JPM AT THE MORGAN STANLEY U.S. FINANCIALS CONFERENCE

TRANSCRIPT

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JPMorganChase

MANAGEMENT DISCUSSION SECTION

Manan Gosalia
Analyst, Morgan Stanley & Co. LLC

All right. Up next, we have JPMorgan. We're delighted to have with us today, Marianne Lake, CEO of JPMorgan's Consumer & Community Bank, and also member of the Operating Committee. Marianne, it's a pleasure to have you here.

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

Yeah, thank you for having me. Nice to see you all.

QUESTION AND ANSWER SECTION

Manan Gosalia
Analyst, Morgan Stanley & Co. LLC

Q

So, Marianne, let's start with the health of the consumer.

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

A

Okay.

Manan Gosalia
Analyst, Morgan Stanley & Co. LLC

Q

You have, I guess, one of the broadest views, given not just the branch footprint, the deposit base, but also the number of products you have on the lending side. What are you seeing with the consumer here?

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

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Yeah. So, I mean, I think there's not really a lot of new news, which is a good thing. So we pretty consistently talked about the fact that the consumer remains resilient, and all of the metrics that we look at, roughly speaking, continue to show that. So, that's true of deposit buffers. While they've normalized, even for the lower income cohort, they've stabilized. While it's true of debt service, it's true of utilization in Card. Spend is still solid. So everything still looks pretty good.

And I think we talk about that being surprising – the consumer being surprisingly resilient. I'm not entirely surprised by it. If you look back over the last five years, there were two things that were true. The first is that there was a lot of excess liquidity on the balance sheet of customers of all income and wealth levels post-pandemic. And the second thing is the labor market was extraordinarily tight, and demand for labor was very, very high. And so, even in a sort of high inflation environment, wage inflation kept up.

I think where we are today is a little different. So, notwithstanding that the metrics still look stable, cash buffers have normalized, which does mean that there's less spare capacity, less sort of in-built resiliency for any sort of future shocks. And while the unemployment is low, demand for labor is a little softer. And in April, we saw real wages not keep up with inflation for the first time in a while; yes, largely as a result of the energy shock. But nevertheless, as we look forward, it's possible that if inflation were to be higher for longer, that this sort of trend of wages keeping up with inflation could be at some risk.

I would also say that we've been a little flattered over the last couple of months with higher tax refunds and lower tax bills that coincided at the same time as higher energy prices. So, it sort of muted the impact of that. For the lower income customer about somewhere between 20% and 25% of that incremental money as a result of higher tax refunds has been spent through the first two months of higher energy prices. So, time is a big vector here.

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

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And so, as we sit here today, the consumer is resilient, the metrics are good, everything looks fine. But there are an increasing small, but nevertheless increasing number of people for whom wage inflation is not currently keeping pace with inflation, and that will likely be the thing to watch.

Manan Gosalia
Analyst, Morgan Stanley & Co. LLC

Q

So, you're not seeing anything right now, but you are being watchful?

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

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Being very, very watchful. And at the margin, the number of customers for whom wages aren't keeping up with inflation has picked up a little, just a little, year-over-year and a little versus the pandemic. So, we'll see how that plays out. But for now, we're just watching it.

Manan Gosalia
Analyst, Morgan Stanley & Co. LLC

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And what are you seeing on the demand side on certain loan categories like auto, resi, mortgage? Anything different there?

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

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No, demand is good, too. So demand is still pretty solid for consumer finance products. I'll actually start with Card and then move on to mortgage and Auto because Card is obviously the biggest sort of growth driver for us in terms of loans. And we talked a year ago now at the last full Investor Day that we did – that we would expect to see the overall industry loan growth up 4% to 5%. And we're expecting to outgrow that more kind of at that trend level of 6%+ year-over-year, and that's what we're seeing. We're seeing strong demand for our products, strong acquisitions, strong retention, solid spend. So Card still continues to grow in line with our expectations.

Auto, also, we've seen good demand into 2026, which I know was a question mark with all of the tax credit expiry last year. SAAR year-to-date is $15.7 million or close to $16 million, and we're seeing reasonably healthy demand across that space.

And then mortgage, purchase demand is fine on – in a, quite a small market. We had a little burst of refi activity, which was exciting and less so now. So, for us, of course, as you look at loan balances rather than demand, we're going to see mortgage run-off because of the First Republic acquisition. But demand is still fine.

Manan Gosalia
Analyst, Morgan Stanley & Co. LLC

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Got it.

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

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And underwriting standards are still generally unchanged right now.

Manan Gosalia
Analyst, Morgan Stanley & Co. LLC

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Got it. All right. Perfect. So, let's talk about the Consumer Banking targets you've laid out. I think you've exceeded your 25% through-the-cycle ROE targets for about five years in a row now.

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

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You are asking, are we sandbagging?

Manan Gosalia
Analyst, Morgan Stanley & Co. LLC

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Well, do you think you're overearning, I guess? And if you are, where do you think you are?

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

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The trouble with through-the-cycle measures is that you contemplate a range of macro scenarios in that. And over the last five years, I think you would probably agree with me that we've had the benefit of more macro tailwinds than headwinds across the business. And so, in any through-the-cycle, you have to get to a credit cycle to really see the other side of it.

But if I just quickly talk, the two big drivers would be deposits, both balances and margin, and then credit. So, on deposits, over the last five years, starting at the beginning, we had, as I said, a lot of excess cash on our balance sheet, but margins were actually low, coming off of a decade of low rates. As rates rose and balances started to normalize, margins expanded.

And those two things, at this moment in time, you just picked a moment where I would happen to say they both feel about normal, right? So deposit balances have normalized. We're expecting modest growth from here, plus or minus, whatever happens, of course. And margins are at the top end of what I would call our through-the-cycle expectations.

Now, if rates stay higher, which they look set to stay higher for a period of time, higher anyway than a 3% sort of fed funds normal rate, then margins will continue to expand above our target, but there'll be more pressure on balance growth. And so, those two things will maybe not completely offset, but will have competing forces. So, I'd say kind of normal-ish right now with a deposit margin expansion outlook on higher rates, but more pressure on balance growth, more competition, et cetera.

Credit is the area where I'd say it's – and I hate the word overearning because like we're going to have a credit cycle, and when we do, we're going to see the other side of this story. But on credit, in Card, balances also have normalized, and charge-offs have normalized back to where they were pre-pandemic. But pre-pandemic, we were in a benign credit environment and we still are. And so, our charge-offs this year are at the low end of the range we gave you. We gave you a range of 3.3% to 3.6%. We're at the low end of that range. So I would say normalized to good. But the through-the-cycle expectations contemplate stress and so would be higher than that. So, in that context, I guess we're overearning for now until that changes.

And then the only other thing I would mention, because people tend to forget it, is that those are not the only things. Of course, the mortgage market reflects the rate environment, and so a very small mortgage market has been the feature of the last several years and continues, relatively speaking, to be a feature looking forward with very little refi activity, and funding our balance sheet is more expensive, particularly card transactors. So, there are other offsets, plus or minus, normal, except for overearning on credit right now, and that will turn when it turns.

Manan Gosalia
Analyst, Morgan Stanley & Co. LLC

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Okay. Let's maybe talk about market share here. So, you have leading market share across most of and if not all of your products. Where do you see the opportunities for growth here? Where do you see, I guess, the most opportunity to pick up share in the near term versus the more medium-term opportunities?

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

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So, I will start by sort of not correcting you, because you're not wrong, but of course, we get very granular. And so, as excited as we are about our sort of industry-leading positions, we can find plenty of places where we are not number one or number two, and in some cases, not number three or other areas where we're sort of investing in sort of growth or new businesses. So, we see opportunity sort of everywhere.

And I don't think of market share as a near-term thing. Not that I wouldn't take near-term market share gains, but it's a long-term goal because sustainable share is objective. And so, it's not new. It's the things that we've talked about. It's marching towards a 15% share in deposits. It

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

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won't be linear, and the last 100 basis points will definitionally be harder. But we are doing that through expansion markets, new builds, our existing footprint, through investing in our brand, in marketing, in products, in services, in branch refreshes. And so, we expect to continue to gain share there.

Card. Card is an area where – well, I should talk about customer segmentation, by the way. Like even in the Consumer Bank where it's not as easy to pick different products and say we're not number one in everything that we do and we expect to outgrow in Youth & Starters. And we're seeing, in terms of account growth, 22% CAGRs in Youth & Starters. We're seeing 6% CAGRs in CPC, and we're investing in our Affluent strategies. We're seeing 8% account CAGRs in small business as we are investing very heavily there. So, we're outgrowing in the places where we can.

And the same is true in Card, right. So, we're gaining share. We're not number one in small business, but we're gaining share. We have reclaimed the number one spot in terms of application share for affluent and premium last year. We're not number one in starters, so we – we're not number one in non-rewards, and we're investing in all of those things and growing them, too. So, growing our premium card business at 12%, small business at 12%, continuing to invest in the premium segments, Wealth Management. I could go on and on.

So, it's all the things that you've talked about. We are adding advisors. We are making them more productive. We are adding AI tools. We are leveraging our data. Our self-directed platform is growing. So, we're going to get growth in Wealth Management that continues the trend that we've seen.

And then on newer areas like Commerce, we are in the earlier days. We are growing from a smaller base. But there we're also seeing really strong momentum, in particular in Travel.

Manan Gosalia
Analyst, Morgan Stanley & Co. LLC

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Right. So, there's a lot to dig into. But maybe let's talk about disruption and competition. In your CEO letter, I think you mentioned that you face disruption everywhere, whether it's because of AI, it's because of regulatory change, it's because of non-bank competitors. Can you expand on that a little bit? Where do you see the biggest threats for the consumer business? And then on the flip side, I guess, what opportunities do some of these changes provide for you?

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

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Okay. Great. And if I miss anything, fix me up at the end. So, let me start with maybe with regulation and legislation and that – we have a lot of – there's a lot going on, particularly around Card and Payments and open banking and CLARITY and things like that. And we just have a very, very clear point of view about what we advocate for on regulation and legislation. And that is, first and foremost, the things that we think are important to our customers, so for customer protection and for customer choice.

And then second is for a level playing field that like activities are regulated in the same way regardless of the nature of the company that's doing them. And so, we'll see how those things all play out. Things don't always break our way. Things don't have to be 100% fair all of the time, but that's kind of our North Star for advocacy.

If you think then about competition, what does the competition do which is completely natural? They look for chinks in our armor, right? They look for the things that we aren't doing very well. They look for the customer segments that we're not supporting as well as we should or the products or the experiences that aren't working the way they should. They then build a beautiful thing to fill that gap, and then they earn the right to deepen from there. And they do that well.

And the best offense is a good defense, right? So, we have an extraordinary amount of customer data, and it is our job to interrogate that data to find out what our customers are telling us through their behaviors that we aren't doing well for them and to fix those things. So, to make sure that our experiences are beautiful, that they work first time every time and in moments of truth we have their back, and to continue to build out products and services that resonate with them.

So, that's kind of – and that competitive landscape has been true for the last 10 years, which is people looking to disintermediate us from our relationships faster than we can fix the problems that exist. And so far so good for us.

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

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And then on AI, so AI is going to change everything and it's going to reduce barriers to entry, which you could argue could create more competitive threats and risk. And for sure, that's at least partly true. But it also favors us, too, because one of the things if you look at new entrants or fintechs or companies with less legacy than we have or less complexity than we have, is that they were able to move really fast. Well, so were we. AI is leveling that playing field, too, so we're able to modernize more quickly, catch up more quickly, develop more quickly. We have a lot of capacity to invest.

We also, I think, have the best hand because a lot of our strategic competitive differentiators are AI-resistant. So, our brand, we've invested in over many, many decades. It's synonymous with trust and security.

And I would argue that trust and security will matter even more. Customer protections will matter even more in an AI-enabled world. It is the breadth of products and services. It is the quality of the service. It's the fact that we answer the phone. It's the risk management results that we have. It's the 5,300 (sic) [over 5,000] physical branches. It's the quality of our digital channels. It's the data advantage we have that allows us to personalize experiences. And that's not to say that we have a God-given right to those things protecting the business. But I think we have a really good hand.

And so, there are risks and there are opportunities. And I think as long as we continue to make sure that we're taking advantage of all of the opportunities that AI brings to make our teams more productive, to improve the customer experience, to leverage our data advantage, to modernize our infrastructure, then I actually think that this may level the playing field in our favor on speed.

Manan Gosalia
Analyst, Morgan Stanley & Co. LLC

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And the data advantage is for a broad set of consumers for a really long period of time, right? So, that helps you out from the AI perspective as well?

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

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100%. 100%. And obviously models are just getting better and better. And you've seen all of the excitement now about transformer and frontier models and the ability to use the sort of scalable impact of data. And we're working on that, too.

So, look, I'm excited. I'm also just excited about the fact that anything that improves customer experience is generally good for our business, right? That's always been true. We are here to serve customers and we are here to do a great job of that. And if we're able to do that, sometimes even if it costs us to do that, it generally ends up paying dividends in the fullness of time.

Manan Gosalia
Analyst, Morgan Stanley & Co. LLC

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Right. The other thing that you spoke about in your shareholder letter was how AI-related changes are transforming consumer behavior.

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

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Yes.

Manan Gosalia
Analyst, Morgan Stanley & Co. LLC

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So, I guess, as investors have been increasingly focused on AI and how that impacts deposit behavior, can you talk about what you are seeing there and...

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

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Deposit.

Manan Gosalia
Analyst, Morgan Stanley & Co. LLC

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...how you expect that to evolve?

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

A

Yeah. Look, I will start with just a sort of very big picture overall for the sentiment, which is a little bit where I ended the last question, which is I do think that AI is going to, at the margin or more than at the margin, improve the ability for people to monitor and manage their cash flow and therefore optimize their financial position. That's definitely true. But it also speaks to the benefit, at least for many people, of consolidating their financial situation with a single service provider where that could be even simpler and even easier.

So, like stepping right back, we compete on a lot more than price, and that has been true for a really long time. I actually remember being at this conference with Betsy back in 2015 and saying, we just need a real rate cycle to prove that the value that we bring to customers resonates with them and that they're willing to reward us with their relationship. And so, it is the brand, the convenience, the people, the products, the services, the branches, and all those things that make people want to bank with us.

So, we compete on more than just price; we compete on value, and value that resonates with customers, number one.

Number two, on price, right, because I do think there's a lot of conversation about yield, as there should be. But on price, nearly 90% of our banking customers bank with us without a service fee, right. So, we're already rewarding them and their relationship. And many of them don't have very large deposit bases. We're already rewarding their relationship with us by allowing them to have full access to the full suite of products that we have without paying a service fee, and that is valuable. So, that's kind of number two.

Number three is that as much as I do think that things will become easier and friction will be eliminated, I think we can all agree that in the rate environment that we have today and have had for the last several years, there have been a lot of options for people to find yield, right, a lot of time and a lot of options. And yes, some friction, but not a lot.

And that's not only true off us; it's true on us. So we have a competitive CD suite of products. We have premium deposit and a very, very broad fixed income solutions in our Wealth Management complex. And we have consistently retained more than 90% of all yield-seeking behavior from our customers within our Banking & Wealth Management complex because we offer them a lot of options. So that doesn't mean that things won't become a little easier, but it does mean that this isn't new, right.

Manan Gosalia
Analyst, Morgan Stanley & Co. LLC

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Right.

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

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And the options have existed and value beyond price matters. And we do give people a lot of value. And we think that this is an opportunity to provide value by rewarding people who bring their relationships to us, which is the Smart Cash thing that I know has gotten a lot of attention, which is very nascent and very early. But it's looking at customers who bank with us, who have wealth management with us, who have their wealth spread across a number of different products and services that we have. And making those experiences on us just easier and more rewarding and rewarding them for bringing their relationship to us. And we think that that is just a great customer experience.

Manan Gosalia
Analyst, Morgan Stanley & Co. LLC

Q

So, is this something that, I guess, will be available to customers who bring more of their relationship to JPMorgan?

Marianne Lake A
Chief Executive Officer of Consumer & Community Banking

Correct.

Manan Gosalia Q
Analyst, Morgan Stanley & Co. LLC

All right. Perfect. And then as we think about the funding advantage that JPMorgan has, I guess what preserves that funding advantage going forward? Is it the depth of products? Is it the branch footprint? I guess, what will keep the funding advantage going forward?

Marianne Lake A
Chief Executive Officer of Consumer & Community Banking

Well, I mean, it's all of those things, right?

Manan Gosalia Q
Analyst, Morgan Stanley & Co. LLC

Right.

Marianne Lake A
Chief Executive Officer of Consumer & Community Banking

It is all of the same things that have preserved the funding advantage through the last rate cycle. And so again, we're not suggesting that there is going to be zero impact. And again, things that are great customer experiences are things that we generally like to lean into. We like to give our customers choice and all of the best experiences. But it's all of those things. It's not one thing, which is why it's so hard to replicate. It's decades of investment in building out Wealth Plan and Credit Journey and Plan & Track and making sure that we have the full range of products and making sure that if you do more business with us, we do recognize that relationship.

Manan Gosalia Q
Analyst, Morgan Stanley & Co. LLC

Got it. All right. Okay.

Marianne Lake A
Chief Executive Officer of Consumer & Community Banking

So all of the things that were true before will be true going forward. Things may be different at the margin, but on the whole, not.

Manan Gosalia Q
Analyst, Morgan Stanley & Co. LLC

All right. Perfect. And then as we – you mentioned the Smart Cash product. Anything else to talk about in terms of the impact of agentic cash optimization on the deposit franchise?

Marianne Lake A
Chief Executive Officer of Consumer & Community Banking

I don't think so. I don't think so. I think everything I just said, which is there will be some. People will pay for value, one way or another. Right now, they are being rewarded in having service fees waived. If, at some point, the yield dynamics were to change materially, then there would be other ways to get paid. That's just the way it works.

Manan Gosalia
Analyst, Morgan Stanley & Co. LLC

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All right. Perfect. The other side of this is agentic commerce. So, how is the bank positioning for the rise of agentic commerce and how are you tackling some of the issues like trust and control, purchase protection, fraud?

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

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Yeah. So, look, we talked a bit in the earlier question about changing customer behavior. And I think what has been obviously most notable is the pretty widespread and rapid adoption of AI platforms and AI summaries for search and discovery, right.

Why? Because actually search and discovery was not super easy or like particularly fun before, right, when you had to sift through lots of different links and sponsored versus not sponsored and figure out what all the details were and curate all of that information yourself. And what have the AI platforms and experiences enabled is like a really beautiful from click to conversation way of discovering brands and doing the discovery part of shopping.

So, I think that the reason why that has been so rapidly adopted and has been and is so successful is because it really has taken an extraordinary amount of friction out of a process that was necessary.

What we're not seeing is that that's moving into the transaction part of this. And I would put – you could say for now, I think maybe for a long period of time. Why? Because when people are moving money, things change, right? Trust and security matter even more. I think that we should not allow ourselves, any of us, when we're innovating, to underestimate the importance of customer protections and making sure that those are preserved, and the insistence that customers have about making sure that the payment methods that they like, that they get the chance to use them and the rewards that they like, that they get the chance to have them.

And so what we are seeing is that even the sort of AI platforms are recognizing that the investments that have been made in the consumer payments ecosystem are important and complex. And so, we're working to ensure that cards work everywhere, that customer protections are front and center of everything that's getting done, that clear customer permissioning and humans-in-the-loop for things that matter are still present, that there's transparency on what is being done by agents, and that there's a liability framework that works, right?

If an agent makes a mistake, the liability is to the agent. How do disputes work? Who answers the phone when there's a problem? And that digital wallet should continue to work. So, agentic-enabled commerce should support digital wallets that are trusted by customers that have good, clear authentication and customer permissioning.

And so all of those things, I think, are going to be a feature of what I think will be extraordinary abilities to shop. But I don't think people are going to delegate their purchasing to agents just yet. And let's not forget that sort of the ability to automate everyday purchases isn't a new – like we were talking behind the doors there about everything that's old is new. You remember the smart refrigerator that's going to do all your shopping for you and subscribe and save where you now open the closet in the corridor and you have 200 years' worth of toilet paper.

These are not necessarily new, and it's not to say that they won't gain traction. I'm not being dismissive. I'm just saying that customer choice is important, customer protections are important. Permissioning, liability, those things have to be fit for purpose, and that's what we're working on. And I think we're going to get there.

What we are excited about, however, is what you need to look for are the things where – like search, the things where actually there is a lot of complexity and tax on the person and stress. And so, a good example of that where we're really excited to participate is in Travel, right, where actually it's still very complicated to do the discovery and figure out how to bring together the flights and the hotels and the itinerary and do the itinerary. And when something changes, how do you manage it and how do you deal with disputes?

And, with our assets and our platform and our data and our partnerships, we're pretty excited about helping using agentic AI to help customers do that more easily and start with us and have a – we're looking to have a consumer-facing travel agent in pilot before the end of the year, trying to help with that because it's an example of where things are still hard, right? There are – you've got to look for the problem to solve. And where there is no problem – I'm not saying you can't improve experiences, but it's not going to be the thing that scales rapidly.

Manan Gosalia
Analyst, Morgan Stanley & Co. LLC

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All right. All right, perfect. So, stay tuned.

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

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Stay tuned.

Manan Gosalia
Analyst, Morgan Stanley & Co. LLC

Q

All right. Maybe going to the branch footprint, you've been highlighting the importance of branches for several years now, over a decade. You made a big push to enter into new markets, and that's been going on for several years as well. So, as we think about the bridge between the 11% deposit market share and the 15% that you want to get to, how much of that is coming from new branch expansion versus existing branches and existing penetration amongst your customer set?

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

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Okay. So, just to like really answer the question and then give a bit more context, so about 40% of our share gains are coming from new builds. But I should point out that when we say that, not only have we built 1,000 branches since 2018, which is when we sort of stated our ambition to sort of plant a flag in all lower 48 states, including high-growth markets that we weren't previously in, and start to sort of build out density in those markets. So, we've built 1,000 branches since 2018.

I should remind you, and I'm sure you do remember, we built 1,000 branches in the decade before that too, post-WaMu. So there is a large percentage of our branch network that is still not yet mature, which is to say that we have a tailwind of growth behind us. And furthermore, we continue to build about 160, plus or minus, branches each year, allowing us to continue to densify in those high-growth markets where our share is low. Because there is a direct correlation between branch share and deposit share, and there are many markets where our branch share is very low. So, we will continue to build those out over years to come. So, we expect future share gains to also be about 40% driven by new builds. And we're not going to stop and there is no real point of arrival, but we're just going to keep doing that.

What that does, however, mean, though, is 60% of the growth is coming from our existing footprint. And so in our existing footprint, it's about investing in the brand and refreshing the branches so that they look fresh and good and the experience is great, putting new tools and capabilities into the branches, hiring the best people, having the best products, servicing them. Customer satisfaction is key, and so – and also about having the best branches on the best corner of the street, so the best real estate. And we continue to turn over certain of the real estate in our legacy network.

And so as we look back, 40% of growth was from new builds. As we look forward, the same, but it does mean that the majority of growth has been and will continue to come from our network.

Manan Gosalia
Analyst, Morgan Stanley & Co. LLC

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And is it getting more...

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

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We have to do it better.

Manan Gosalia
Analyst, Morgan Stanley & Co. LLC

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I hear you. All right. Is it getting more competitive? I know deposit growth is always competitive, but I guess more of your peers have been advocating growing branches in different regions.

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

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Yeah.

Manan Gosalia
Analyst, Morgan Stanley & Co. LLC

Q

Is it getting more competitive there? And then what is your go-to-market strategy where you can compete with, say, more established players in a particular market?

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

A

Okay. So, look, imitation is the highest form of flattery. It's not surprising to me that people are looking to expand the network because it is working. It does work. We can tell you all the facts about – omnichannel is the winning answer here in the U.S. It lifts digital production when we have branches. Our Credit Card business lifts new branches when we build them in new markets. It's symbiotic. And all of those things are true.

But again, we don't expect not to compete. So, I would never underestimate the competition. They will build branches. They will be successful. We just have to do it better. And there are – it's going to be hard to catch up with us. Like I recall at Investor Day, way back in the day, I can't even remember the year now where there was like a big, big debate. Branches are dead. You guys are building 1,000 branches. You've lost the plot. Nobody else is doing the thing.

And I don't think that we were proved wrong. Right. So we have, as I say, more than a decade of history to catch up on all of that tailwind of growth, a younger network, a proven capability of doing this, 160 a year, and it's not easy, right? It's like fitness. You have to do the exercises, you have to have the technique, you have to be able to do it. And then investing in all of the other products and services.

And I will tell you, I don't mean to be arrogant. I genuinely don't discount the competition. But if you look at our new builds and compare them in year five to the new builds of our large competitors, our deposit production outperforms 1.5 times. If you look at a new market that we entered at the same time as another new – another competitor entered the same market, our deposit production in new build outperforms. So, you can just do it better, too. And that's not to say that we will get everything right, and we don't get everything right. But on the whole, our network is really, really producing and it will be hard to catch up.

Manan Gosalia
Analyst, Morgan Stanley & Co. LLC

Q

So, another area where you have a really strong hand is on the Card side. There's more competition from other banks and fintech providers. But you recently noted that JPM has 60% top of wallet behavior from your clients. How do you stay at top of wallet and protect your moat there?

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

A

Yeah. So, I mean, it's – for us, it's a couple of things. So the first is that we want to have products that are designed for every customer segment. So, no matter who you are, there is a product designed for you. And then you get to choose what products you would like. Just if I designed a product for a starter, but a lot of Gen Zs and millennials are favoring Sapphire, so that's great.

So, we have products designed for every cohort. You get to choose what product you have. We make sure that there's always exciting new news. We refresh the product. The value proposition has to be compelling. It has to be – it has to resonate with the customer, be compelling relative to the price, whatever the price is, and allow customers to want to engage heavily. And so, we're seeing that. We're seeing strong customer acquisition. We're seeing very, very low attrition. We're seeing a lot of excitement about the products. We're seeing strong engagement, good spend.

And then there are other assets that lift the whole portfolio. So, if you look at our Commerce assets: Travel, Lounges, The Edit hotels, they kind of lift the whole portfolio. So, yes, the value proposition is very rational. It is about points and how you redeem them, which we do think we're best in class in. But it's also about the whole ecosystem. And so our products are resonating with customers and they are engaging with them strongly.

Manan Gosalia
Analyst, Morgan Stanley & Co. LLC

Q

So, I'm going to come to the audience in just a sec to see if there's a quick question in the room. But maybe continuing on the Card side, part of the strategy – part of your goal is to grow Card outstanding share from 18% to 20%. Is there anything more you need to do on either the premium card side, the non-premium – outside of the premium card segment to get there?

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

A

Yeah. So, look, we have been – so we sort of regained or reentered a growth trajectory in outstandings about three years ago. We had been reasonably flat before then. And we've grown 110 basis points over two years, 40 basis points year-over-year. And here, too, like when you're at 18%, like there's no single thing. It is about the right products. It's about having new news. It's about refreshing them. We talk a lot about Sapphire. We also refreshed Southwest and United last year. All of them are performing really strongly. We have plans to do more of the same, so our products will always be fresh. They will always be best in class as far as we are concerned.

Apple is an incredibly important partnership, which we're extremely excited about. Partnering with an innovator like Apple, I think, will not only be a great partnership, but we're excited for all the other things that we might be able to do over time. But as excited as we are, it's 10% of our overall portfolio. So, it's true, it's going to actually close most of the gap from 18% to 20% when we onboard those loans. But the 20% was just a – it was just a flag, right? We're not going to stop.

And it's about marketing, risk management, value propositions, refreshing cards, customer experiences, customer satisfaction, all of those things. It's a thousand things, and we're just getting after them.

Manan Gosalia
Analyst, Morgan Stanley & Co. LLC

Q

Got it. Is there a question in the room? There's one there.

Unverified Participant

Q

Good morning.

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

A

Oh, hi.

Unverified Participant

Q

Yeah, hi. Just in the context of what you were saying about service fees and finding a way to price, as the velocity of money accelerates, or what I mean is say instant settlement or the tokenized deposits you guys are pursuing...

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

A

Yeah.

Unverified Participant

Q

...it's very easy. And then you have AI that can sort of automate it for you, just moving from, say, your current account to a money market fund automatically, instantly. What's the role of noninterest-bearing deposits in that world? A bit of a big picture question, I guess.

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

A

Yeah. I mean, look, I don't think the role of noninterest-bearing deposits change. I think that the timeframe over which you measure them might change, right. So, for example, and I'm not your target audience to that question, I understand. But I have money in my checking account for things I want to do, purchase right. And so, you will be able to move money more instantaneously over time. That's definitely true.

But by the way, I would say that for people for whom that is important, they do achieve substantially all of that today. Right. And so, in the future, as that progresses, and I think it will progress over time and we will be making those things capable for our customers, it is also true that we provide more value than our competitors.

And so, if you're going to move money around, would you rather move it within the JPMorganChase complex or across various different accounts? If you want to consolidate your financial situation, where would you consolidate it to? I just think we're going to end up being a net winner in that, and so – do I have a crystal ball as to how fast these things will happen or exactly how they will play out? No, I don't. These themes are not new, right? The tools and the capabilities are new, but the themes are not new.

And if I look at deposit tokens as an example, like we are definitely looking to become capable to sort of use deposit tokens and stablecoins on chain for things that we think are not yet the optimal experience, like international remittances where speed and efficiency could be improved. But you have to look at the existing situation for consumers here in the U.S. and say what is the problem that a deposit token really solves, right, really?

So, for the vast majority of people, you have access to credit, liquidity and real-time money movement between accounts and peer-to-peer today. So, we need to continue to make sure that those things are true and then become capable. Because I would bet that deposit tokens and stablecoins have some role in the future and we want to be capable of doing that. I just don't think that there is a material set of problems for U.S. consumers today in that space.

So, we definitely want to be capable. We definitely want to meet our customers where they are. But we are seeing zero demand, because there's no need right now. We'll keep watching it, and when we see the demand, we'll meet the customer in the service that they're looking for.

Manan Gosalia
Analyst, Morgan Stanley & Co. LLC

Right. I know there's a lot more to discuss, but we are out of time. Marianne, thanks so much for joining us.

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

Thank you so much.