4Q20 FINANCIAL RESULTS

EARNINGS CALL TRANSCRIPT

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JPMorgan Chase & Co.

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen. Welcome to JPMorgan Chase's Fourth Quarter 2020 Earnings Call. This call is being recorded. Your lines will be muted for the duration of the call. We will now go live to the presentation, please stand by. At this time, I would like to turn the call over to JPMorgan Chase's Chairman and CEO, Jamie Dimon; and Chief Financial Officer, Jennifer Piepszak.

Ms. Piepszak, please go ahead.

Jennifer A. Piepszak

Chief Financial Officer, JPMorgan Chase & Co.

Thank you, operator. Good morning, everyone. The presentation, as always, is available on our website, and we ask that you please refer to the disclaimer at the back. It's slightly longer this quarter given we're not having Investor Day, and so after I review our results I'll spend some time on our outlook for 2021 as well as touch on a few important balance sheet topics that are top of mind for us.

So starting on page 1, for the fourth quarter the firm reported net income of $12.1 billion, EPS of $3.79 on revenue of $30.2 billion, and delivered a return on tangible common equity of 24%. Included in these results are approximately $3 billion of credit reserve releases.

Before we get into more detail on our performance, I'll just touch on a few highlights. First off, our customers and clients continue to demonstrate strong financial resilience in the face of an unprecedented pandemic as evidenced in our credit metrics thus far. We saw continued momentum in Investment Banking and grew our share to 9.2%. In CIB Markets, revenue was up 20% year-on-year driven by strong client activity and elevated volatility in the quarter. And in AWM, we had record revenue, up 10% year-on-year. On deposits, we saw another quarter of strong growth, up 35% year-on-year and 6% sequentially as Fed balance sheet expansion continues to increase the overall amount of cash in the system - while loan growth remained muted; up 1% both year-on-year and quarter-on-quarter.

On to page 2 for more on our fourth quarter results. Revenue of $30.2 billion was up $1 billion or 3% year-on-year. Net interest income was down approximately $900 million or 7%, primarily driven by lower rates and mix, partly offset by balance sheet growth and higher Markets NII. Non-interest revenue was up $1.9 billion or 13%, on higher IB fees, legacy investment gains in Corporate, and higher production revenue in Home Lending. Expenses of $16 billion were down 2% year-on-year on lower volume and revenue-related expenses, partially offset by continued investments. Credit costs were a net benefit of $1.9 billion, down $3.3 billion year-on-year primarily driven by reserve releases of $2.9 billion that I'll cover in more detail shortly.

Turning to the full year results on page 3. The firm reported net income of $29.1 billion, EPS of $8.88 on record revenue of nearly $123 billion, and delivered a return on tangible common equity of 14%. Revenue was up $4.5 billion or 4% year-on-year and net interest income was down $2.8 billion or 5% on lower rates partly offset by higher Markets NII and balance sheet growth. And non-interest revenue was up $7.3 billion or 12% on higher Markets and IB fees as well as higher production revenue in Home Lending. Expenses of $66.7 billion were up 2% year-on-year driven by volume and revenue-related expenses, higher legal and continued investments, partially offset by lower structural expenses. And credit costs were $17.5 billion, reflecting a net reserve build of $12.2 billion due to the impacts of COVID-19 and net charge-offs that were down year-on-year.

Now turning to reserves on page 4. We released approximately $3 billion of reserves this quarter across Wholesale and Home Lending. Starting with Wholesale, we released $2 billion due to improving macroeconomic scenarios and the continued ability of our clients to access capital markets and liquidity. In Home Lending, we released $900 million primarily on improvement in HPI expectations and, to a lesser extent, portfolio run-off. And in Card, we held reserves flat as we remain cautious about the near-term, especially with the number of unemployed still nearly two times pre-pandemic levels and potential payment shock coming to consumers from expiring benefits.

And so with the near-term outlook still quite uncertain, we remain heavily weighted to our downside scenarios. And at nearly $31 billion, we are reserved at approximately $9 billion above the current base case. And to touch on net charge-offs for the quarter, they were down about $450 million year-on-year and remain relatively low across our portfolios. Looking forward, we still don't expect any meaningful increases in charge-offs until the second half of 2021, and with the recent stimulus it could be even later.

Turning to page 5, we've included here an update on our customer assistance programs, and you can see the trends are largely similar to last quarter and further evidence of the resilience of our customers. The vast majority of what's left in deferral is in mortgage with $10 billion of own loans and $13 billion in our service portfolio. And in terms of what we're seeing from our customers that have exited relief, more than 90% of accounts remain current.

Turning to balance sheet and capital on page 6. We ended the quarter with a CET1 ratio of 13.1%, flat versus the prior quarter on strong earnings generation, largely offset by dividends of $2.8 billion and higher RWA. As we stated in our press release last month, the board has

authorized share repurchases and we plan to resume buybacks in the first quarter up to our Fed authorized capacity of $4.5 billion after paying our $0.90 dividend. You can see here on the page we've included the liquidity coverage ratios for both the firm and the bank which we believe is important to look at together in order to better understand the liquidity profile of our balance sheet. The firm is at a healthy LCR of 110%. However, the bank LCR is 160%, reflecting the extraordinary deposit growth that has meaningfully outpaced loan demand.

Now let's go to our businesses starting with Consumer & Community Banking on page 7. In the fourth quarter, CCB reported net income of $4.3 billion and an ROE of 32%. Revenue of $12.7 billion was down 8% year-on-year, reflecting deposit margin compression and lower Card NII on lower balances, largely offset by strong deposit growth and higher Home Lending production revenue. Deposit growth was 30% year-on-year, up over $200 billion as balances remain elevated and as we continue to acquire new customers and deepen primary relationships.

Loans were down 6% year-on-year with Home Lending down due to portfolio run-off and Card down on lower spend offset by Business Banking which was up due to PPP loans. Client investment assets were up 17% year-on-year driven by both net inflows and market performance. On spend, combined debit and credit card sales volume in the quarter was up 1% year-on-year which reflected debit sales up 12% largely driven by retail and everyday spend and credit sales down 4% largely driven by T&E.

In Home Lending, overall production margins remained strong. Total originations were down 2% year-on-year but were up 12% quarter-on-quarter both driven by Correspondent as we lean into the channel after pulling back earlier in the year. For the year, total originations were $114 billion including nearly $73 billion of consumer originations, both the highest since 2013.

In Auto, loan and lease origination volume was $11 billion, up 29% year-on-year. And across the franchise, digital engagement continues to accelerate. Our customers use QuickDeposit for more than 40% of all check deposits, which is nearly 10 percentage points higher than a year ago. And in Home Lending, nearly two-thirds of our consumer applications were completed digitally using Chase MyHome, and that has tripled since the first quarter. Overall, 69% of our customers are digitally active with Business Banking at 86%, both higher than a year ago.

Expenses of $7 billion were down 1% year-on-year, and credit costs were a net benefit of $83 million driven by $900 million of reserve releases in Home Lending, largely offset by net charge-offs in Card of $767 million.

Now turning to the Corporate & Investment Bank on page 8. CIB reported net income of $5.3 billion and an ROE of 26% on revenue of $11.4 billion for the fourth quarter and an ROE of 20% on revenue of $49 billion for the full year. The extraordinary nature of this year has meant that we had records in almost every category for both the quarter and the full year.

In Investment Banking, IB fees were up 25% for the year and we grew share to its highest level in a decade. For the quarter, Investment Banking revenue of $2.5 billion was up 37% year-on-year and up 20% sequentially. The quarter's performance was driven by the continued momentum in the equity issuance market as well as strong performances in DCM and M&A. In Advisory, we were up 19% year-on-year driven by the closing of several large transactions. The M&A market continued to strengthen this quarter, and in fact announced volumes exceeded pre-COVID levels.

Debt underwriting fees were up 23% year-on-year driven by leveraged finance activity, and we maintained our number one rank overall. In equity underwriting, fees were up 88% year-on-year primarily driven by our strong performance in follow-ons and IPOs. Looking forward, we expect IB fees to be up modestly for the first quarter, and the overall pipeline remains robust. We expect M&A to remain active on improved overall CEO confidence. And the momentum in equity capital markets is expected to continue, of course dependent on the successful containment of COVID.

Moving to Markets, total revenue was $5.9 billion, up 20% year-on-year against a record fourth quarter last year. Fixed Income was up 15% year-on-year, driven by good client activity across businesses, particularly in Spread products, as well as a favorable trading environment in Currencies & Emerging Markets, Credit, and Commodities. Equities was up 32% year-on-year, driven by strong client activity in equity derivatives and cash throughout the quarter across both flow trading and large episodic transactions.

Looking forward, we expect Markets to remain active in the first quarter, and we have seen strong performance since the start of January, but it's obviously too early to predict the full quarter. And for the remaining quarters of this year and the full year, the comparisons will be particularly challenging, given the extraordinary performance of Markets in 2020.

Wholesale Payments revenue of $1.4 billion was down 4% year-on-year, primarily reflecting the reporting reclass in Merchant Services; and Securities Services revenue of $1.1 billion was down 1% year-on-year. On a full year basis, the headwinds from lower rates were almost entirely offset by robust deposit growth. Expenses of $4.9 billion were down 9% compared to the prior year, driven by lower compensation and legal expenses.

Now let's go to Commercial Banking on page 9. Commercial Banking reported net income of $2 billion and an ROE of 36%. Revenue of $2.5 billion was up 7% year-on-year with higher lending and investment banking revenue partially offset by lower deposit revenue. Record gross investment banking revenue of $971 million was up 53% year-on-year. And the full year was also a record, finishing at $3.3 billion, surpassing

our previously established $3 billion long-term target. And given our investments in banker coverage, we believe there's continued upside from here.

Expenses of $950 million were flat year-on-year. Deposits of $277 billion were up 52% year-on-year and 11% quarter-on-quarter as client balances remain elevated. Average loans were up 1% year-on-year, but down 3% sequentially. C&I loans were down 4% on lower revolver balances, with utilization rates nearing record lows as clients continue to access capital markets for liquidity. And CRE loans were down 1% on higher prepayment activity in both CTL and real estate banking. Finally, credit costs were a net benefit of $1.2 billion driven by reserve releases.

Now on to Asset & Wealth Management on page 10. Asset & Wealth Management reported net income of $786 million with pre-tax margin and ROE of 29%. And for the year, AWM generated record net income of $3 billion with pre-tax margin and ROE of 28%. For the quarter, revenue of $3.9 billion was up 10% year-on-year as higher performance and management fees, as well as growth in deposit and loan balances were partially offset by deposit margin compression. Expenses at $2.8 billion were up 13% year-on-year, primarily due to higher legal expenses related to the resolution of matters previously announced. But excluding this, expenses would have been up 4% year-on-year on volume and revenue-related expenses.

For the quarter, net long-term inflows were $33 billion, positive across all channels, asset classes and regions, and this was true of the $92 billion for the full year as well. In liquidity, we saw net outflows of $36 billion for the quarter and net inflows of $104 billion for the full year. AUM of $2.7 trillion and overall client assets of $3.7 trillion, up 17% and 18% year-on-year, respectively, were driven by net inflows into both liquidity and long-term products, as well as higher market levels. And finally, deposits were up 31% year-on-year and loans were up 15% as clients continue to increase their liquidity and look for investment opportunities.

Now onto Corporate on page 11. Corporate reported net loss of $358 million. Revenue was a loss of approximately $250 million, relatively flat year-on-year. Net interest income was down $730 million on lower rates, including the impact of faster prepays on mortgage securities, as well as limited deployment opportunities on the back of continued deposit growth. Declines in net interest income were largely offset by net gains this quarter of approximately $540 million on several legacy equity investments. And expenses of $361 million were roughly flat year-on-year as well.

Now shifting gears, I'll turn to our outlook for 2021, which I'll cover over the next few pages, starting with NII on page 12. As you can see on the page, we expect NII to be around $55.5 billion in 2021, and this is based on the latest implied, which reflects the steepening yield curve we've seen over the past few weeks. So you can see that we do expect to be able to more than offset the impact of low rates in 2021 from continued deposit growth and higher Markets NII, but it's important to note that it takes loan growth to truly realize the benefits of a steeper yield curve. I'll also just remind you that the increase in CIB Markets NII is largely offset in NIR, and this component is highly market dependent.

And so as it relates to loan growth, while there should be some opportunities in AWM and Wholesale, we expect headwinds at least in the near term as corporate cash balances are at all-time highs, Card payment rates are elevated, and there continues to be significant prepayments in Home Lending. But we do expect these to normalize and see loan growth pick up in the second half of the year, particularly in Card.

Therefore, our fourth quarter 2021 NII estimate of $14 billion or more is a reasonable exit rate. And notably, that's in the ZIP code of our 4Q 2019 NII when rates were significantly higher than they are today. We've also included on the right side of the page some risks and opportunities, and obviously this isn't an exhaustive list, but are the drivers that could be most impactful to this year's NII outlook.

Now turning to expenses on page 13. As Jamie mentioned last month, we do expect our expenses to increase in 2021. And based on our latest work, we expect that number to be around $68 billion, up versus the prior guidance of $67 billion largely due to higher volume and revenue-related expenses and the impact of FX, both of which have offsets in the revenue line, as well as the impact of expenses from our recent acquisition of cxLoyalty.

Then taking a look at the year-over-year expense growth, you can see it's primarily due to investments, which I'll cover in more detail on the next page. Our volume and revenue-related expenses are up slightly with some puts and takes there. That's obviously market-dependent, but remember, any changes there do come with corresponding changes to our top line.

And in structural, we expect a net reduction of approximately $200 million. Notably, this includes a decrease of $500 million, reflecting the realization of continued cost efficiencies in what is largely our fixed cost base, and you can see that it is partially offset by the impact of FX on our non-US dollar expenses. It's important to note that while structural is coming down, this doesn't represent the full extent of our productivity. We're realizing efficiencies in each category here. For example, our software engineers are becoming more productive, and we are reducing our cost to serve as we see more customers use our digital tools to self-serve.

Moving to page 14 to take a closer look at our investment spend. Over the past two years, our investment spend has been around $10 billion, and we expect that to increase to nearly $12.5 billion in 2021. You can see that we highlighted on the page the major areas of focus that we've been consistently investing in for years, which have continued to strengthen our franchise and drive revenue growth.

Starting on the bottom with technology, this represents roughly half of the overall investment spend, and these tech investments are across the board as we look to better meet our customer and client needs, improve our customer's digital experience, strengthen our fraud detection capabilities, as well as modernize and improve our technology infrastructure, cloud, and data capabilities.

Moving to non-tech investments, we expect marketing spend, largely CCB, to return to pre-COVID levels this year after being down in 2020. We continue to invest in our distribution capabilities across all of our businesses. This includes hiring bankers and advisors not only in the US, but also internationally, as well as expanding our physical footprint. We've been continuing to execute against our branch expansion plans in new markets, having opened 170 branches so far out of our planned 400, and expect to be in all contiguous 48 states by mid-2021 – Jamie's clapping.

And the other bucket on the page is a catch-all for everything else, including real estate and other various investments across our businesses. These expenses were fairly stable the past two years, and the increase in 2021 is largely related to our $30 billion commitment to the Path Forward, which includes promoting affordable housing, expanding home ownership for underserved communities, and supporting minority-owned businesses, as well as expenses related to our acquisition of cxLoyalty. So in summary, you can see that we continue to invest through the cycle, and it's these investments that we believe position us well to outperform on a relative basis regardless of the environment.

Now I'll turn to a few balance sheet and capital-related topics starting on page 15. Over the next few slides, I'd like to provide you some insight on how recent monetary expansion and corresponding growth in the financial system is creating new challenges for bank balance sheets. More specifically, this expansion is putting significant pressure on size-based capital requirements which is likely to impact business decisions, including capital targets.

We'll start with what has happened this year. In response to the COVID crisis, the Fed's balance sheet has significantly expanded which has resulted in $3 trillion of domestic deposit growth across the US commercial banks. What's important to note is that this QE is unlike anything we've seen before. In the current QE, we have experienced a much bigger and faster expansion, and that expansion has come without meaningful loan demand beyond PPP as you can see in the loan to deposit ratio on the page. This has resulted in bank balance sheets which are larger but more liquid and less risky.

From a bank capital perspective, the key question to ask is how long will this persist. On the chart, you can see that the QE3 unwind kept the Fed on pause for several years before a modest pace of reduction. So, even if the Fed immediately signals tapering which, of course, is not the base case, and follows the pace of the last unwind, it will take many years to return to pre-COVID levels. Of course, the unwind speed is uncertain, but I think we can all agree that bank balance sheets will remain elevated for some time.

Now, let's go to page 16 and see how this will impact capital going forward. Two factors that are top of mind for us are G-SIB, which we've been talking about for a long time, and also SLR, which is not something we typically talk about but, given the overall system expansion, is now in focus. On the graph, what you can see here are the historical trends of G-SIB- and SLR-based requirements overlaid with the path of the Fed's securities holdings. You can see that during the original calibration of these rules, which included significant gold plating, the Fed balance sheet was notably lower.

With the recent growth in the Fed balance sheet, we are seeing upward pressure and increases to G-SIB requirements as well as the SLR shifting from a backstop to a binding measure which would impact the pace of capital return and these dynamics will likely persist for an extended period. The Fed's temporary relief of SLR expires after March 31st. This adjustment for cash and treasury should either be made permanent or, at a minimum, be extended. With these exclusions, you can see how this remains a backstop measure, not a binding one.

Then on G-SIB, there has been public dialogue about the need to index the score to GDP as a proxy to account for ordinary economic expansion over time, and this was also cited by the Fed as a possible shortcoming of their framework. For 2020, GDP was clearly not the best proxy for system expansion but the principle still applies. G-SIB was designed as a relative measure between large- and medium-size banks and, therefore, it should certainly reflect an overall system expansion which impacted small, medium, and large banks alike. By future-proofing G-SIB at inception with the adjustments outlined on the page, you can see the resulting G-SIB score profile, lower over time but, more importantly, flatter over the course of the most recent system expansion. While we recognize that prudent bank capital requirements do promote safety and soundness, satisfying these heightened requirements is certainly not costless, which is why these two areas, G-SIB and leverage, are top of mind for us in 2021.

Now, let's look at the impact of this on marginal deposits on page 17. In addition to what we've already discussed, there are two more building blocks required to see the full picture of marginal deposit economics, and they are interest rates and loan demand. We've experienced a combination of both lower interest rates and lower loan demand which have reduced the NIM of marginal deposits to practically zero, which you can see here on the chart. And this is an issue for all banks, not just G-SIBs or JPMorgan. However, what is specific to the larger banks is

that when the SLR becomes binding, we may be required to issue new debt and retain higher equity which ultimately makes the marginal deposit a negative ROE proposition in today's ultra-low rate environment.

The key question, is what could happen next? We could simply shy away from taking new deposits, redirecting them elsewhere in the system, or we can issue or retain additional capital and pass on some of that cost, which is certainly something we wouldn't want to do in this environment. And therefore, we strongly encourage a serious look at these size-based capital calibrations with an appropriate sense of urgency as we will soon be facing this critical business decision.

All of this can be addressed through a few simple adjustments, namely, an extension of the SLR exclusion and the G-SIB fixes we've spoken about over time. But to be clear, we believe the framework as a whole has made the banking system safer as we experienced in 2020, but we're also seeing evidence where the lack of coherence in recalibration is risking unintended consequences going forward.

With all that said, before I close things out on capital, here's how we're thinking about target CET1 levels. While G-SIB pressure remains and the need for recalibration is high, our SCB optimization can provide some offset allowing us to manage to a 12% CET1 target. The recent stress test showed an implied 20 basis point reduction to SCB and we have continued our optimization efforts since the resubmission. So, we're hopeful for a lower SCB later this year, of course, that's scenario dependent.

At this point, it's too early to provide specific color on the impact of SLR, so it's just important to note that in the absence of any adjustments to the measure, we may have to issue preferreds or carry additional CET1 over the 12% target I just mentioned. We obviously can't emphasize these key messages enough, and these factors are clearly front-and-center as we think about managing our balance sheet and capital targets in the near and medium term.

Now, before we conclude, note that we've included a few additional slides on our businesses in the Appendix to give you an update on their strategic highlights and performance as well as provide the latest financial outlook. The themes and initiatives we talked about at last year's Investor Day still remain our focus, and we continue to execute and make progress against them.

So, to wrap up, 2020 was an incredibly challenging year but it also showcased the benefits of our diversification and scale and the resulting earnings power of our company while our employees relentlessly focused on supporting our customers, clients and communities. While downside risks do remain in the near term and they could be significant, several recent factors help us feel more optimistic as we look ahead to the recovery in the medium- and longer-term.

So, with that, operator, please open the line for Q&A

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QUESTION AND ANSWER SECTION

Operator: Certainly. [Operator Instructions] Your first question comes from the line of Steven Chubak with Wolfe Research.

Steven Chubak
Analyst, Wolfe Research LLC **Q**

Hi. Good morning, Jamie. Good morning, Jenn, and happy New Year.

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co. **A**

Thank you, Steven.

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

Thank you.

Steven Chubak
Analyst, Wolfe Research LLC **Q**

So, I want to start off with a question on the NII outlook. The 2021 guide implies a rather healthy step-up versus the $54 billion, Jamie, that you had reiterated just last month. In your updated NII guide for 2021, what are you assuming regarding the deployment of excess liquidity given some of the recent curve steepening? And separately, what are your assumptions around the trajectory for card balances and overall growth in 2021, especially in light of the expectations for additional stimulus, which we saw at least this past year could drive further consumer deleveraging?

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co. **A**

Sure. So, I'll start with excess liquidity. So, I think there the theme is we're being opportunistic but patient. So, as you think about the recent moves that we've seen in the yield curve, in the grand scheme of things, those could be small moves. And as we think about managing the balance sheet, it's not just about NII. Of course, it's about capital. And so, there is risk in adding duration at these levels in a further sell-off. So, we're being very patient. But we have been and will continue to be optimistic and you will have seen that we did add $60 billion to the portfolio in the fourth quarter. So, that's what we're assuming in the outlook, is a very balanced view on deploying the excess liquidity. And then...

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

And the implied curve.

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co. **A**

Yes, and the implied curve, yeah. And then on card balances, it is quite extraordinary what we're seeing in terms of payment rates in the card portfolio which of course is very healthy as consumers use this opportunity to deleverage. So, there is an offset in the – on credit line. But we are expecting that to normalize in the back half of 2021 as spend recovers. But it is certainly a risk for us if they remain elevated so that's why everything was put on that page in the plus-minus because everything could be an opportunity and a risk.

Steven Chubak
Analyst, Wolfe Research LLC **Q**

Fair enough. And just for my follow-up, wanted to ask on capital. Thought the slides were really interesting, highlighting the impact of QE on the leverage ratio and G-SIB scores. You've been critical of G-SIB surcharges and the need to recalibrate these coefficients for some time. We haven't really seen much progress there, kind of feels like Waiting for Godot. And if the Fed is slow to recalibrate the minimum leverage ratios

to account for this QE-driven deposit growth, what mitigating actions can you take to ensure you're not capital-constrained as balance sheet growth continues? And maybe any revenue attrition we need to contemplate as part of those mitigating actions?

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

Sure. So, I'll start with G-SIB, if we take that in turn. So, starting with G-SIB, as I said, we do think that we have opportunity in the SCB. Of course, that's scenario-dependent and based on the Fed models, but we do think we have opportunity there based on the work that we've been doing. It will be very difficult for us to get back to 3.5% with the current expansion so we are expecting to remain in the 4% bucket. But as you know, that's not effective until early 2023 so that gives us time to manage SCB, as I mentioned, as an offset.

On the leverage issues, we have – we can cure this through issuing preferreds, but we haven't made that decision yet, as I said, because it is a critical decision for us to think about. And as you think about capital returns, it would depend on where our stock price is as we think about the economic value of issuing preferreds to buy back stocks. So, there's a lot for us to think about over the next couple of months.

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

A

And could I just add in the G-SIFI because it's very important. If we were on the international standard, our G-SIFI would be 2%, not 4%. And we've been talking about they were supposed to adjust G-SIFI for the growth of the economy and, effectively, the shrinking size of the banking system because the banking system itself is getting smaller as mortgages go to nonbanks and private credit goes elsewhere and the rest of the international, Chinese banks are growing, et cetera. So, these adjustments should be made.

And we pointed out there's $1.3 trillion of liquid assets and marketable securities on our balance sheet which shockingly drive G-SIFI, too. G-SIFI has no risk-weighted measurements to it. No diversification to it. No profitability to it. It just kind of uses very gross measures and it needs to be recalibrated and same with SLR.

I mean, so, do we expect it to happen? Probably not in our lifetimes because we've politicized detailed bank numbers and so – and we can live with it for now but in the long run it's not good for America to be that much of a disadvantage to our competitors overseas.

Operator: Your next question comes from the line of Jim Mitchell with Seaport Global Securities.

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

Hi, Jim.

James Mitchell
Analyst, Seaport Global Securities LLC

Q

Sorry. Hi. Sorry, I was on a mute for a second there. Maybe just talking about loan growth. You saw a pretty nice improvement in the wholesale side. You talked about some opportunities in 2021. It seems to be mostly coming outs of CIB. Is that sort of acquisition finance? What's driving some of the improvement on the Wholesale side?

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

Yeah, I would say acquisition financing is the opportunity on the wholesale side. There may be some opportunity in the back half of 2021 in C&I. That feels like it's returning to BAU, but I think that's going to take some time. But as I said, we are at historic levels of cash on corporate balance sheets. And so outside of acquisition financing and C&I, it will be challenging – C&I in the back half of 2021.

James Mitchell
Analyst, Seaport Global Securities LLC

Q

Okay. Fair enough. And then maybe on your expense assumptions for the $68 billion, you don't really mention at all the CIB. You would think that if we are as everyone assumes, we had a record year in 2020, 2021 maybe markets and IB fees are lower. Is there any kind of – are you building in some lower revenue-based compensation expense in that $68 billion? Or is that potential a positive?

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

So, we capture that in the volume and revenue-related, Jim. It just happens to be more than offset by volume and revenue-related growth elsewhere.

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

A

And could I just point out the $68 billion. We don't make commitments or promises. So, that $68 billion, I would love to find $2 billion more of investments. Literally. I mean we're seeking everywhere to find more to do to help clients around the world and stuff like that. So, that's just kind of our current forecast. And fortunately, we found some more to do including cxLoyalty and opening more branches and some of the technology we're building, et cetera. But I'd like to find more. It would be the best and possible highest use of our capital.

Operator: Your next question comes from the line of John McDonald with Autonomous Research.

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

Hi, John.

John E. McDonald
Analyst, Autonomous Research

Q

Hi, Jenn. Given the outlook for net interest income and expenses, it seems like the efficiency ratio is going to tick up a few hundred basis points this year in 2021 versus 2020. And I know you don't manage it necessarily year-to-year but just kind of over time you seem to have a mid-50s efficiency target. Just kind of wondering how you put guardrails up for yourselves in terms of expense discipline and managing over time to have positive operating leverage and an efficiency corridor?

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

Sure. So, I'll start by saying you're absolutely right, we don't manage the efficiency ratio in any quarter, even any year, but operating leverage is very important to us. And then we gave, shared at Investor Day of about a 55% efficiency ratio. I'll say in a normalized environment, we haven't had anything that structurally has changed. And so, that should still be achievable for us in a normalized rate environment and otherwise normalized environment.

And then as it relates to expense discipline, it is a bottom's-up process. And so, everywhere around this company we are looking to get more efficient and holding people accountable to do just that which is why I call out on the slide that structural is basically everything that isn't investments or volume and revenue related, it isn't necessarily a representation of all of our expense efficiency. So, the discipline is everywhere and it's the way we run the company. And we do believe in the importance of operating leverage through time, no doubt.

John E. McDonald
Analyst, Autonomous Research

Q

Okay. And then as a follow-up, on the NII walk, you've got $1 billion incremental NII expected in 2021 versus 2020 from Markets, CIB Markets. Can that be true if Markets revenues is down year-over-year? Can they both be true? And just maybe explain that.

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

Yes, it can absolutely be true. So, Markets is – I mean most of our businesses, we don't run them NII versus non-interest revenue, it is an accounting construct, but Markets it's particularly true. So, yes, that is possible. In NII, the Markets business, you can think about – it's liability-sensitive so you're going to see the benefit of lower rates in NII. That doesn't necessarily imply anything about the overall performance.

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

A

We have positive carry. And trading profit goes down and the carry goes up. The number – the absolute number's the same.

Operator: Your next question comes from Erika Najarian with Bank of America.

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

Hi, Erika.

Erika Najarian
Analyst, BofA Securities, Inc.

Q

Hi. Hi. Good morning. My first question is on the outlook for Card losses. The 2.17% net charge-off rate was certainly eye-opening relative to what's happened in 2020. And the discussions actually that I've been having with investors on the trajectory of Card is do you think that the bridge that the government built is strong enough that we may not see a spike in losses in Card like we're all expecting? And, Jenn, given your comments earlier, what would you need to see to feel more comfortable about releasing reserves from your Card portfolio?

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

Sure. So, it's interesting that you brought up the bridge being strong enough. It does feel like at this point in this crisis that the bridge has been strong enough. The question that still remains is, is the bridge long enough? And so, while we just had recent stimulus passed, that makes us feel better about the bridge being long enough, but we have to get through the next three to six months. So, it feels like we've been saying that since this crisis started, but I think it is particularly true at this point, obviously, given the vaccine rollout.

So, consumer confidence is still low relative to pre-COVID levels. You can compare that to the wholesale side where CEO confidence is up. That's not true on the consumer side. And so, the next three to six months is going to be critically important for us to assess whether not only is it strong enough, but is it long enough and do we see consumer sentiment pick up a bit. There's also possibility for payment chops as some relief programs, whether it be student loan, forbearance, or taxes owed on benefits received. There are things that could hit the consumer in the next three to six months that we need to think about.

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

A

I would just add very different for subprime and prime, and if you look at our portfolio, it's mostly prime. And the folks in the prime category have a lot more income, a lot more savings. Housing prices were up, they did not lose their jobs. So, the news there is actually rather good.

On the lower quartiles, it's the opposite. Even now, we just did all the stimulus checks, and we did about 12 million of them, which have already been processed...

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

$12 billion

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

A

12 million for $12 billion approximately. And that the bottom – the folks who had $1,000 in their accounts or the accounts were coming down, and they just got $1,000, they obviously need it. The folks in the higher end, they obviously don't need it quite as much. So, we expect it to go up, but it's possible somehow it doesn't happen in some dramatic way.

Erika Najarian
Analyst, BofA Securities, Inc.

Q

Got it. And, Jamie, my second question is for you.

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

A

Can I make another point, very important?

Erika Najarian
Analyst, BofA Securities, Inc.

Q

Yes.

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

A

We do not consider taking down reserves, recurring or no income. We don't do it to show a profit. We don't consider it a profit. It's ink on paper. It's based on lots of different calculations. Obviously, we want real losses to be low over time. But just if our Card reserve is like $17 billion, we took it down next quarter because we had more optimistic outlook. We're not going to sitting here cheering about that. We're cheering that America's doing better, but we don't consider that earnings. And I think you all should look at it a little bit differently now, particularly with the change in accounting rules.

Erika Najarian
Analyst, BofA Securities, Inc.

Q

Yeah. I think your investors appreciate that. And the second question I had for you, Jamie, is on last year's Investor Day, it was clear to your investor base that you were looking to inorganically enhance your scale in AWM. And what's interesting is that the discussion that I've been having with your investors more recently is them wondering whether or not you would consider a larger deal, maybe in payments, given that a lot of investors and banks are thinking that that's the part that seems to be potentially more vulnerable to technology competitors. What are your thoughts there? And I guess my own thought process has been tempered by Jennifer's presentation on capital, but wanted to get your thoughts there.

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

A

We have – our capital cup runneth over. We have so much capital, we cannot use it. If you look at what happened this year, our capital went from 12.4% to 13.3%, but I think advanced is more representative of real risk, so it would be 13.8%. That's after doing $2 trillion of loans, $12 billion of reserves, $12 billion of dividend. I mean, we're earning – if you look at pre-tax – pre-provision, $45 billion or $50 billion a year. So, we're in very good shape to invest.

The most important thing in these management meetings is that we grow every business organically, every single one, opening branches, adding accounts, doing payments. And we put a lot of time and effort into payments. We're quite good at it between credit card, debit card, Chase Merchant Services. But I agree with you, and we're open for inorganic, too. Inorganic shouldn't be an excuse not for growing organically. And it's not just asset management. It would be any area where we could do – I thought cxLoyalty was a neat thing, InstaMed was a neat thing. We bought 55ip, which is a special way to manage money – tax efficiently. And so, we're going to build it ourselves or buy it. We're open minded. Anyone of you have good ideas for us, let us know.

We have the wherewithal. But we will also look at buying it. Like I said, we're always looking for a way to invest more of our money intelligently. We've got a tremendous set of assets. We also have a tremendous set of competitors, particularly in payments, consumer land now, and a bunch of other areas. So, you saw Google Pay. You saw Walmart's going to try to spend a bit of a long time in expanding in – we like competition. We believe in it, but we have to be really prepared for that, and that is deeply on our mind in how we run our business.

Operator: Your next question is from Betsy Graseck with Morgan Stanley.

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

Hi, Betsy.

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

Q

Hi. Good morning. Jamie, a question on cxLoyalty, because I thought your loyalty program and capability set there in your payments space and your consumer-facing space was quite good. So, I'm just wondering what the rationale was? And is there an expectation that you're going to be leveraging that into non-Card portions of your business, was that part of the – so what was this deal?

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

So, Betsy, I'll take that one. So, we're really excited about this one and really with any tech platform, scale matters. So, combining our scale with cxLoyalty's innovative technology will be a win not only for our Chase customers, but for cxLoyalty's existing clients and suppliers. And then, you're right to point out our existing UR platform, but that today is predominantly used as a points redemption portal. So, there's a huge opportunity to capture a greater share of our customer spend on travel, which is $140 billion both on and off us. So, in addition to capturing the full economic value of the existing redemptions on the platform, we also have an opportunity to really turn it into a great place for our customers to book travel.

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

Q

Okay. But still focused on the Card space as opposed to moving into other parts of your relationship with consumers?

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

A

It's Consumer. Just think of it as Consumer.

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

There's no reason it has to be Card only.

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

A

Jenn mentioned a number, like more than 30% of travel expense goes through our cards. Something like that. And so, we want to give a far better experience to our own customers when it comes to what we offer them through travel. You're right, Ultimate Rewards always does a good job, but why wouldn't you try to double that over time or triple it?

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

And we think we can do a better job for their existing clients and suppliers, so it won't just be about Chase customers.

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

A

Exactly.

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

Q

Okay. And then the follow-up question just on the technology budget increasing. I mean, I know this comes after a year of being somewhat stable year-on-year. And just wanted to dig into the comment that you made on the page around data analytics, cybersecurity, and artificial intelligence capabilities. Again, you've been a leader in this for a while. So, the question is, where's the white space that you're moving into? And can you give us a sense as to how important this is for some of the expansion that you're doing geographically in UK digital and some of the European footprint that you're expanding into?

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

A

So, first of all, cyber, we're going to do – we have to do whatever it takes. And we are going to do that in everything we do. But you mentioned – we built brand-new data centers pretty much around the world, which are a lot more efficient. They're going to be effectively – they're not cloud based, but they have all the cloud technology, et cetera, for our own private cloud.

We're moving other stuff to the public cloud. We're refactoring applications to get there. We're redoing all the data. You all know the issue with the data, not that banks were bad, but data was held in all these different accounts. You're trying to build these data links. You can use AI and machine learning better and all in due haste. The cloud is real. The cost is real. The speed is real. The security is real. The AI is real. The machine learning is real.

So, every single business, almost every single meeting we go through is talking about what are we moving to the cloud, whether it's internal or external? What are we adding, AI and machine learning? And are we getting the data analytics right? And it is global. And we don't spend that much time on it, but every single business is doing it. You have a tremendous amount of AI being used in Asset & Wealth Management, CIB, in trading, in Commercial Banking prospecting, and it's literally the tip of the iceberg. Whatever we say today, 10 years from now it will be probably 50 times more than we're doing today. And I would spend anything to get it done faster.

Operator: Your next question comes from the line of Ken Usdin with Jefferies.

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

Hi, Ken.

Ken Usdin
Analyst, Jefferies LLC

Q

Hi. Thanks. Good morning. A question on capital return and capital usage. In the deck and in your press release you mentioned that you're looking to get back into more return of capital. You mentioned $4.5 billion net and there's still the net income test. And I just wanted to ask you to kind of walk us through how you think about – how do you think about full usage of that $4.5 billion, and then how do you think forward vis-à-vis the comments we just talked about with regards to potential external opportunities and what's the best use of that incremental capital, given that you still have a healthy amount sitting there?

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

Sure. So, we always start in the same place, which is we would much prefer to do the things that Jamie's been talking about than to buy back our stock, so we would much prefer to deploy it to organic growth or acquisitions. Having said that, we do, as you point out, have significant excess capital at this point. When we look at the first quarter, the Fed capacity was defined by the trailing four quarters of profits. And so, when you back out our dividend, that's where you get to the $4.5 billion.

So, that is the capacity that we have for this quarter and we'll do up to that amount, obviously. I don't know that we'll do the full amount, but we'll certainly do – obviously, can't do more than $4.5 billion. And then, we're certainly hopeful that we can go back to BAU under the SCB framework beyond the first quarter as we think about buybacks, but we'll wait to see what the Fed says at the end of the first quarter.

Ken Usdin
Analyst, Jefferies LLC

Q

Okay, great. Thanks.

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

A

We need to manage our capital down to the 12% or whatever we set in that regards to having – getting permission from the Fed. They've already implied that's what they're going to do – that's the way it should be done eventually one day.

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

Yeah.

Ken Usdin
Analyst, Jefferies LLC

Q

Yeah. Understood.

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

A

The only other thing I want to point out is that we've been consistent at 2 times tangible book with our earnings power and dividend and all stuff like that. It still makes sense to buy back stock, but that diminishes every point, 2.1 and 2.2 or 2.3. We'd much rather use our capital to grow organically or inorganically.

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

Yeah. I mean, we'll always look at the effective return of us buying back our stock for our remaining shareholders. And if we think it makes sense relative to the alternative, we're going to keep doing it.

Ken Usdin
Analyst, Jefferies LLC

Q

Yeah. Consistent with what you've said in the past. Thanks. And just a question on the Card business. You mentioned how much of that spend goes through Chase. And just given that we still have some uncertainties with regards to a true return to open – your Card segment revenue yield actually did improve a little bit. Just wondering if you can kind of help us just think through the pushes and pulls you see on the Card business with regards to your expectations of spend improving, balances improving and competition underneath. Thanks.

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

Yeah. So, the competition remains very, very strong. As it relates to the revenue yield, there's a little bit of noise there because balances are down so much and that's what that's derived from. So, there's a little bit of noise there. Importantly, we do – if GDP is back to 2019 levels by the middle of the year, we expect spend to continue to recover and perhaps significantly so in the second half. As it relates to travel, whether it's the second half of 2021 or 2022, we are confident that our customers will continue to travel. And there's pent-up demand I'm sure for travel and so we are excited about those opportunities whether they come in 2021 or 2022 or beyond.

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

A

And we take very seriously the new entrants like the Goldman Sachs Card and there are a bunch of other folks who are doing similar things and we expect to see more of that.

Operator: Your next question comes from Glenn Schorr with Evercore ISI.

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

Hi, Glenn.

Glenn Schorr
Analyst, Evercore ISI

Q

Hello there. Thank you. So, I think it's good time of the year to get your mark-to-market on your thoughts on the competitive landscape and I know every business is competitive but I'm more curious on the new side of competitive and maybe I'm talking more about the Consumer and

Commercial Banking right now. But between all the neo banks that either want to pay much more than you guys on deposits or charge no fees or the buy now, pay later models or things where you also even play in banking-as-a-service in trying to provide banking products to big technology companies with big client footprints, I'm most curious to see, is this just normal evolution and not changing things or is this something bigger going on here that you want to comment on? Thanks.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

Yeah. So, I'm going to – in the Commercial Bank, there's probably less than you think. I do think there are alternative credit providers. But we also do a lot of things for our clients investment banking, FX, swaps, cash management, custody, asset management, et cetera. So, it's slightly different. I think on the consumer side we wrote in the Chairman's Letter years ago that Silicon Valley is coming, and I think it's just more and faster and better and quicker, and we have to just be very conscious about it. It includes pay now, pay later, and we have some of those product ourselves, but our job is to make sure we use our unbelievable strength and client base and capability. And as Gordon always points out, when you have that kind of product set, you got to also keep it simple, clear, basic what the customer wants, just to deliver it more and better. And so we're quite conscious.

And I would also add, by the way, it's not just that. The team looks at Ant Financial and Alipay and all these other competitors. I expect one day you'll see other big foreign banks back here again, including the big Chinese banks, the biggest ones who are bigger than us. And I mean that may be 5 or 10 years out, but we better be thinking 5 or 10 years out. And so, they're all coming. We're comfortable, but we're still exercising and taking our vitamins, okay?

Jennifer A. Piepszak

Chief Financial Officer, JPMorgan Chase & Co.

A

And it's another reason our investments are going up as much as they are, because we're very well aware of it.

Glenn Schorr

Analyst, Evercore ISI

Q

Fair enough. Keep taking those vitamins. Maybe along the same lines, I think you've spoken about the power that the data of your own client footprint and franchises have, and I'm just curious, we haven't heard that much lately about what you're collecting, how you can use it, how you can use it to enhance the customer experience, accelerate growth. You have all this at your fingertips and people talk about data as being the new gold. I'm curious on how you're thinking about it right now.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

Yes, yes, and yes. That's all we're going to tell you. I mean, I've talked about how important AI is, obviously, data and AI. The AI and data directly related, and some of it gets used very well, but if you sat down, some of it doesn't get used well. We have restrictions, far more restrictions than some of our Silicon Valley competitors. But still, there are ways to use our data to do a better job for our clients. And we do a tremendous amount already in marketing, risk, fraud, cyber, you name it, and we use a lot of that, like, a lot of that stuff also protects our clients in cyber.

Operator: Your next question comes from Mike Mayo with Wells Fargo.

Mike Mayo

Analyst, Wells Fargo Securities LLC

Q

Hi. I'll ask my question and then go back in the queue. Just, I guess I missed your Investor Day. We have four slides to talk about that. I guess if your capital cup is runneth over, maybe your expense budget could runneth over, too. I mean, spending is certain. Returns are uncertain. So, it seems like there's more questions this year than in the past.

You did get positive operating leverage last year during the pandemic, so, yes, you've earned the right to go ahead and spend more. I think most people would agree. But there's still just so many questions. So, I'll just ask on CCB, it looks like slide 16, you mentioned going to all 48 states by mid-2021. I didn't really get all of that. So, how many states have you been in, and by the time you get to 48, how much spending is that? What's the game plan? What's your plan with branches? Others are shutting branches after the pandemic. You're expanding. If you could just give some color on that, or if Gordon's on the call, we can hear from him, too.

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

A

Gordon's not. So, we started this a while back to expand the branches and stuff like that, and we're still – we're closing plenty of branches. So, if you look at what we're doing, I forgot the number but we've closed like a thousand in the last four or five years and we've opened like a thousand or something like that. And I think when we did the Bank One-JPMorgan deal, we were in 21 states, 23 states. And when we started the expansion originally – we're very conscious that the world needs less branches and the shape of the branch is differently and we made hub and spoke and we're always testing new things and stuff like that, but we still have almost a million people a day who visit branches. And that's down, but there's million people a day. I forgot the number, it's 60% or 70% of accounts are still opened in branches. Small businesses still need branches. And the new branches that we opened in Boston, Philadelphia, D.C., they've been doing quite well.

And the shocking thing is it's doing quite well in Card, Consumer, investments, small business. So, as we go to all the other states, we just want to be – and we know we have to have a certain size. We're not going in each state with one just to plant the flag. That would be kind of a waste of time. We look at the major markets. Remember, people already know us through Chase and stuff like that. And so, we're optimistic that this strategy will pay off, and it will enhance our businesses, our capabilities, and other things I'm not going to tell you because it's very competitive. I think we've shared too much with our competitors in the past. So, I'm going to kind of shut myself up a little bit.

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

But, Mike, I can just add a little bit of color on the numbers. So, we had said that we were going to open up 400 new branches in market expansion. So, we have done 170 so far. Importantly, in 2020, we did fewer than 90 and, in 2021, we're going to do 150. And so, of course, we, by 2022 or 2023, that's going to start to sunset.

So, there are in the numbers, multiyear investments that they're ramping maybe in 2021, but they will ramp down. Now that will obviously give us capacity to reinvest those dollars. But we have a lot of capacity within the numbers you see on the page to continue to increase investments without necessarily the absolute number going up. In tech, as an example, 10% or 20% of that number in any given year is completed. So, that gives us more dollars to reinvest.

And then the only other thing I would add on branches is just like the franchise value that comes with opening up these branches in new states is extraordinary and, I think, underestimated because it gives us the ability to do state and municipal business that we wouldn't have otherwise been able to do. So, it's not just about consumer banking.

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

A

And it gives me a chance to, in North Dakota, which is the only state I've never been in. Believe it or not, we always do a lot of middle market and credit card and mortgage in North Dakota. We just didn't do Consumer Banking. So, I do, the second when I'm allowed, I'm on my way to like Bismarck or Fargo or something like that.

The new Head of Investor Relations, who is sitting in this room right now, Reggie Chambers, who I'm sure you'll all get to know, this was part of what he did for the Sun Belt, which is all the branch expansion though they'll restrict him how much he can tell you, but – and including looking at different formats. We're not blind to the nature that you have – the world's changing and digital and all that, and we can very quickly – just so you know, I forgot the number, change the fleet; like if you said, God, the world's changing more rapidly – we're completely comfortable that in a five-year period, we can dramatically reduce the size of the fleet, or the cost of the fleet, et cetera, while serving clients.

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

Yes.

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

So, just kind of like what you did with commercial bank from a few years back, going to every state, I guess, but – so, 48 states, where were you say a year ago or three years ago just to give final context to that?

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

A

Twenty-eight states three years ago. And by the way, commercial banks, same thing. We talked about expansion. So, when we bought WaMu, it took years, but we said we were going to do $1 billion in the WaMu states, which is mostly California, Florida, Atlanta, something like that. But we're very close to hitting that –$908 million this year, or something like that.

I told the teams, we reviewed it yesterday, that when we hit $1 billion, I want to send a case of really expensive wine to a guy called Steve Walker, who did it for us and hired great bankers, great capabilities, stuff like that. We were doing $400 million of investment banking business when we did the Bank One deal JPMorgan, through the commercial bank. We set a target of $1 billion, then $2 billion, then $3 billion. We exceeded $3 billion. I think we did $3.5 billion. The new target is $4 billion. It's now 25% to 30% of domestic US Investment Banking particularly DCM, ECM, M&A, through that network. And the investment bank, the commercial banking expanded into healthcare, technology, and we have a couple other areas we're going to be rolling out soon. So, these expansions really make sense. They pay for themselves. They're relentless. They're hard to do. They're all hard to do right.

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

Okay. I'll requeue.

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

A

And remember, the commercial bank generally needs branches. It's very hard to – and we've done it, but it's very hard to build the quality of business without a retail branch system when you're a commercial bank. Like you will see very few commercial banks that don't have retail branches.

Operator: Your next question comes from the line of Brian Kleinhanzl with KBW.

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

Hi, Brian.

Brian Kleinhanzl
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Hey. Morning. Just a quick question on the expense outlook. I noticed there was a small piece in there related to the workforce optimization. But I guess thinking in the broader context as we get through COVID-19 and move to the post COVID-19 world, the general thought process was that there would be this big expense-save opportunity coming from that, work-from-home environment. But it doesn't really show in your expense outlook. Is that something that you didn't expect to see beyond 2021? Is this a step-down expenses?

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

Yes.

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

A

But in the big picture our people expense is $33 billion, our real estate expense is I'm going to say $3 billion.

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

Yeah.

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

A

So, even – and I do think we can be much more efficient than that but I don't think it's like a game changer.

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

And we can't move our footprint that quickly anyway, so we do have time here to make sure that we do it really thoughtfully.

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

A

But Jenn is thinking about moving the finance functions to Florida.

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

Hawaii. Yes.

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

A

Hawaii?

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

Hawaii, that's right.

Brian Kleinhanzl
Analyst, Keefe, Bruyette & Woods, Inc.

Q

And then just a follow-up maybe on the international there's also the $1 billion hopes of additional revenue on the international. Could you give an update on how that's tracking so far?

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

Sorry. I didn't catch that.

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

A

A billion what?

Brian Kleinhanzl
Analyst, Keefe, Bruyette & Woods, Inc.

Q

On the international revenue expansion that you were looking for.

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

A

Well, first of all, the investment bank is expanding broadly everywhere as best it can and so is asset management, and I forget, before we spoke about China and stuff like that. The commercial bank started international expansion effort to cover companies overseas that we do business with here that we were not covering and it's doing fine. It's mostly expense right now. We added bankers and products and services and legal and compliance and we've been adding clients. We're quite happy with it. I should point out that we just had the best year ever in

Asia. I mean I think it was up like 20% or something like that. Asia is still will be one of the fastest growing markets in the world. And that's just kind of country-by-country, make sure we get that right.

Operator: Your next question comes from Gerard Cassidy with RBC Capital Markets.

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co. **A**

Hi, Gerard.

Gerard Cassidy
Analyst, RBC Capital Markets LLC **Q**

Hi, Jennifer. Hi, Jamie. Can you guys share with us, obviously, there's been a change in the administration and the Senate, and a number of our regulatory body heads are going to be replaced this year including the OCC and the Consumer Protection Bureau (sic) [Bureau of Consumer Protection]. Can you guys give us some color what you're thinking about what may change from a regulatory standpoint with the different political party controlling Washington now?

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

Yeah, our focus is always the same. We've got 60 million US clients. We've got 6,000 investment clients around the world. We run this company to serve clients, communities, hospitals. We financed $100 billion in states, cities, schools, hospitals this year. That's what we do. Obviously, we want to satisfy all of our regulators. So, I do expect that there'll be a new set of regulators, a new set of demands. Some we agree with. We want to do a better job in climate for the world. We want to be more green. We want to help the disadvantaged more. We've all got an enormous amount of programs for racial equality and things like that. So, yeah, but they'll be tougher. That's life. It's life around the world and we're going to – we have to deal with a whole bunch of new regulators which we're trying to satisfy, the ECB, et cetera. And so, I don't think it's going to change our life that much and competitively, everyone's in the same kind of boat. And so, it will be fine and we want the new President to be successful.

Gerard Cassidy
Analyst, RBC Capital Markets LLC **Q**

And then following up, Jennifer, you talked about on page 17 of your slide deck the issue with deposits and the marginal benefit of these deposits, and you guys are wrestling with this issue. Can you share with us – and you already have talked about the branch expansion in all 48 states, contiguous states. How is this going to be managed as best you can over the next 12 to 24 months because obviously long-term you want that branch expansion, but simultaneously as you pointed out you may be getting a negative ROE if you don't get relief on the SLR? And is there a chance that you will get that expansion on the SLR from the regulators?

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co. **A**

So I'll start with we certainly remain hopeful that we'll get the extension. Importantly, as we think about branch expansion, near-term rate headwinds, we certainly consider that. But at the margin, they're not a factor given the long-term franchise value associated with the branch expansion and the fact that it's not just about deposits for any one consumer anyway because we have the opportunity to have a much broader relationship with them, and all of that is factored into the branch expansion. But we do consider in the analytics there the near-term headwinds from rates, but there is a steady state number which is more of a normalized level of rates. So it doesn't – at the margin, it might change some decisions around marketing, but it doesn't have a big impact on us.

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

Yeah. And the bigger decisions on that, which we have a lot of leeway on is at the Investment Bank. It's repo, deposits, corporate clients, trade finance, all those other things, so this is managed very, very closely. Remember, G-SIFIs is just one of I'm going to say 20 constraints we manage by business, by product, by area, by region, by...

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

Yeah. And we bring it up. Obviously, it is an issue for us in the near to medium term should we not get the extension, and it's one that's important for people to understand. But we bring it up more so because it's just another example of where lack of coherence around these rules can have an impact not just on JPMorgan. So we don't bring it up just because of the impact on JPMorgan; we bring it up because it is perhaps one of the better examples of the need for recalibration. You have to have the right incentives in the system for it to work through time, and we're just seeing that that's not the case.

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

A

Remember, we were able to reduce deposits $200 billion in like months last time.

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

Yeah.

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

A

But we don't want to do it. It's just very customer unfriendly to say please take your deposits elsewhere.

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

Right.

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

A

But they do have – a lot of these larger corporate clients do have other options in not just deposits but money market funds or something like that, so we'll manage. None of this is going to be an issue for 2021, folks, I mean, fundamentally just how we run our company. And even if that temporary relief goes away – and I'm always against temporary relief because – for this exact reason; it creates another cliff. Even if it goes away, we're fine; we just have to manage it much tighter.

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

Yes.

Operator: Your next question comes from the line of Matt O'Connor with Deutsche Bank.

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

Hi, Matt.

Matt O'Connor
Analyst, Deutsche Bank Securities, Inc.

Q

Hi. Maybe a bit of a basic question, but why is Markets revenue or trading so good still not just for you, but the overall wallet? I get it that the Investment Banking business, the state of businesses are very good. There's lots of liquidity, banks have lots of capital. But, of course, rates are near zero, credit spreads are tight, volatility is low. So I'll take away some of the answers, but just conceptually, it's been very strong. It sounds like the hope is that it'll remain strong. What's really driving that?

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

A

There's $350 billion of global financial assets – $350 trillion, and probably in 10 or 20 years that number is going to be $700 trillion. People have to buy and sell to hedge, finance, move money around the world, FX, currencies, pension plans. Obviously, volumes go up and down. Spreads generally over time have been coming down, which you expect in a competitive market. But the expansion of the balance sheets of the central banks around the world – so Jenn showed you the $3 trillion or $4 trillion in the Fed, but globally it's $12 trillion. And companies have a lot of financing to do. And, of course, when you have higher DCM and higher ECM and higher M&A, that also drives a lot of trading. And so, you've got to kind of put that all in the mix.

Matt O'Connor
Analyst, Deutsche Bank Securities, Inc.

Q

And, obviously, the question is, how sustainable is this? And I guess one argument could be that technology has allowed banks to increase the velocity. You've been talking about this for some time. Do you think that is a structural change that will benefit the businesses and specifically for you guys over a longer time period?

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

A

Yeah. The way to look is we kept our share while things were electronified and digitized, and the business has done it kind of the way we expected them to do it. So, yeah, we think scale matters, technology matters, and hopefully – and we think we can even grow our share; this is just trench warfare. So we expect to grow it, but we – it's very hard to say what the base level is, and we thought that the base level kind of bottomed out sometime last year. And will it stay as high as it stayed in 2020? That, I doubt. It may not go back to what it was; it may be higher than that.

Operator: Your next question comes from the line of Charles Peabody with Portales.

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

Hi, Charles.

Charles Peabody
Analyst, Portales Partners, LLC

Q

Hi. Good morning. I have a couple of questions related to fintech, and unfortunately, I was born in the wrong generation, I need a lot of help. How dependent is the fintech world on the banking system? I mean, as I understand, they lay on top of the pipes and the plumbing of the banking system. Do you have any leverage in a competitive world against the fintech world? And then, secondly, I noticed that the OCC gave banks the green light to use public blockchain networks and stablecoins. Can you explain what importance that has to JPMorgan?

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

A

Do you want to go ahead on the blockchain there?

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

Okay, sure. So, that guidance enables an offering of stablecoins on a public blockchain, so that doesn't impact JPM Coin. JPM Coin you should think about as the tokenization of our customer deposits. So, it's obviously very early. We'll assess use cases and customer demand, but it's still too early to see where this goes for us.

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

A

And we're using blockchain for sharing data with banks already, and so we're at the forefront of that, which is good. The other question was about fintech. Look, first of all, they are very good competitors, and I pointed out to a lot of people. PayPal is worth $250 billion, Square is

worth $120 billion, Stripe is worth $80 billion, Ant Financial is down quite a bit now, but they're there. They're strong; they're smart, some effectively ride the rails. We bank a lot of them; we help them accomplish what they want to accomplish. And so my view is we're going to compete where we need to and we have to look inside about what we could do better or could've done better and things like that.

So I'm confident we're going to be able to compete, but I think we now are facing a whole generation of newer, tougher, faster competitors who – and if they don't ride the rails of JPMorgan, they can ride the rails of someone else. So you've seen – I told you before, everyone is going to be involved in payments. Some banks are going to white label, which makes a fintech competitor white label the bank and then build whatever service they want on top of it, and we have to be prepared for that. I expect it to be very, very tough, brutal competition in the next 10 years. I expect to win, so help me God.

Charles Peabody **Q**
Analyst, Portales Partners, LLC

Thanks. So do they need the banking system to complete their loop of service or can they work completely outside the bank?

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

Well, most of them do for now, but I think it's a mistake to say it's going to be forever. They're getting new bank licenses. Utah is giving people industrial licenses. Like I said, banks are white labeling, so it's effectively the same thing. If a fintech company uses a white label bank to process their business, they're basically a bank. And what the regulators do with that I don't know. But we have to assume that they're going to do it, and that some don't need – will find ways not to use the banking system, which they've done. You look at a whole bunch of other things, they do stuff around the banking system, which is fine; I'm not against that. The regulators may have a point of view with that one day, but I'll let them worry about that. I'm going to worry about us.

Operator: Your next question comes from the line of Andrew Lim with Société Générale.

Jennifer A. Piepszak **A**
Chief Financial Officer, JPMorgan Chase & Co.

Hi, Andrew.

Andrew Lim **Q**
Analyst, Société Générale SA (UK)

Hi. Good morning. So...

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

One other point. There are examples of unfair competition, which we will do something about eventually. People who make a lot more on debit because they operate under certain things. The only reason they compete is because of that. People who – basically don't do KYC/AML and create risk for the system. And I could go on and on and on, but there are – that part we will be a little more aggressive on, people who improperly use data that's been given to them, like Plaid, okay? So you can expect that there will be other battles that take place here.

Andrew Lim **Q**
Analyst, Société Générale SA (UK)

Hi. Sorry. It's Andrew Lim here. So I just wanted to pick your brains on inflation. Obviously, inflation metrics are picking up if we look at the rates, if we look at inflation indicators, and looks like a lot of people are jumping on this inflation bandwagon. But I just wanted to see what you are seeing on the ground, in the real world as to how this might be manifesting itself, either in Commercial Banking or in Investment Banking in terms of like demand for products or volatility. Is that something that you see as a theme developing?

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

I mean, look, we don't have that much more insight than you do. You do see signs of it in certain commodities and certain products, consumer goods, and stuff like that. It's hard to tell if that's supply lines that can't keep up with demand. You have long-term trends. China's no longer

entering the world. That could change inflation. When Jenn gave you those numbers, always use the implied curve. I think the best way to think about it is – I think this would be a much bigger conversation next year, because we have good growth. I think it'll be a good thing to have good growth, in part inflation, but that will become part of the conversation, how bad, what's everybody going to do, and things like that.

This is a risk management thing. You've got to build into your mindset that you've got to look at that as being a possibility. So I think maybe a year ago, people have said it's not possible before COVID. And now because the world has done $12 trillion of QE and something like $10 trillion to $12 trillion of fiscal stimulus, you've got to put on that thing a scenario where you have higher inflation, and not 2%. That would be great, that's like Goldilocks, but like 3% or 4%, just so you understand what's the risk of that and how are you going to manage through that. It's not the worst thing in the world by the way; the worst thing in the world is no growth.

Andrew Lim
Analyst, Société Générale SA (UK) **Q**

Great. Okay. And for my follow-up question, you talked about how you resolved the issue of excess deposits by pricing away about $200 billion of those. So I'm just wondering why you don't do that now or is the quantum of the problem that much bigger?

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

We don't have to now.

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co. **A**

Yeah, we don't have to. It is slightly different in the sense that there was capacity in the system then to absorb it. This is an issue for everyone, so that could be a challenge. You can't make them go away.

Operator: Your next question comes from Betsy Graseck with Morgan Stanley.

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

Hi. Just a couple of quick follow-ups. One, Jamie, on the topic of payments and competition, Facebook's Libra is back out there getting rebranded as Diem, and their goal is basically to be a global payment network or at least to create one. And I'm wondering does the OCC stablecoin approval do anything for you. You already have JPM Coin; obviously, that's internal to your own footprint. But I'm wondering is there any benefit of the OCC stablecoin approval. And is there anything with regard to the Libra competition that's coming that would drive changes that you're making in your own platforms?

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

I don't think so, but – I don't think so.

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

Okay.

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

We expect stablecoin – and obviously, there's talk about central banks having digital currencies and stuff like that. Their currency is digital and we move it around the world. It's in central banks; they're all moved by electrons and stuff like that. I do expect that stuff is coming and it may not change our world that much, but some of these competitors who want to do it, they want to be in payments. They want the payments data; they want to move the money. Again, it's going to be a regulatory issue about what that means. As long as it's not unfair. That's the only thing I'd point, as long as we can do the same thing the competition can do, then it's hard to argue that's unfair.

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

And, Betsy, I mentioned earlier, you might have missed it, but it does not impact JPM Coin. JPM Coin is different. You should think about that as us tokenizing deposits to make payments easier for clients.

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

A

Stable.

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

Q

Right. Yeah, no. Yeah, no, I totally get that. I was just thinking, hey, if the OCC is allowing stablecoin, maybe they're trying to help move the center of the stack into the banking system. That was kind of a question. The follow-up was just on back to slide 14 in the other purple area where the non-technology expenses are moving up year-on-year, and part of that is the $30 billion commitment to the Path Forward initiative. And Jamie, I wanted to understand like how you're thinking about that $30 billion, what kind of timeframe is that over, and where that money is going. I mean, we put a note out, as you know, this past quarter on housing and on housing inequality, and wondering how you're thinking about how you're going to be investing that $30 billion and the kind of output that you want from it.

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

A

Right. So we believe that inequality is a real problem. And the people don't always know, but like 40% of Americans make $15 an hour or less, which is $32,000 a year or something like that. 50 million don't have unemployment and people at the lower end are dying quicker than they died before. So for the first time in our lifetimes, our grandparents' lifetimes, Americans' – our mortality is getting worse, not better, and society has to fix these problems. Now we need healthy growth. Healthy growth is good. But you also need education and infrastructure, healthcare and affordability.

The racial problem has been around for hundreds of years. And with all the things that took place even after the civil rights, we haven't made the progress that we should be making. So we – and fortunately lots of other people and companies take this really seriously. How can we help all of the American citizens, but in particular the black community who's been left behind for so long? So our effort is five years. The $30 billion includes – I've got the exact numbers we published – $8 billion of mortgages in lower and middle-income neighborhoods, black neighborhoods, primarily black neighborhoods. It includes affordable housing and building affordable housing. It includes billions of dollars for entrepreneurs of color. It includes financial education.

We recently went over 1 million secured cards, which is what we expected to do. These are cards that have all the benefits of banking, ATM and online bill pay for $4.95 a month for lower paid individuals. We're doing more and more education. Of those 400 branches we're opening, 25% or more will be in LMI neighborhoods. We're financing MBIs and CVFIs, so it's a serious effort. It costs hundreds of millions of dollars a year. There are hundreds of people involved here. So we have it down to how many loan officers we're going to put in this neighborhood and how many loan officers we're going to put in that neighborhood, and we're going to report it out to you. We're not going to – we're going to tell you where it worked and where it didn't work. We don't mind things not working; we'll just change course and stuff like that. And obviously, it includes hiring more from the black community and training here and stuff like that.

So I think these efforts – my own view is that the corporate world has to do this if you want to fix it. It's not going to happen – we need good government, but it's not going to happen just with good government. The jobs are at the local level. Unemployment in South Bronx is 20% and still high. The kids didn't have computers to go home and do their Zooming, and their schools didn't have it. And then fortunately, a lot of philanthropies, including my wife, sent a lot of computers to people there. But we have to do something about this, we're all worse off for it..

And my view is we should do it for moral purposes alone that would be sufficient, but for commercial purposes do it. If all parts of America are doing better, you'll have better outcomes and more jobs and healthier people and less crime and less prisons and less drugs. And so it's time to get our act together. And again, I think business has to work in collaboration with government to do it. I just don't think it can happen alone, and it's not going to happen just by yelling at people. The successful companies did not create the slums, but they can help fix them.

Operator: Your next question comes from the line of Mike Mayo with Wells Fargo Securities.

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

Hi. Just following up more on the market expansion. In Commercial Banking, could you just drill down deeper on the international part of that expansion and what's left to be done in the US?

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

A

Well, I think I'll answer the US. But I think the US – again, we're only going to share so much information from now on, but it's the same thing. We looked at all the major SMSAs or the middle market companies, we're doing deep dives into how many there are. And I think we're now in 75 of the top 75, roughly. So that expansion is now just going deeper, not maybe more at this point. They'll be helped a little bit by the retail expansion. I think overseas, I just don't remember the number offhand.

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

I don't either.

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

A

Okay. But you're talking about – that will eventually cover, and I could be dead wrong on this, 1,000 more clients overseas. These are headquarters or subsidiaries of foreign companies that we probably do business with, headquarter subsidiaries in the US, and we can share more of this view later down the road.

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

And I would just...

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

A

And tell Charlie he can't imitate me on this one.

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

Mike, I would just add just from an expense perspective, it's important to remember on the international front that we're riding existing rails that are already there in CIB. So this is an extraordinary opportunity to hire bankers and we already have the infrastructure.

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

A

And we usually generally bank with the US subsidiary.

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

That's right.

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

A

Or the US headquarters.

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

So it's not the lift you might think from an expense perspective.

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

Okay. And then just a follow-up on the other questions that have been asked related to fintech. Jamie, you said you're going to win, right? But based on the valuations of the PayPals and Stripes and Visa and MasterCard, anything that's fintech-related, I mean, they trounce the valuation of your stock, so I think the market's saying that others are going to win. So how is JPMorgan going to – I mean, you said Silicon Valley is coming, what, that was like six years ago or something. And then each year we say yeah, we missed it, we missed it, we missed it. Well, if so...

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

A

No. Mike, we never said we missed it. We've been doing fine those last five years. So it isn't like – but I do agree with you. I gave that to the management team, my whole operating committee, a little deck that showed Visa, $500 billion; MasterCard, $350 billion; PayPal, $220 billion; Ant Financial, $600 billion; Tencent, $800 billion; Alibaba, $1 trillion. Facebook, Google, Apple, Amazon, you can go on and on. But absolutely we should be scared [indiscernible] about that.

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

So how are you going to win? I mean, just, like what...?

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

A

I'm not going to tell you. But we have plenty of resources, a lot of very smart people; we just got to get quicker, better, faster which we do. We've done an exceptional job. If you look at what we've done, you'd say you've done a good job. But the other people have done a good job too. Some of them have monopolies virtually so it's a whole different issue, but...

Operator: Your next question comes from the line of Gerard Cassidy with RBC Capital Markets.

Gerard Cassidy
Analyst, RBC Capital Markets LLC

Q

Thank you. Hi. Just one follow-up. Obviously, Jennifer, you pointed out that your mortgage production revenue was quite healthy in the quarter and you've penetrated the correspondent channel. Can you guys share with us on the servicing side, with the new – with the forbearance programs that the government's put into place, is that a positive or a negative for servicing revenue as we go forward?

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

Oh, gosh.

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

A

Jenn will answer that one.

Jennifer A. Piepszak
Chief Financial Officer, JPMorgan Chase & Co.

A

Yeah. I don't even know exactly how to answer it, Gerard. All I can say is that when we give customers the help that they need, if that's what bridges them to the other side of this thing, for sure it's good. So I don't know precisely what the math is, but there's no doubt it's good if it helps get our customers to the other side, I mean, to service their mortgage.

Gerard Cassidy **Q**
Analyst, RBC Capital Markets LLC

In the past, when loans go into delinquency obviously and there's – in a mortgage-backed security, obviously you guys have to advance the funds and stuff. But the deferred loans are not in that – I'm assuming they're not in that category. Is that correct?

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

Not yet.

Gerard Cassidy **Q**
Analyst, RBC Capital Markets LLC

Okay.

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

And you're absolutely right. The cost of servicing a defaulted loan is like 10 times the cost of servicing a non-defaulted loan. So Jenn is right. As long as they don't permanently default, it's probably a small benefit.

Gerard Cassidy **Q**
Analyst, RBC Capital Markets LLC

Okay. Great.

Jennifer A. Piepszak **A**
Chief Financial Officer, JPMorgan Chase & Co.

I got you. You're talking about advancing the servicing cost. Got it.

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

That's not an issue either, by the way.

Jennifer A. Piepszak **A**
Chief Financial Officer, JPMorgan Chase & Co.

Yeah, no.

Gerard Cassidy **Q**
Analyst, RBC Capital Markets LLC

Okay. Thank you. Appreciate it.

Jennifer A. Piepszak **A**
Chief Financial Officer, JPMorgan Chase & Co.

Certainly not at this level.

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

Well, thank you very much for spending time with us. We'll talk to you all soon.

Operator: Thank you for participating in today's call. You may now disconnect.

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