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TRANSCRIPT

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JPMorganChase

MANAGEMENT DISCUSSION SECTION

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Okay. So, good afternoon everybody. We're going to start with our next presentation. Delighted to have Marianne Lake, CEO of the Consumer & Community Banking business at JPMorgan Chase. She's also a member of the Operating Committee. CCB, I had written, it serves more than 85 million consumers. But I actually think since I wrote this, you've added another million, so it's 86 million, and 7 million small businesses. Marianne has been a very regular attendee at this conference, first as CFO and then as Head of CCB. It's great to have you back...

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

Great to be here.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

...and get your updated views on what's going on.

QUESTION AND ANSWER SECTION

Richard Ramsden Q
Analyst, Goldman Sachs & Co. LLC

So, maybe we can just start off with a discussion about the state of the consumer, the state of the U.S. economy. I think all the data points seem to indicate that the U.S. consumer is pretty healthy, but there does seem to be this ongoing divergence in spend trends versus high end versus low end. So, maybe you can talk a little bit about that. Has that divergence grown or is it narrowing? And then can you talk a little bit about what you're seeing from just a spending standpoint and talk a little bit about the 2026 economic outlook?

Marianne Lake A
CEO of Consumer & Community Banking, JPMorganChase

Okay. There's a lot. So, I'll just start with the data when you look at our customers – and remember, while we may skew a little more affluent, as we said, we bank 86 million consumers. And so, we have a full spectrum of customers in our portfolio. And it is true that as we look at our data right now today, the consumer and small businesses both continue to be resilient. They continue to be healthy. The metrics continue to demonstrate that, whether it's cash buffers which have normalized but are also stable, whether it's credit metrics really across asset classes and we can talk about that a bit later.

Spend trends, payment rates, the metrics themselves are underlying really quite healthy. And so, as I think about the concerns that people are worried about, they're also true, right? It is also true that the labor market and demand for labor is weakening. It is true that consumer sentiment is quite low and the absolute price levels are high. It is true that auto – subprime auto delinquencies have been high through the pandemic, even as they are improving and that has caused concern. And the K-shaped economy narrative, it doesn't have no merit, right? It's not – it's running a little ahead of the data.

But I think the thing to remember is that we've been talking for three years about the fact that cash buffers are normalizing. And what that means, like mathematically, is that people have been spending more than they have been bringing in for some period of time. And so, when you reach the point of normal, right, when you get back to the levels of cash that is required for people to sort of maintain, then it requires there to be adjustments to spending patterns.

And so, it is not entirely inconsistent to be able to say that people are still treading water, that the cash buffers are stable and that spend is still solid. But it is also true that retailers and restaurants are seeing people be more discerning, trading down a little, being more promotion aware, because they have to be in order to bring those things back into balance.

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

And so, the good news is that so far, even our lower income customers are continuing to tread water and stability is more of the narrative than sort of deterioration or anything else. What is also true regrettably is that at any moment in time, there are people who are in financial distress, right? And that is true today. But that cohort of individuals is not materially elevated relative to more normal times.

And so, as we look at the data right now, the data looks good, consumers look resilient, small businesses look resilient. But there's less capacity to weather an incremental stress, because cash buffers have normalized and price levels absolutely are high, even as inflation has come down at least.

So, I would just say that I would characterize the environment as being a little bit more fragile. And as the labor market goes, typically so will consumers. Our outlook for next year would be for unemployment to grind a little higher and, therefore, that to be reflected in consumption. And from there, it will depend. We could continue to have a resilient consumer for a few months, it could be for longer. But there's less capacity to withstand a stress.

Spend is solid. I mean, spend in the fourth quarter improved a little year-over-year and relative to the first three quarters of this year. And that's true across income bands. Yes, there is a divergence in spend growth between higher income customers and lower income customers. But that relative level of spend growth is a sort of relatively normal trend. And so, it's not diverging, nor is it narrowing. It looks pretty normal. And so, I don't want to discount the concerns, they are real and – but the data is good for right now.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

So, let me ask a couple of follow-on questions. So, the first is, is there anything of note in early stage delinquencies that you've seen? And then the second is, look, why do you think we're hearing some of these warning signs from retailers and restaurants which don't seem to be reflected in the banking spend or credit data? Why do you think that narrative has been percolating?

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

Okay. So, on credit trends, I would say, again, like nothing new really to see on the credit trends. If I look at card, early roll rate into delinquency, they're stable. In fact, 30-plus delinquencies have been improving year-over-year for the last 10 months or so. You will have seen that we adjusted our expectations for charge-offs in 2025 down in the second half of the year, which we can talk about a bit later, but reflecting the fact that we've now seen more clearly the effects of the pandemic and delayed charge-offs peak and roll over. And so, we have more confidence that actually the trends going forward from here are going to look more normal, if not a little better than we had previously expected.

And so, whether it's roll rates, minimum or low payment rates, credit trends in the Card business, look pretty good right now. And I always want to touch on wood, but I won't do that. And then auto is another one where there was a lot of anxiety about auto delinquencies, subprime auto delinquencies. And there, there was a couple of – there were, across the industry, a couple of pretty negatively selected vintages in 2022 and 2023 when rates were high, used-car prices were elevated, people who were borrowing for that purpose needed to do it.

And we have seen that roll over, too. And so, as we look at the vintage performance, you're seeing the 2022 and 2023 vintages now normalize. The 2024 and 2025 vintages are looking much more normal. So, again – and if you look at people, the normal payment hierarchy applies. So, people are likely to go delinquent on their credit card before on their car on the basis that they need their cars to get to work, et cetera. So, an early leading indicator, would be look at those subprime auto borrowers who also have a credit card, and are we seeing elevated delinquencies there? And we are not yet.

So, again, I'm not suggesting that there's no fragility. I'm just saying that what everyone was worried about and what we were describing as a couple of negatively selected vintages and some impacts of pandemic do appear to be playing out now. And we're seeing both charge-offs and delinquencies trend down. Home lending is trending up a little bit from such a low base. It's hard to stress that portfolio.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

And then just briefly, on the small business side, it's nine months, obviously, since Liberation Day...

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

Yeah.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

...impact on tariffs. Anything to note on early delinquencies there?

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

No, actually. No. And I know that – so, obviously, the tariff situation has panned out to be not as significant, certainly significant, please don't get me wrong, but not as significant as initially worried. Various different businesses are adjusting in various ways, whether it's passing on some – absorbing some through margin, reengineering supply chains, being cautious about investments and hiring. And on the whole, I think keeping themselves in pretty good shape so far.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

Okay. So, if you pull together all the pieces on credit, I mean, what is your assessment on the trajectory of charge-offs across both Card, but also the broader portfolio heading into next year?

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

So, for charge-offs for us – at Investor Day, you will have seen that we gave a range. Obviously, all these ranges are scenarios, not really outlooks and they're macro environment dependent and the macro environment never pans out exactly as you expected. And so, we had thought that our charge-off this year would come in around 3.6% for Credit Card with an appreciable risk of it going a bit higher if unemployment were to quickly deteriorate, which did not happen.

In fact, as I said, we're actually expecting charge-offs now to be about 3.3%. And the combination of a better macro environment, but also the fact that we are clearer about the impact of delayed charge-offs and feeling pretty good about the underlying financial health of the borrowers in our portfolio, which means if you look forward, just think about that as the starting point is, call it, shifted lower 30 basis points.

And so, if we are approaching an environment that remains relatively benign, that would be the starting point you would expect into 2026. So, and then if unemployment deteriorates and we see it hit the high-4s, then it could be 3.6%. So, just we had a range of 3.6% to 3.9% for next year, just think about it as having shifted down, given our current outlook for 2026.

Across the rest of the portfolio, I would say the charge-offs are stable to modestly improving. I talked a bit about what we're seeing in delinquencies in Auto. That is obviously over time having a natural consequence on Auto charge-offs. And so, that's modestly favorable year-over-year. And as I've talked about before, home lending has been a profit center for a while. So, it's plus or minus not relevant to the story.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

Okay. So, before we talk about some of the more strategic initiatives, let's talk about the current quarter. I mentioned you used to be the CFO, so maybe you can give us an update on trading, investment banking. Obviously, we had the government shutdown this quarter. I think that did have an impact certainly on some of the U.S. businesses. So, maybe you can talk about how those are shaping up for the quarter.

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

Yeah. So, I can do that for you. I won't give you huge amounts of color context, you'll get that with Jeremy for earnings. And I will tell you, obviously, with all the normal health warnings that the quarter isn't over and things can obviously evolve and change, that we're expecting fourth quarter IB fees to be up low-single digits year-over-year and fourth quarter Markets revenue to be up low-teens year-over-year at this point. So, more to come at earnings on that. I do just want to – if you don't mind, will you humor me if I want to talk about expenses?

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

Yeah. No, I was going to ask because I think you did mention or Jeremy mentioned...

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

Yeah.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

...on the third quarter call that you did think that expenses were going to be a little bit different than consensus.

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

Yeah.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

So, if you could talk a little bit about that, that would be helpful.

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

Sure. So, Jeremy mentioned that consensus was a little low. And we have seen it move up slightly since the third quarter. I just want to be sort of kind of clear with you guys that we finished – largely finished I would say our second round of budgeting. For 2026, I think we have reasonable line of sight, obviously, dependent on scenarios and everything else. But we're expecting our expenses for the full Firm next year to be $105 billion.

And so, we just want to be clear about that. Obviously, things can change. CCB is a big part of that expense growth. So, we drive a lot of that growth and I feel great about the expense outlook for CCB and I want to explain it to you in like three buckets that hopefully will make it clear and digestible.

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

And those themes that I'm going to talk about for CCB are extensible across the whole Firm, plus or minus different percentages. The biggest bucket of growth for us in expense is volume and growth-related expenses, which to me are high quality expenses associated with our growth strategies and outperforming things like performance incentive compensation for advisors or the product marketing expense as we are refreshing cards and having people engage more strongly on them or auto lease which, as you know, gets grossed up in terms of accounting and has a meaningful impact on expense when we see outsized growth, which we have and expect to continue into 2026. So, the biggest driver for us is growth and volume-related.

The second biggest driver, which is not quite as high but close to that, so think about it as not quite a third, a third, a third. But the second biggest driver is our strategic investments, which will be incredibly familiar to you. They have very predictable and strong returns. It's all the things that we have been talking about and I'm sure we will talk about like building branches, adding bankers, adding advisors, investing in acquisition marketing, refreshing branches, investing in AI, in customer features and technology, refreshing new products. All of those things that we know how to do. We know what they deliver. We're very confident in that. We would do as much responsible strategic investment as we could profitably and responsibly do.

And then the third bucket, which is the smallest, but nevertheless not nothing, is the sort of structural consequence of inflation and real estate costs and everything else. So, I say that just for the purposes of clarity for you all, CCB is a big driver. Thematically, that's what's driving our growth. We feel really great about the expenses, not just how we're investing the money, but also in the context of the performance of the business. And thematically, those themes are consistent across the company.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

Okay. And I'm sure we can come and talk a little bit about some of those separate categories as we go through this. So, before we do that, though, maybe we can talk a little bit about deposit growth, which I think is something that people have been very focused on, especially consumer side.

And I think it's fair to say that deposit growth on the consumer side has been slower, at least in the second half of the year. Then you talked about at the Investor Day and I think some of the reasons that you gave were yield-seeking behavior persisting longer, balances per new account coming in lower. So, a couple of questions. I mean, the first is, what have you seen more recently in terms of deposit flows? And maybe you can give us an update on how we should think about deposit growth heading into next year.

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

Sure. Absolutely. And this is one of those like no good deed goes unpunished. And we sort of give scenarios that are linked to macro environments and then they don't play out that way. And people are surprised that the growth didn't play out that way. But trying to catch an inflection point on deposits is like trying to catch a falling knife. And so, at Investor Day, we were expecting four rate cuts in the year. And therefore, we would expect to have seen yield-seeking behavior moderate more abruptly and have returned to modest growth. That did not play out exactly that way.

And so, where we are right now is our deposits will be relatively stable or flat year-on-year and quarter-on-quarter, even as we continue to deliver strong and robust account growth. But there is continued yield-seeking behavior, albeit moderating, but just not as much as we maybe would have expected. On the positive side, year-to-date, we're actually seeing net inflows from brokerages and online banks. So, that's a good news story. But we're also being very successful in delivering flows to our investment business. And so, that's coming out of deposits and into our investments. It’s part of our strategy. We're excited about it, but the net of all of those things is deposit stability through this year-end instead of low-single-digit growth.

What that means hasn't changed our long-term view on where we are right now, which is we are going to see an inflection point. It's just probably pushed out a little. I'm not going to guess which quarter it will be in 2026. We think it's later in 2026. And therefore, as a natural consequence, the growth that we expected in 2026 will be a bit lower. But remember, we also have a better margin as a consequence of higher rates. The dynamics play out that way. Nothing has changed about our long-term view of the deposit share and our excitement about the business. But we're at an inflection point. It's pretty hard to call it.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

And in terms of net new accounts, just to reiterate, I mean you're still on track for this, roughly the same number of net new accounts that you were expecting at the time of the Investor Day.

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

Yeah. So, the net new accounts, absolutely, so there's always puts and takes in terms of growth accounts and attrition. And we're delivering about 2 million net new accounts a year and we feel pretty good about that. Our customer growth is really, really strong. So, the underlying drivers are all good. The environment is not exactly what we thought it might be. I don't think we ever really promised it would be, but here we are.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

Okay. So, let's talk about the Card business. That's obviously been a tremendous growth...

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

Card business, the other side of that equation, obviously.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

Is the other side of it. So, I think you talked about being on track for – was it 10.5 million new cards this year?

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

That's right. Yeah.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

But that was before the Chase Sapphire refresh. And by the way, I see adverts for that everywhere.

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

Aren't they beautiful?

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

Yeah. So, I assume that's part of the expenses that you talked about, but what's been the response to the refresh? And has it changed the growth trajectory for either accounts or fees as you think about it next year?

Marianne Lake A
CEO of Consumer & Community Banking, JPMorganChase

So, I'm only laughing because imagine that we actually knew we were going to refresh Sapphire when we said 10.5 million accounts because obviously at Investor Day in May, while we hadn't actually publicly announced the refresh, clearly it was ready to go and it happened a couple of months later. So, the 10.5 million accounts that we talked about at Investor Day did contemplate the refresh. We've been adding more than 10 million accounts or 10 million or more accounts in Card every year since 2022, which is really, really strong growth. And so, we are on track to deliver about 10.5 million. It's a hair shy of that right now. But we're working it.

And more importantly, the refresh resonated with our customers. And so, we're very happy with the early performance of the Sapphire refresh. The momentum is great. Obviously, the competitive response has been strong, but we expected that too. And by the way, we also refreshed our United contract. We refreshed Southwest this year. Sapphire is just one of many cards in our portfolio.

And in any moment in time, there can be some that are strong and some that are less strong. But we feel pretty good about our hand going into next year. And there will be more next year also in terms of refreshes, that's the nature of the beast. So, we feel pretty good about the growth, the profitability and we're excited about the momentum on Sapphire Reserve and Sapphire Reserve for Business also super exciting.

Richard Ramsden Q
Analyst, Goldman Sachs & Co. LLC

Okay. So, maybe you can just help us think through the economics of the Card business and whether they've changed at all. It doesn't seem, from what you said, they have changed. But obviously, there have been a very significant increase in benefits relative to subscription fees. And I'm also just curious, I mean, when you think about the cost outlook, has this actually impacted the cost outlook? As you think about next year, is that part of the increase in expenses?

Marianne Lake A
CEO of Consumer & Community Banking, JPMorganChase

Yeah.

Richard Ramsden Q
Analyst, Goldman Sachs & Co. LLC

And then just one other one I'm just going to weave in is merchant litigation settlement, so MDL-1720. How much of an impact does that have?

Marianne Lake A
CEO of Consumer & Community Banking, JPMorganChase

Okay. And remind me if I forget to get there.

Richard Ramsden Q
Analyst, Goldman Sachs & Co. LLC

Okay, yeah.

Marianne Lake A
CEO of Consumer & Community Banking, JPMorganChase

What a thing to forget. So, just when we do – when we look at each individual card or each individual portfolio within the Card business, we design it to be stand-alone profitable, right? And as those cards and that value proposition ages and we look to refresh it, we always look to bring incremental unique value to our customers. And in doing that, obviously, part of the compensation for that in order to remain profitable is higher annual fees.

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

And I'll come back to that in a second, but also the fact that merchants are excited about getting access to our customer base. And so, we are actually able to offer strong merchant partnerships that are co-funded, like Apple and StubHub or some of our proprietary assets that we've invested in, like Chase Travel or our luxury hotel collection The Edit. Some of the economics of that is able to be reinvested back into the customer experience.

And then through refreshing, we're expecting to see outsized growth, right? So, more acquisitions, more spend, more engagement. So, all of that leads us to over the lifetime of an individual Card customer and/or the portfolio to continue to believe that it's strongly profitable. When you refresh, you experience expenses quicker than you see the fees roll in. It usually takes a year for that to manifest as everyone's going through the refresh cycle. We've been growing our annual fees in the Card business in double digits consistently over the last many years, and we expect that to continue. And yes, you're going to see product benefits go up in tandem, but those two things are going up in tandem.

It changes the geography a little, of course, because that goes up through marketing expense. But we feel really great about the profitability of the business. And as I said, we're excited to continue to refresh products next year. That's what it takes to continue to be, to have a diverse set of products that resonate with all customers and drive high engagement. And all of that is in our outlet.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

And then the merchant litigation settlement.

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

Oh, yes. Trying to forget.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

MDL-1720, I think, is the settlement.

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

Got it. So, a couple of things about that is that the settlement that's been proposed is not yet final, as you know. It has to work through the courts. That's going to take some time. While we don't have and I'll talk to you about my thoughts, this isn't the first proposal that was on the table.

So, we had some understanding of the general contours and the fact that there was going to be material rate concession in terms of interchange. So, while it's not necessarily a 2026 budget issue, know that we knew that in all of our long-term planning a year ago. And so, because the initial proposal had rate discounts in it.

So, we've been kind of planning with this in mind. The concessions that the networks have made to reach the settlement are significant. That's what it took. Honor all cards is not a religious thing anymore. The ability to not honor all cards is extremely significant. The ability to surcharge cards is significant. So, that's what it took to reach the settlement. We will adapt and adjust to that. And it remains unclear to me at this point how merchants will individually react to those flexibilities and freedoms. We'll have to watch that over time.

I continue to genuinely believe that accepting our cards is actually a strong net positive for merchants and that they really understand that and that we would advocate for our cards to be freely accepted for our customers. But we will see how that plays out. I'm confident in the hand we have. We have a diverse set of products, we serve a diverse set of customers. And I'm confident that with our scale and our capabilities, we'll be able to adapt. But that's the price of getting this done. I want to get it done.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

Good. So, let's talk about the competitive environment. And I think it's quite clear that one of the themes emerging from this conference is that a number of your peers are really leaning back into growth. And one of the areas that they are looking to grow more aggressively in is the consumer business. So, two questions.

I mean, the first is, have you seen any significant change in the competitive landscape when you think about your Consumer businesses? And then maybe you can also just touch on regional bank consolidation, which is obviously another very important theme this year. And whether or not you think that is going to increase or decrease the opportunity for the Consumer business and JPMorgan over the next couple of years.

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

So, I would start by saying that like we've been a strong growth franchise for a really long time. As you know, our philosophy has been, regardless of anything else, to make sure that we are consistently investing in strategic growth across the complex for the benefit of our customers and you all. And so, we kind of know what we're here to do.

And as much as I would say, yes, we have seen pockets of resurgence, of more activity. Imitation is the highest form of flattery. We'll take it. As much as we've seen that, it's been competitive, like we compete with everyone, we compete with traditional banks, we compete in local markets with local and regional banks. We compete with fintechs.

So, it's not that there's been an absence of competition and competition is generally a healthy thing, right? It sort of makes everyone better. And we never expected the competition to stand still. So, yes, have I seen that some of our traditional competitors are leaning back into growth both proactively and because they can? Yes, of course. I never underestimated them. I don't think anyone should.

But we are very clear on our strategy. We are very consistent in our capacity to invest. And I think we out-execute. And I think that's pretty clear. So, I don't discount the competition. The competition is healthy. And that's everywhere, by the way. It is not just the banks, the small banks, the big banks, local, national, but also in many of our businesses, we're competing with fintechs and growth techs and a bunch of others. So, bring it on.

What I would say on consolidation of banks is that the U.S. banking system is healthier because we have banks of all sizes. And I think that the environment is more constructive to M&A today than it has been. And that's adding a level of capability and excitement that I think will be very healthy. And, yes, obviously, I think scale matters. You know I think scale matters.

And so, as more and more companies are either able to complete their capabilities, complete their product set or gain more scale and more capacity to invest, it will breed higher levels of competition. And I think that's great. I think it's great for customers. And so, it's been great to be a growth franchise in a world where maybe some others were in a retreating mode. But being a growth franchise in a highly competitive market is not new to us and we're all in.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

So, again, not to put too fine a point on it, but nothing changes, what you talked about in May in terms of 15% market share in deposits, 20% in Card and doubling the market share in Connected Commerce and Wealth Management.

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

We'll die trying. No, no. So, obviously, these are long-term objectives. And so, of course, we didn't build those objectives in a vacuum expecting that there would be no countervailing competitive forces. And so, I expect there to be competition, disruption, changes in laws and regulations, much of which we couldn't predict today. That's what the last 10 years has looked like too, by the way, and we've done pretty well. So, we know what it's going to take to do this. It's a long game. It doesn't have to be linear. I will point out that large banks, ourselves included, did outperform in deposit gathering during the pandemic.

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

And you're going to see a little bit of share normalization for a couple of years, while we all return back to normal trends. All of that we expect. So, it's not going to be linear, it is going to be consistent and it's going to be measured over years. And it's not just new branches and it's not just new markets. It's also out-executing in our existing markets because of the brand, because of the real estate, because of the people, the products, the tech and the capabilities and service. And so, I'm expecting there to be a lot of bobbing and weaving and zigging and zagging and hustling to do it. But, yes, we're going to do it.

Card momentum is great. We gained share again year-over-year in both sales and outstandings. It's a combination of, as we talked about, refreshes, marketing and risk. And we're number one in card. We're not number one in all card segments. We're not number one in starters, we're not number one in affluent and we're not number one in business. That's my opportunity. And we're going to have outsized growth there. So, we're pretty excited about that and we're definitely seeing that momentum. Commerce is a tale of two cities. Travel is doing very, very well. Media is a lot slower. So, we're refocusing on that. But travel is outperforming right now.

And we doubled the Wealth Management business over the last five years. Yes, it's competitive, but we're seeing double-digit client investment asset growth year-over-year, record first-time investors, strong flows. Our SDI account growth is strong on a platform we're really proud of now, by the way. We're achieving a 70 NPS in that business, which is pretty good, and we're hiring and training advisors. So, setting up the landscape for continued growth and I'm pretty confident.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

Okay. So, let's talk about efficiency and productivity. Look, I think you gave some pretty staggering numbers back in May when you talked about the potential of increasing accounts serviced per headcount by 25%. You talked about productivity improving by 40%. Again, these are all longer-term numbers.

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

Yeah, yeah.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

But maybe you can just unpack some of the drivers to that significant improvement in productivity, but just overlay that with some of the use cases from AI that you've seen this year and how you expect that to track over the next couple of years.

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

Okay. Yes, absolutely. And if I don't fully answer it, like remind me. So, we used – so AI is everywhere, of course, and everybody is benefiting. And so, we think about sort of AI as an enabler to our business, both in terms of like big AI projects that are going to address large groups of people in terms of efficiency and productivity, and then small AI where we're putting tools in the hands of managers of a few hundred people, but asking them to have the same level of productivity. So, we're sort of thinking about it very broadly, but we used operations as like the tip of the spear and a showcase of what you could expect AI to help deliver. And it's not all and only AI.

And we sort of talked about the fact that we had delivered significant efficiency looking back five years, but looking forward five years and we're now one year in. So, it's not so long term really. We expected to increase the productivity of our ops specialists by more than 40%, so let's say 40% to 50% growth. So, we're a growth business. We're going to grow through a lot of that.

So, the net headcount reduction will be lower, but each individual operator will be, call it, 50% more productive. And we're seeing that. So, we've seen the step change required to deliver that this year. So, whereas we were improving that productivity at, call it, an average 3-ish percent a year previously, largely not AI enabled, we've now doubled that to 6% and expect that to be maybe not a hockey stick, but to improve.

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

We're like well on our way. It is very real. It is working, it is happening. And it's a combination of work elimination through self-service investments like digital assistants and personalization. It's process automation around things like document management or AI voice. It's things, it's AI assistance for employees, whether it's operations employees or in the branch or even me. And it's customer experience investments across the board. And that's just operations. Obviously, you all know coding assistants and software development is another key area and then, as I said, we're asking everyone everywhere to invest in making sure that we're deploying AI and we've not yet really scratched the surface on what an agentic system will look like.

So, we're talking, yes, about using large language models and generative AI increasingly to deliver that. And coming next is going to be agentic in more complex, more data intensive, decision-making protocols on us and off us, like, fraud investigations, complex account openings. And so, there's just a lot, but it's real. It's happening. And we've seen the step change that's required to be able to be confident we're going to do it.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

Okay. So, we've got a few minutes left. So, let me ask you two other quick questions.

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

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Sure.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

I think, the first is, well, there's a lot of moving pieces on regulatory capital. Obviously, still waiting for the Basel III Endgame proposal, G-SIB potentially getting recalibrated, CCAR getting overhauled, but it does feel as if the industry is going to have a lot more excess capital than they've had in the past. Can you talk about the opportunities to redeploy that excess capital within the Consumer business? Because obviously you have actually consumed a lot of the capital generation over time. You've been one of the bigger consumers. What is the opportunity from here to redeploy that capital organically in the business?

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

Yeah. So, obviously, as you articulated, we're sort of hopeful that we're going to see good, prudential regulatory reform in all the forms you talked about. The devil will be in the detail, and that will be very constructive for long-term strategic growth in the industry. But as you obviously also know, we already have excess capital within the company and have a lot of it and have done for quite some time.

What has not been as true is excess liquidity. Liquidity has been much more binding for us, has been much more binding for me. And so, on top of all the things you talked about, momentum on liquidity rules reform and coherence with stress testing is critical to the ability to be able to continue to think about deploying excess resources writ large.

And so, for us, therefore, we've always had as much capital as we can deploy at good returns. Discipline is always the name of the game, particularly in consumer lending. And so, the shorter-term impact, sensible reform is required. It will mean that our excess this year will go up. The shorter-term impact will be on pricing. So, we are very, very disciplined on making sure that we price for risk-adjusted returns and not for growth or market share. We will continue to do that even if we see others price in a more irrational fashion, those types of moments of irrationalities come in and out, but they don't usually last that long.

And so, we're just going to continue to be very, very disciplined. But the more we get lower capital requirements, the more we can reflect that in pricing and with some liquidity relief, we should be able to see some loan growth, which I think would just be great for consumers. The poster child for this is auto, where it's 100% risk weighted and the economic risk is one-fifth of that. And so, we really would like to see that for our customers.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

Yeah. And then briefly, inorganic opportunities.

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

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Yeah.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

Obviously, you can't buy a bank. But, look, there's lots of other things that you could buy, there's bolt-on acquisitions, especially in the Consumer business.

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

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Yes.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

How are you thinking about that and how's the pipeline for that?

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

So, the hierarchy of capital deployment always prioritizes organic growth. And so, that's like the number one, two and three focus for us, of course. And I think while – we're always surveying the landscape of deals that could be done, deals that we would want to do. The deals that have been done, did we see them? Did we look at them? Did we like them? So, we're constantly doing that. It keeps you up to date. It keeps you smart. It keeps you really thinking through the art of the possible. I would suggest to you that we have less need in our core businesses, our sort of at-scale businesses. Not that we aren't open to it, but it's less likely that we wouldn't (sic) [would] be doing anything but focusing on organic growth there.

But we have our Commerce business, we have Wealth Management. And obviously, you've heard the industry talk about the fact that we're going to get capable in DeFi and AI – DeFi and and other AI capability. So, there's possibly some things and we're always looking, but good old-fashioned organic growth. The investments that we're making that I talked to you about earlier that we know are going to work, that will pay. That's our key focus.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

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Okay. I think with that, we're out of time. But, Marianne, great having you here.

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

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Thank you so very much.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

See you next year. Thank you.

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

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Of course.

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