it – and Troy mentioned, I just want to reiterate, there are products we’re going to make very little money on, but we have to do them. But if the client relationship makes sense, it's okay. We're okay with that. We're adults. So having all these disciplines, but then having the heart, several people mentioned here already, the heart and the curiosity and the people want to work there. And so hopefully, we'll continue that. And I think you get better at that over time too.

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

Back there.

Unidentified Participant

I believe in your last Shareholder Letter; you've spent a lot of time talking about AI. Can you share a bit more about your latest thoughts on AI? How do you think AI is going to change in the world in the bank industry and how do you think JPMorgan is positioned to navigate through some opportunities and challenges as a result of the rising power of AI?

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

Yeah. Look, I think we’re quite clear. I mean, everyone talked about it up here, okay? It's embedded in what we do already, but – and I think it's going to change every job, like every job. There'll be no jobs. Some of it's just going to be a co-pilot helping you do your job, some of it may eliminate some jobs. Some of it may create additional jobs. But you can't envision one app, one database, or one job where it's not going to help, aid or abet.

As from trading, we already use it on trading, it does our hedging portfolios, it does a lot of risk fraud. Marianne mentioned there's several things, and we try to analyze every part of it like, what's the ROI and stuff like that. But I'm very cautious too, because sometimes it's just so broad and so deep. I tell people, certain things, don't do NPVs and ROIs on. It's just a waste of time. It's better customer service or client service, I remember people trying to do it years ago in digital account opening. And then you have a thousand assumptions in there as we're replacing this, and can you get rid of a little bit of real estate, what about advertising? You're wasting your time. Clients want it. You damn well better do it and get right to it and stuff like that.

But I think the most important part, Daniel already mentioned it was that, Teresa is here if you want to talk to her. She's one of our resident experts who is one of the business leaders here at the management table, so is response for Data and Analytics, and it’s a mirrored organization. So, they have data analytics in Credit Card, Wealth Management, Small Business and it's really how people think.
Now, as people start thinking about how you deploy, the management team here is going to come up with a million examples. We don't even know today. So, my view is, make this a part permanent in what you do, it's like exercise now. We don't have to debate the importance of it anymore, it is important. And it does change the cloud journey, it makes it far more important and — that we do that right, whether it's public or private cloud and how we use data. But I also put that down as one of the bigger risks to the banking system, by the way, and it's not just us, it's all the things we're hooked into. And if I was the regulation, literally what I would do — I think they were from Venus, and they're from Mars, I would stop all the stuff they're doing and I'd tell the management teams focus on interest rate exposure, QT exposure, cyber exposure, data exposure, and all the linkages that can take down major important institutions in America, because it's every day now. And you might have read there's a bunch of stuff about Russian actors and Chinese actors and North Korean actors out there. It's pretty scary stuff. We are very well protected. But I'd say the system is not yet. And I think in this case, the government is doing a better job focusing on that.

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

We have another question down here.

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

Yes.

Denisse Becerra
ESG Integration Specialist, DWS Group

Yes. Hello. Hi, Jamie. I would like to pick your brain on something that I've been reflecting a lot around. So, you have Millennials and Generation Z right now living in a world that is constantly changing, that is becoming more expensive, more challenging. We have AI that is definitely going to change the way the workforce works.

With this in mind, how do you see the role of banks in terms of advocating for policies? How do you see the role of banks in terms of helping the generations to be able to plan for their future that is becoming every time more challenging? And how do you give — how do you see the changes in political landscape in the U.S., particularly where this is becoming more intense, changing?

Do you think that because of this push of more expensive lifestyle or, I mean, everything is just becoming more expensive, do you think that this will push the U.S. into having a more socialist approach in terms of healthcare, education? Do you see that switch happening? What are your thoughts on this?

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

Yeah. So, I don't feel so bad for Gen Z and Millennials, just so you know. I tell people, my grandparents were all Greek immigrants, came here literally with a shirt like — I'm sure a lot of your, great grandparents with a shirt in their back. That generation is going to inherit a world worth $400 trillion.

Okay. So let's put things in perspective a little bit. They're going to be working probably 3.5 days a week. They're going to live to 100. They're not going to have cancer. They're going to be in pretty good shape, provided the world doesn't destroy it all with nuclear weapons, which is the biggest risk in the world.

But I'm going to answer your question now. We reach out everywhere around the world to these 30,000 middle market companies, real estate companies. We reach out to states. We reach out to unions. We reach out to large companies, sovereign wealth funds, countries, governments, 80 million American consumers. In addition to that, we have devoted programs for advancing black leaders, advancing Hispanic leaders, reaching out to LGBT. We've got special jobs for neurologically disabled individuals. We feel great about that. Okay? We're opening community branches. We just opened one in Fordham Road in the South — North, West Bronx, whatever. And we're going to continue doing that. I think our people like it, we like it. It lifts up society. It's a good thing to lift up society. We march to our own beat, so we're not going to sign any things anymore that say we're committed.

We have aspirations and goals and stuff like that. And of course, we're getting from the left and the right about energy and solar. We're great all of them. So we're going to continue doing all of that. And the younger people do like that. And we have a heart and soul and a purpose.
Jamie Dimon  
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

And we unabashedly are going to be lifting up society, which I think is good for the country, for the people, for our business, for everybody. It is not a zero-sum game.

If you have part of your society doing terribly and we do, I wrote in my Chairman's Letter about the lower paid 20%. They have gotten a raw deal. They're dying 10 years younger. They have less medical insurance. They drive through crime in their neighborhoods. Their schools are failing those kids. Half the kids don't graduate in inner city schools and stuff like that. What the hell did we do, as a society?

Now, I also point out to my Democratic friends, that was not because JPMorgan was successful. That's not because Apple was successful. We should look at those problems and fix it. And we do play a role in that. We get involved in work skills, in inner cities, and we're going to continue to do that. And then we also advocate for better policies in Washington DC around mortgages, gentrification, health, things like that. So the government – we're going to deal with governments, Democrats, Republicans over the years and obviously some have different meaning for us than others and so – yeah.

Denisse Becerra  
ESG Integration Specialist, DWS Group

Can I add a comment?

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

Sure.

Denisse Becerra  
ESG Integration Specialist, DWS Group

Can I add a comment to that? Yes, indeed. This generation is going to inherit, like, what you said, $3 trillion in terms of investment, the best healthcare…

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

$300 trillion.

Denisse Becerra  
ESG Integration Specialist, DWS Group

$300 trillion, sorry, in the best healthcare, the best education even available. The problem is access. Even right now, like today...

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

I agree. And we do the best we can in that both directly in our communities and trying to advise the government. I totally agree.

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

Gerard, go ahead.

Gerard Cassidy  
Analyst, RBC Capital Markets LLC

Jamie, Gerard Cassidy, RBC Capital Markets. I echo Betsy's comment to you and your colleagues and Mikael putting on an outstanding Investor Day. Coming back to something you said earlier about possibly being in the position if there is panic and somebody has to sell $500 billion of bonds and you guys could be there maybe to execute the trade, how about banking? We all know our careers have been littered with bank failures. Obviously, you picked up Washington Mutual during the crisis and we all know about last year. Is there a risk that – there was
Gerard Cassidy  
*Analyst, RBC Capital Markets LLC*

some pushback last year from some of the folks in Washington that you won the First Republic. Is there a risk that you may not be invited to the table on a bank failure or is that just crazy to even think...

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

Look, we would not probably have done First Republic if the system didn’t need it. And we were quite clear about that. We knew we didn’t get a lot of good stuff, and our folks have done an unbelievable job treating the people properly, learning from it. We always learn from everything. But if you look at it, we knew we could handle it and that we can hedge all the risks right away, that we understood all the loans, we understood the consumer system, stuff like that. The FDIC has a requirement under the law to sell to lowest cost bidder.

Now, if they wanted to come up with a way to make it skewed against us, I’d be fine with that. What we wouldn’t be fine with is that if we’re not there and it costs another $10 billion, that cost the FDIC $10 billion or something like that. So, Silicon Valley cost $20 billion. It should have cost $10 billion, in my opinion. And that’s one of the reasons I said we should bid on this thing because we have to pay 20% of the difference. And so yeah, they should do the right thing, but if they want to skew — there are ways to skew which are mathematical, like, giving the smaller — cheaper loan or something slightly different. But the politics can’t keep you up, because the law is quite clear and — we will see — they should be concerned about — they need to allow banks to merge. They need to stop preordaining whether it makes sense or not because every bank is in a different position. And they should stop acting like the banking system is static. It’s not. There are very successful small banks. I’ve already mentioned a lot of start-ups who — some are doing quite well including Square, and PayPal, and Apple Pay is now, you guys sent me the number over the weekend, $25 billion (sic) [in] a quarter is going to Apple Pay of our own clients.

Okay. So, these are serious matters. And so, hopefully, there’ll be a deeper understanding of what we’re trying to accomplish in the banking system. We do have the finest financial system in the world. It is one of the reasons that America has one of the best economies in the world and the most prosperous nation, hooking up capital and people and ideas, and with transparency and rule of law, research, low cost of execution. They should make sure they keep that.

Unidentified Participant  

Jamie, over here.

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

Yeah.

Unidentified Participant  

Right here. Maybe to ask the AI one a little differently. As you think about the impact of AI and technology generally on the banking industry in lowering costs and providing better outcomes, how much do you view that as a proprietary differentiator to extend your lead on overhead ratio or take cost out of the bank industry generally or as an industry wide kind of cost of doing business improvement for consumers, that doesn’t necessarily translate to better margins, returns similar to like Buffett’s textile machinery analogy or Red Queen race where everyone just has to keep investing in it?

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

Yeah. My own view is we shouldn’t be complacent because if I start saying that because we’re bigger, we spend more money, it becomes a competitive advantage. That may be wrong. It may also be a great levelizer, other people step in and do things better, faster, quicker, cheaper we also have to deal with open banking laws. So, I don’t know yet. The answer to us is deploy it as best you can, as fast you can, as safe as you can, and it puts you in the best position. I think in some cases, it may very well be a competitive advantage. I think in some cases, it can become a competitive disadvantage.

Remember, a lot of competitors will get it not through us, but they will get it directly from AWS or Fiserv or something like that who will have a pass-through system to give that benefit to smaller banks, too.
Mikael Grubb  
*Head of Investor Relations, JPMorgan Chase & Co.*

And we'll take the last question from Betsy down there.

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

Oh, hey, Jamie. Okay. It's going to be a two-part question. One is how do you think about special dividends? You did raise the dividend – some people thought off-cycle, but just want to understand how you think about that as a way of optimizing capital structure? And then the second one is in your Chairman Letter, you have a new sixth focus. One is to be a source of strength particularly in tough times for our clients in countries in which we operate. Do you feel that you're already there with your LCR, your capital ratios, and everything else? Do you feel you're providing that source of strength today and you don't want to go any lower? Or maybe give us a little bit of an understanding as to how this came in as a new element to the Shareholder Letter?

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

Yeah. So, it's new to the Shareholder Letter. It's not new to the way we think. It's just – in reality I should have asked, why didn't you add it sooner? We've always felt that way. But for JPMorgan, wherever we do business, we should be a source of strength to that country, the clients, we don't want you worrying about us. We want to be there in good times and bad times. We run the company, knowing there are going to be good times and bad times. I look at the economy a little like the weather. I don't worry that much about pipelines and growth in this quarter or next quarter. So the things driving profits today, were decisions made over the last 10 years.

If you said affect next quarter's profits, we can make a few phone calls. Charles, over there, take a little more X, Y or Z risk or Jeremy, do a little this or take $1 billion out of the marketing budget. All wrong to do. But we can affect net quarter's profit by billions of dollars, and we don't do that because we want to be a source of strength. So that should have been added before. Another question is – I don't love the idea of the special dividend. When we finish Basel III, we're going to know about the second round of Visa and then the ultimate round of Visa. That may be something we should think about. We'll probably be soliciting some of our shareholders about what might make sense, but I personally just like leaving it there and going to use it when the time is ripe, and it will be ripe.

Let me just end by thanking the management team, not just the ones who presented today, who did the most of the heavy lifting, but behind them, there are a lot of people in this room who did probably the real work, but all the folks in this room at JPMorgan, it's unbelievable the job they do. I get to see it around the world, what we do for consumers and communities and all parts of communities, cities, schools, states, hospitals, governments, countries, Ukraine, Poland, helping our clients where we can through good times and bad times. I don't know about you, but they make me very proud of this company. So, thanks to JPMorgan people here and we'll see some of you at the lunch. Thank you.

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