3Q23 FINANCIAL RESULTS

EARNINGS CALL TRANSCRIPT

October 13, 2023

JPMORGAN CHASE & CO.

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen. Welcome to JPMorgan Chase's Third Quarter 2023 Earnings Call. This call is being recorded. Your line 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 Chief Financial Officer, Jeremy Barnum, and their Chairman and CEO, Jamie Dimon. Mr. Dimon, please go ahead.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co.

Good morning, everybody. Before we start the actual call, I want to repeat something we just said on the press call, so before we get into the discussions about third quarter earnings, I just want to say how deeply saddened we all are about the recent horrific attacks on Israel and the resulting bloodshed and more. Terrorism and hatred have no place in our civilized world and all the hearts at JPMorgan Chase go out to all who are suffering.

Jeremy Barnum

Chief Financial Officer, JPMorgan Chase & Co.

Thanks, Jamie. And of course, I very much echo the sentiment. Now let's turn to our third quarter earnings results. The presentation is available on our website and please refer to the disclaimer in the back.

Starting on page 1, the firm reported net income of $13.2 billion, EPS of $4.33 on revenue of $40.7 billion and delivered an ROTCE of 22%. These results included $669 million of net investment securities losses in Corporate and $665 million of Firmwide legal expense. On page 2, we have some more detail.

Similar to last quarter, we have called out the impact of First Republic where relevant. For this quarter, First Republic contributed $2.2 billion of revenue, $858 million of expense and $1.1 billion of net income. Now, focusing on the Firmwide results, excluding First Republic, revenue of $38.5 billion was up $5 billion, or 15% year-on-year.

NII ex. Markets was up $4.8 billion, or 28%, driven by higher rates and higher revolving balances in Card, partially offset by lower deposit balances. NIR ex. Markets was up $374 million, or 4%, which included lower net investment securities losses than the prior year. And Markets revenue was down $190 million, or 3% year-on-year.

Expenses of $20.9 billion were up $1.7 billion, or 9%, year-on-year, primarily driven by ongoing growth in front office and technology staffing as well as wage inflation and higher legal expense. And credit costs were $1.4 billion, predominantly driven by net charge-offs in Card and included a $102 million net reserve release, driven by changes in the central scenario, primarily offset by Card loan growth.

On to balance sheet and capital on page 3. We ended the quarter with a CET1 ratio of 14.3%, up about 50 basis points versus the prior quarter, as the benefit of net income less capital distributions was partially offset by AOCI. We had $2 billion of net share repurchases this quarter, and the pace of buybacks will likely remain modest in light of the Basel III Endgame proposal. In line with our capital hierarchy, we will continue to reassess the buyback trajectory as circumstances evolve or opportunities emerge.

And on the topic of the Basel III endgame, you'll see that we added a couple of pages on it, so let's cover that now starting on page 4. Given the significance of this proposal for us, the broader industry, as well as households and businesses as end-users, we thought it was important to spend time discussing it. And while we know there's interest in having us quantify the expected impact of this proposal in a lot of granular detail, it's important to start by asking why the proposed increase is so large given the repeated statement over time by policymakers that banks are well-capitalized and well-positioned to deal with stress.

Given that context, the absence of detailed analysis supporting a capital increase of this magnitude is disconcerting and there's a lot that does not make sense to us. Starting with RWA, we've already said we expect the firm's RWA to increase by around 30% or $500 billion, which results in capital requirements increasing by about 25% or $50 billion.

One immediate thing to point out is that at 4.5% GSIB, a $500 billion increase in RWA requires $22.5 billion of additional capital with no change in our systemic risk footprint. We've been on the record for a long time. The GSIB was conceptually flawed and mis-calibrated originally; since implementation, the failure to address economic growth, despite the Fed themselves acknowledging this problem at the outset has made matters worse. And now, all of those problems are being applied to an additional $500 billion of RWA.

Our view is that the combined proposals could have adjusted the surcharge levels to keep dollars of capital associated with GSIB buffer constant rather than simply multiplying the RWA increase by the existing surcharges. Another lense on the proposed increases is the introduction of RWA for operational risk and its clear overlap with op risk losses already capitalized through the Stress Capital Buffer. Although there's limited disclosure from the Fed on this point, we have estimated that we have about $15 billion of operational risk capital embedded in the SCB based on the information the Fed does disclose. Once we capitalize with this new op risk RWA, our required capital will go up by around $30 billion without any change to our portfolio.

Now, let's turn to page 5 which shows the impact of the actual and proposed capital rules over the last few years. Zooming out from the details of this most recent proposal, this page reminds us of what's happened since 2017. Since then, SA-CCR and the Stress Capital Buffer have been adopted, and our GSIB surcharge will increase to 4.5%. So assuming the Basel III Endgame and GSIB proposals are finalized in their current form, we would see a 45% increase in our capital requirements relative to that 2017 starting point. This illustrates again how over calibrated these proposals are, and it's not done yet. We still expect the Fed to incorporate CECL into CCAR, which will likely increase the SCB. And of course, given the absence of a fix to the GSIB flaws it continues to present a headwind into the indefinite future. And aside from those dynamics, there remains the longstanding issue of procyclicality in the overall capital framework.

We think it's also important to point out that the agencies did actually have a choice here. While it may technically be true that the proposal is Basel compliant, Basel compliance does not mandate a 25% increase in capital requirements. Implementing the Basel III Endgame consistently with how the Europeans have, by retaining credit risk modeling and also addressing the compounding effects of GSIB and SCB, would have achieved Basel compliance without creating this unnecessary increase in capital requirements.

As you would expect, we will continue to engage and forcefully advocate during the comment period and beyond, in a great deal of technical detail. For the purposes of this call, we wanted to make the equally important broader points about both the level of capital increase and the flaws in the construct of the framework itself, since coherent design is critical to the framework's durability over time. The current proposal exacerbates existing features that discourage beneficial scale and diversification. If it goes through as written, there will likely be significant impacts on pricing and availability of credit for businesses and consumers.

In addition, the ongoing and persistent increase in the regulatory cost of market making for banks suggests that the regulators want dramatic changes of the current operation of the U.S. capital markets. We believe that well-regulated market makers that are committed to deploying capital to clients on a principal basis are a critical building block supporting the breadth, depth and resilience of the American capital markets, which is vital to the U.S. economy. So, caution is warranted when proposing changes of this magnitude.

With that, let's go to our businesses, starting with CCB on page 6. Consumer spend growth has now reverted to pre-pandemic trends, with nominal spend per customer stable and relatively flat year-on-year. Cash buffers continued to normalize to pre-pandemic levels, with lower income groups normalizing faster.

Turning now to the financial results, excluding First Republic. CCB reported net income of $5.3 billion on revenue of $17 billion which was up 19% year-on-year. In Banking & Wealth Management, revenue was up 30% year-on-year, driven by higher NII on higher rates. End-of-period deposits were down 3% quarter-on-quarter. We ranked number one in Retail deposit share based on FDIC data and continued to solidify our leadership position in key markets. Client investment assets were up 21% year-on-year, driven by market performance and strong net inflows as we continue to capture yield-seeking flows from our Consumer Banking customers.

In Home Lending, revenue was down 2% year-on-year, given a smaller market. Originations of $10.3 billion were up slightly quarter-on-quarter, but they remain down 15% year-on-year.

Moving to Card Services & Auto – revenue was up 7% year-on-year, driven by higher Card Services NII on higher revolving balances, partially offset by lower auto lease income. Card outstandings were up 16% year-on-year, due to strong account acquisition and continued normalization of revolve. And in Auto, originations were up $10.2 billion, up 36% year-on-year, as we saw competitors pull back and we gained market share.

Expenses of $8.5 billion were up 7% year-on-year, largely driven by continued investments in staffing, primarily in front office and technology. In terms of credit performance this quarter, credit costs were $1.4 billion, driven by net charge-offs, which were up $720 million year-on-year, predominantly due to continued normalization of Card. The net reserve build of $49 million reflected a $301 million build in Card Services, primarily offset by a $250 million release in Home Lending.

Next, the CIB on page 7. CIB reported net income of $3.1 billion, on revenue of $11.7 billion. Investment Banking revenue of $1.6 billion was down 6% year-on-year. IB fees were down 3% year-on-year, and we ranked number one with a year-to-date wallet share of 8.6%. In Advisory, fees were down 10%. Underwriting fees were up 8% for debt and down 6% for equity.

In terms of the outlook, we're encouraged by the level of capital markets activity in September, and we have a healthy pipeline going into the fourth quarter. Advisory has also picked up compared to the first half, but year-to-date announced M&A remains down significantly, which will continue to be a headwind. Payments revenue was $2.1 billion, up 3% year-on-year. Excluding equity investments, it was up 12% driven by higher rates, partially offset by lower deposit balances.

Moving to Markets – total revenue was $6.6 billion, down 3% year-on-year, against a very strong third quarter last year. Fixed Income was up 1%, driven by an increase in financing and trading activity in Securitized Products, as well as improved performance in Credit. This was predominantly offset by Currencies and Emerging Markets coming off a very strong quarter last year. Equity Markets was down 10%, reflecting lower revenues across products compared to a strong prior-year quarter, as activity was challenged by lower volatility. Securities Services revenue of $1.2 billion was up 9% year-on-year, driven by higher rates partially offset by lower deposit balances. Expenses of $7.4 billion were up 11% year-on-year, predominantly driven by higher legal expense and wage inflation.

Credit costs were net benefit of $185 million, driven by a net reserve release of $230 million reflecting the impact of net lending activity and net charge-offs of $45 million.

Moving to the Commercial Bank on page 8. Commercial Banking reported net income of $1.7 billion. Revenue of $3.7 billion was up 20% year-on-year, with Payments revenue of $2 billion, up 30% year-on-year, driven by higher rates. And Gross Investment Banking and Markets revenue of $821 million was up 8% year-on-year, reflecting increased M&A volume.

Expenses of $1.4 billion were up 15% year-on-year, largely driven by an increase in headcount, including front office and technology investments, as well as higher volume-related expense, including the impact of new client acquisition. Average deposits were down 7% year-on-year, 5% quarter-on-quarter, primarily driven by lower non-operating deposits as clients opt for higher yielding alternatives.

Loans were up 1% quarter-on-quarter. C&I loans were flat, reflecting continued stabilization in new loan demand and revolver utilization. And CRE loans were up 1%, reflecting funding of prior year originations in Real Estate Banking, as well as lower payoff activity.

Finally, credit costs were $64 million, including net charge-offs of $50 million and a net reserve build of $14 million.

Then to complete our lines of business, AWM on page 9. Asset & Wealth Management reported net income of $1.1 billion, with pre-tax margin of 31%. Revenue of $4.6 billion was relatively flat year-on-year, as higher management fees on strong net inflows and higher average market levels were offset by lower performance fees and lower NII from deposits. Expenses of $3.1 billion were up 3% year-on-year, driven by continued growth in our private banking advisor teams and the impact of closing the J.P. Morgan Asset Management China and Global Shares acquisitions.

For the quarter, net long-term inflows were $20 billion, positive across all asset classes led by Equities. And in liquidity, we saw net inflows of $40 billion. AUM of $3.2 trillion was up 22% year-on-year and client assets of $4.6 trillion were up 21% year-on-year, driven by continued net inflows of higher market levels. Finally, loans were flat quarter-on-quarter, while deposits were down 5%, driven by migration to investments, partially offset by client inflows.

Turning to Corporate on page 10. Corporate reported net income of $911 million, revenue was $1.5 billion, up $1.8 billion compared to last year. NII was $2 billion, up $1.2 billion year-on-year, due to the impact of higher rates. And NIR was a net loss of $506 million and included the net investment securities losses I mentioned upfront. Expenses of $456 million were up $151 million year-on-year.

To finish, we have the outlook on page 11. We now expect 2023 NII and NII ex. Markets to be approximately $88.5 billion and $89 billion, respectively, with the increase driven by slower reprice than previously assumed. Consistent with what we've been saying throughout the year, while we don't know when it will normalize, we do not consider this level of NII to be sustainable.

Our outlook for 2023 adjusted expense is now approximately $84 billion. And as a reminder, this is on an adjusted basis, which excludes legal expense. Also, remember this outlook excludes the pending FDIC special assessment.

And on credit, we now expect the 2023 Card net charge-off rate to be approximately 2.5%, mostly driven by denominator effects due to recent balance growth.

So to wrap up, we're pleased with another quarter of strong operating results. Throughout the year we've been pointing out the various sources of significant uncertainty in all of those, including the geopolitical situation, economic outlook, rate environment, deposit reprice and the impact of the Basel III Endgame proposal are as prominent now as they have been in the recent past. But as always, we continue to prepare for a range of scenarios and are focused on being there for our clients and customers when they need us most.

And with that, let's open the line for Q&A.

QUESTION AND ANSWER SECTION

Operator: Thank you. Please stand by. Our first question comes from John McDonald with Autonomous Research. You may proceed.

John McDonald
Analyst, Autonomous Research

Q

Hi, good morning. Jeremy, I was wondering if you could give us a little more color in what you're seeing so far on deposit reprice and migration. What's been better than expected so far on that front? And how do you see higher-for-longer rates potentially impacting deposit reprice pressure?

Jeremy Barnum
Chief Financial Officer, JPMorgan Chase & Co.

A

Sure. Thanks, John. I think the themes are pretty much the same as we've seen in prior quarters. So, as we talked a little bit about on the press call, we've been trying to be a little bit cautious about recognizing that we don't think the current levels are sustainable and we do think that we'll have to reprice in some pockets to some degree, maybe tiering or whatever at some point in the future. And, of course, that hasn't happened yet this year, so that's one factor.

In the meantime, the CD strategy is working well. We're getting – continue to get very good feedback from the field and we're capturing money in motion, and so we're seeing the sort of internal migration and the associated slow increase in deposit rate paid as a result of CD migration. But that's sort of working as we would have hoped and so everything is kind of playing out according to plan, I would say.

In terms of higher-for-longer, I think it just means that there will continue to be upward pressure on deposit pricing both from internal migration and possibly moderate effects. And in the end, as we always say, we're going to price products as a function of the competitive market environment.

John McDonald
Analyst, Autonomous Research

Q

And just as a follow up, it seems like you've done some securities repositioning the last couple quarters. How are you positioning the balance sheet in terms of cash and the securities portfolio, given your outlook for rates?

Jeremy Barnum
Chief Financial Officer, JPMorgan Chase & Co.

A

Yeah. I think I would say that while we're not predicting higher rates, I don't know if Jamie will have something to say here, we believe in being prepared for it and that's been our position for some time and, of course, that's produced good results. And we continue to try to position ourselves so that neither have significantly higher rates nor significant lower rates present a particularly large challenge to the company. So probably at the margin, we're still a little bit biased for slightly higher rates. But, do keep in mind that when modeling the duration of the balance sheet, higher rates do extend the duration or rather shorten the duration on the deposit side, so that can be a factor as well.

John McDonald
Analyst, Autonomous Research

Q

Okay, thanks.

Operator: Thank you. Our next question comes from Steven Chubak with Wolfe Research. You may proceed.

Steven Chubak
Analyst, Wolfe Research LLC

Q

Hey, good morning.

Jeremy Barnum
Chief Financial Officer, JPMorgan Chase & Co.

A

Hey, Steve.

Steven Chubak
Analyst, Wolfe Research LLC

Q

Hi. Jeremy, I was hoping to just inquire about the capital markets outlook. You cited improved activity levels in September. But given persistently higher rates, geopolitical tensions, and just poor performance of recent IPOs, how are you thinking about the outlook over the near to medium term? And how are you thinking about just the timing of an inflection activity?

Jeremy Barnum
Chief Financial Officer, JPMorgan Chase & Co.

A

Yeah. Good question. I mean, as you know obviously, the current levels in investment banking remain quite depressed; certainly relative to the elevated levels we saw during the pandemic, but even relative to sort of 2019, which is what you might consider the last normal year. We do eventually think we'll recover to those levels and hopefully recover to above those levels, recognizing by the time it happens you will have had many years of economic growth in the meantime. And to be fair, while the current environment is a little bit complicated and mixed and there are some headwinds as you pointed out, things have improved a little bit. And I think I would say our banking team is a little bit more optimistic than they were last quarter. So it feels to me like a little bit of a slow grind with some positive momentum but obviously significant uncertainty in the outlook and some structural headwinds given lower levels of announced M&A and some regulatory headwinds on that side.

Steven Chubak
Analyst, Wolfe Research LLC

Q

Thanks for the color. Just for my follow up, on some of the regulatory commentary you provided. Certainly, a lot of helpful color in the slides, so thank you for that. If the proposal were to go through as written, what proportion of the inflation do you believe can be mitigated over time? And was also hoping you could provide some context as to the quantum of how you think CECL inclusion could potentially impact the SCB and CCAR.

Jeremy Barnum
Chief Financial Officer, JPMorgan Chase & Co.

A

Yeah. Those are all good questions, Steve. I think it's probably too early to try to provide that level of quantification on either front. If I start first with the Basel III Endgame proposal, from our perspective, we're currently focused on advocating as aggressively as possible for the necessary changes. Some of which are what you might call philosophical in nature or some of the things I highlighted in my prepared remarks, but some of them are sort of very technical in nature, including things that we think might actually be mistakes in the proposal. And so talking a lot about optimizing away stuff that might change just feels like a bit premature at this point.

I would point out that given how significant operational risk RWA is as part of the proposal, that is, you can think of that sort of as a generic tax across the entire spectrum and is therefore in some sense non-optimizable. So, we feel that it's important to manage expectations about the level of optimization that's possible, once the rule is finalized and hopefully some of the technical items are addressed.

Also, it depends on your definition of optimization. Sometimes I use the term costless optimization, whereas these technical fixes that don't affect revenue and don't require you to exit businesses; I think that type of optimization will be harder to find than it has been in the past. But as we pointed out, we may simply need to exit things. And that will be because it is better than the alternative, which would be to do activity that's shareholder value destructive but it won't be costless.

A good example of that is the renewable energy tax credit investment business, which as a result of the quadrupling of the risk weight, may no longer make sense. Now, that's one that we hope will be changed but it's tricky because those are very long duration assets. So between now and the rule is finalized, it raises some questions about whether we want to put that stuff on the balance sheet. So, sorry a bit of a long answer but then, yeah, on quantifying CECL and CCAR, I think we better wait for that one. Cause given the relative lack of transparency that we have into the Fed's exact modeling, in terms of which quarter is the peak and so on and so forth, it's a little bit hard to predict what the exact impact of putting CECL and CCAR is going to be. We just know probabilistically that it will, like everything else these days, tend to push capital higher.

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

Very helpful color, Jeremy. Thanks for taking my question.

Jeremy Barnum
Chief Financial Officer, JPMorgan Chase & Co. **A**

Yeah.

Operator: Thank you. Our next question comes from Ebrahim Poonawala with Bank of America. You may proceed.

Ebrahim H. Poonawala
Analyst, Bank of America Merrill Lynch **Q**

Hey. Good morning. Just first question, Jeremy, on credit. I think you mentioned some of the reserves release was tied to the change in the central scenario. So just talk to us and remind us what the central scenario is today, what changed? And then in terms of fundamentally on credit, like where are you seeing softness either on the Consumer or the Commercial side?

Jeremy Barnum
Chief Financial Officer, JPMorgan Chase & Co. **A**

Yeah. So on the central scenario, you should read the research that gets put out by our competitors and our excellent research team. No, but in all seriousness, I think our U.S. economists had their central case outlook to include a very mild recession with I think two quarters of negative half a percent of GDP growth in the fourth quarter and first quarter of this year, and that then got revised out early this quarter to now have sort of modest growth I think around 1% for a few quarters into 2024. So, just flowing that through our process while acknowledging that we're still skewed to the downside, we're still reserved to a significantly higher unemployment rate on a weighted-average basis than is in the central case outlook. So that number we've sometimes given you is 5.5% this quarter. So, it's really not much more complicated than that. We're just kind of following the process.

And I think your other question was where am I seeing softness in credit? And I think the answer to that is actually nowhere, roughly. We're certainly nowhere that's not expected, meaning, we continue to see the normalization story play out in Consumer more or less exactly as expected, and then of course, we are seeing a trickle of charge-offs coming through the office space. You see that in the charge-off number of the Commercial Bank, but the numbers are very small and more or less just the realization of the allowance that we've already built there.

Ebrahim H. Poonawala
Analyst, Bank of America Merrill Lynch **Q**

That's helpful. And just going back to the details you laid out on Basel Endgame, maybe on the philosophical side I think Jamie was speaking last month, said that we don't expect any changes but at the same time, you make everything that makes sense in terms of the pushback. Is it all falling on deaf ears from a shareholder perspective? Are we resigned to the fact that we are going to see more towards the worst-case outcome play out or is there some level of sort of meeting in the middle of the road as this thing gets finalized?

Jeremy Barnum
Chief Financial Officer, JPMorgan Chase & Co. **A**

Yeah. So I'll let Jamie speak for himself on that point, but our job is to advocate. We're not going to guess what the sentiment is in Washington. It's a thousand-page rule proposal, as you know. We've got the big team of very smart people studying it very closely. Interestingly, we noted recently that in some of the analysis that they did about the impact on lending, they sort of forgot about like – the Fed, in their preamble, they forgot about a $1 billion (sic) [trillion] of operational risk RWA. So it just highlights that there is the possibility, or seemed to have forgotten, they simply omitted the impact of the operational risk RWA on fees.

So anyway, the point is it's long, it’s complicated, it’s technical. We do think there are probably some technical mistakes in there. We're not going to forcefully advocate on all of those. And while we disagree with a lot of this stuff, these are technical issues that should be, in some sense, resolved technically, and hopefully they'll listen.

Ebrahim H. Poonawala Q
Analyst, Bank of America Merrill Lynch

Got it. Thank you.

Jeremy Barnum A
Chief Financial Officer, JPMorgan Chase & Co.

Sorry, I'm just getting a correction in the room. I meant to say trillion.

Ebrahim H. Poonawala Q
Analyst, Bank of America Merrill Lynch

Yeah, no. I got that. I got the trillion dollars. Yup, thanks.

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

Is that what we were talking about, actually?

Jeremy Barnum A
Chief Financial Officer, JPMorgan Chase & Co.

BPI put something out on it.

Ebrahim H. Poonawala Q
Analyst, Bank of America Merrill Lynch

BPI did, yeah. Thank you.

Operator: Thank you. Our next question comes from Ryan Kenny with Morgan Stanley. You may proceed.

Ryan Kenny Q
Analyst, Morgan Stanley & Co. LLC

Hey. Good morning.

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

Hey.

Jeremy Barnum A
Chief Financial Officer, JPMorgan Chase & Co.

Hi.

Ryan Kenny Q
Analyst, Morgan Stanley & Co. LLC

Want to dig in on the NII side. So you raised the 2023 NII ex. Markets guidance by $2 billion for this year. So I know your comments in the press release suggest JPMorgan's over earning. So I just want to triangulate there. What does normalized NII look like? And do we get to normalized next year or later on?

Jeremy Barnum
Chief Financial Officer, JPMorgan Chase & Co.

A

Yeah, a couple things. So, let me do the timing question first. So we're being very clear that we are not predicting when. When is going to be a function of the marketplace and the rate environment and competitive dynamics and so on and so forth. So we're just really just trying to remind everyone to not bank on the current run rates, which we just don't fundamentally think are sustainable.

You'll be aware that before Investor Day earlier this year, we tried to quantify what we thought that kind of normalized range might look like, and we put a sort of mid-70s type number out there. And at Investor Day, we talked about how the acquisition of First Republic was going to push that number up a little bit, although there was some overlap and so on and so forth. So anyway, with the benefit of time and having everything settled in a little bit, if you sort of push us for that, kind of, what is that number now look like, we think it's probably closer to about $80 billion, with all of the obvious caveats that this is a guess, and we don't know when. But we're just trying to point out that it's quite a bit lower than the current run rate.

Ryan Kenny
Analyst, Morgan Stanley & Co. LLC

Q

Got it.

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

A

Inside the company, some people think it'll happen sooner, i.e. me. Some people think it'll happen later, i.e., Jenn and Marianne and Jeremy.

Jeremy Barnum
Chief Financial Officer, JPMorgan Chase & Co.

A

I wasn't aware that I was in that camp, actually.

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

A

Oh, ok.

Jeremy Barnum
Chief Financial Officer, JPMorgan Chase & Co.

A

But I don't know, I'm not trying to have an opinion over you.

Operator: Thank you.

Ryan Kenny
Analyst, Morgan Stanley & Co. LLC

Q

And then on the loan growth side, industry loan growth has slowed significantly this year. What demand are you seeing for loan growth across the different categories? And I know it might be too early to talk about next year, but directionally, how should we think about loan growth given where we are in the cycle and the higher capital requirements coming?

Jeremy Barnum
Chief Financial Officer, JPMorgan Chase & Co.

A

Yeah, sure. So on loan growth, the story is pretty consistent with what we've been saying all year. So we've, of course, seen very robust loan growth in Card, and that's coming from both spending growth and the normalization in revolving balances. As we look forward, we're still optimistic about that, but it'll probably be a little bit more muted than it has been during this normalization period.

Jeremy Barnum A
Chief Financial Officer, JPMorgan Chase & Co.

In Auto, we've also seen pretty robust loan growth recently, both as a function of sort of slightly more competitive pricing on our side as the industry was a little bit slow to raise rates. And so we lost some share previously, and that's come back now. And generally, the supply chain situation is better, so that's been supported. As we look forward there, it should be a little bit more muted.

And I think generally in Wholesale the loan growth story is going to be driven just by the economic environment. So depending on what you believe about soft landing, mild recession, no landing, you have slightly lower or slightly higher loan growth. But in any case, I would expect it to be relatively muted. And, of course, Home Lending remains fairly constrained both by rates and market conditions. But also, and I think this is true across the board, we will be managing things actively, as mentioned in light of Basel III, which may not change originations, but it will change what we retain.

Ryan Kenny Q
Analyst, Morgan Stanley & Co. LLC

Thank you.

Operator: Thank you. Our next question comes from Gerard Cassidy with RBC. You may proceed.

Gerard Cassidy Q
Analyst, RBC Capital Markets LLC

Good morning, Jeremy. How are you?

Jeremy Barnum A
Chief Financial Officer, JPMorgan Chase & Co.

Hey, Gerard.

Gerard Cassidy Q
Analyst, RBC Capital Markets LLC

Jeremy, you guys have put up a really strong ROTCE number of 22% for the quarter. And when you dive into your different segments, what really jumps out at us is the 40% ex-First Republic ROE in Consumer & Community Banking. I know you and Jamie have talked about your over-earning on credit. We get that. But in view of all of these fintechs and all of these other nonbank competitors that we're all supposed to pick away at everybody's market share, you guys have put up great numbers here. What's the drivers behind an ROE? Even when you take that credit over-earning out, what's driving this business' profitability at such high levels?

Jeremy Barnum A
Chief Financial Officer, JPMorgan Chase & Co.

Yeah, Gerard. So I'd say a couple things there. So first, it's not just credit. It's also deposit margin, right? So when we talk about over-earning on NII, a disproportionate amount of that is coming out of the Consumer franchise for all of the reasons that we've talked about. But, I would also point out sometimes we don't like the word over-earning because right now, customers are happy and they're doing CDs.

And the broader answer to your question about why we're able to be effectively really comes back to a decade, two decade long history of investing for the future and recognizing that there's a holistic value proposition here that includes branches, and the app, and all of the online services, and the entire suite of products and services that is around this enterprise which drives engagement and customer loyalty. And we're seeing some of the benefits of that now, although we're not complacent. The competition is still there. The fintechs are still there, and we know we need to continue investing to preserve the value. And it's also true that the particular circumstances of the current rate and credit environment mean that the earnings are a little bit above normal, but that core franchise is extremely robust.

Gerard Cassidy
Analyst, RBC Capital Markets LLC

Q

Very good. And then as a follow up, which ties into your answer on the deposit margin and consumer and your earlier comments you and Jamie about the internal debate inside JPMorgan about the migration of rates going higher on the funding side. Your non-interest-bearing deposits I think are around 28% of total deposits which is slightly above the 26% you guys had back in 2018 or 2019 or pre-pandemic. Is this expectation that you're going to see more of the non-interest-bearing deposits go into interest-bearing? Or, is it just the repricing of interest-bearing deposits that have some of your folks inside JPMorgan a little more cautious on that net interest income number?

Jeremy Barnum
Chief Financial Officer, JPMorgan Chase & Co.

A

Yeah. It's a good question, Gerard. I think it's a little bit bigger picture than that. And I'm not sure – I get your questions, a good question, but I'm not sure that the reported interest-bearing, non-interest-bearing split is the best lens to look at this through for a couple of reasons. So first, like between Wholesale and Retail, we've got some amount of non-interest-bearing and Wholesale that's part of the ECR product, so you see some dynamics there that play out. And in Consumer, in a world where savings is paying a relatively low-rate paid to cross-checking and savings, the migration dynamics are probably not that different right now.

But then of course, even within Consumer across both consumers and small businesses, you've got slightly different dynamics in terms of how people manage their operating balances. So I would tend to zoom out a little bit and see this as a holistic answer, that's driven by internal migration from checking, savings to CDs, from ECR to interest-bearing and Wholesale and then our potential response to the rate environment, the competitive environment, the overall level of system-wide deposits in terms of product level reprice that may or may not happen in moments in the future.

Gerard Cassidy
Analyst, RBC Capital Markets LLC

Q

Great. Thank you.

Operator: Thank you. Our next question comes from Erika Najarian with UBS. You may proceed.

Erika Najarian
Analyst, UBS Securities LLC

Q

Hi. Good morning. Jeremy, my first question is for you, again sort of maybe re-asking the question in a different way. Your new guide for net interest income for this year would imply an exit run rate of $22.9 billion in the fourth quarter. As we think about the dynamics in higher-for-longer, on one hand, your fixed rate assets will continue to reprice. On the other, you even asked a lot about the deposit dynamics that could continue to creep higher. How do we think about those puts and takes as we think about that relative to that exit rate of $22.9 billion in the fourth quarter?

Jeremy Barnum
Chief Financial Officer, JPMorgan Chase & Co.

A

Yeah. So, Erika, I think the simple answer to your question is I believe that fourth quarter exit number equates to a $90 billion run rate ex. Markets and we're kind of saying...

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

A

$22.5 billion.

Jeremy Barnum
Chief Financial Officer, JPMorgan Chase & Co.

A

Yeah. Isn't that what I meant to say?

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

A

She said $22.9 billion.

Jeremy Barnum
Chief Financial Officer, JPMorgan Chase & Co.

A

Oh, I didn't hear that, okay. Anyway...

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

A

We didn't model it that way.

Jeremy Barnum
Chief Financial Officer, JPMorgan Chase & Co.

A

So call it $90 billion run rate on an exit rate basis, and we're saying that we think something a bit more normal is closer to $80 billion, so that's one building block.

Underneath that, I think one thing that's interesting actually, is that as the percentage of the deposits which are CDs increases, the sort of balance between internal migration and betas and rate and volume, it's a little bit less binary and a little bit smoother, so when we look at this type of stuff and we model migration, balances, product level reprice, as you get out of that lower zero bound with 0% CD mix world, things get a little bit smoother, I would say, overall.

So it'll be interesting to watch that, but it's obviously one of the most important things for us as a company right now and we do everything we can to manage it, but it's also worth remembering that the big picture point is just the client franchise and as we've often said, we're very focused on primary bank relationships and we didn't lose any of those in the last cycle, and we're not planning to lose any in this cycle, and that's what sort of a long-term focus means for us.

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

A

And I would just add quantitative tightening in there. That will be a large number, and we don't exactly know the effect, where wholesale, consumer as – remember also the Fed has the RRP program which is also sucking money into the Fed directly and reducing deposits. That's still a trillion too.

Erika Najarian
Analyst, UBS Securities LLC

Q

Thank you. And my second question is on maybe zooming out on the Basel III Endgame impacts. It's clearly complex, overly complex, and I completely agree with you that it is unnecessary at this point and very backward looking. I guess, what is not complex is the fact that you generated 75 basis points of CET1 this quarter while your RWAs are down. And I guess my question here is, is that I understand that we're in the public advocacy process.

I hear you loud and clear in terms of how this could have harm in terms of pricing for Main Street and dislocating the pipes in American capital markets. But for JPMorgan, does this change your natural return profile of 17%? Jamie, I know you lingered a little bit on 14% when you were at Barclays in September. But at the end of the day, it feels like for the portfolio managers that own JPMorgan through the cycle, does Basel III Endgame really harm your natural earnings power and returns?

Jeremy Barnum
Chief Financial Officer, JPMorgan Chase & Co.

A

Yeah. Okay. That's a good question, Erika. I think there's a couple pieces in there, so let me take the most important piece first, which is the 17% through the cycle target. Are we keeping that or not in light of the Basel III Endgame proposal? So, short answer is we're not going to change that number today, but when you look at what we've disclosed about a 25% increase in capital, you have to start by acknowledging that that is a major headwind to returns.

Jeremy Barnum
Chief Financial Officer, JPMorgan Chase & Co.

A

In simple terms, you talk about earnings power and returns, but they're two different things, right. We have to be a little bit pedantic and do numerator and denominator here. Okay, so say the numerator doesn't change. If you just dilute down the numerator by the increased capital, that's a significantly lower return number.

I would say that that's probably the lower bound in terms of the impact of the Basel III Endgame for a couple reasons. One is, we are hoping for changes. Two is, once the rule is final, we will seek to reprice in the places where we can. And that'll be different in Consumer and Wholesale, some of it will be product level, some of it will be relationship level, but that hopefully can mitigate some of it but of course the flip side of that is that's cost getting passed into the real economy and that's part of the point that we've made about lowering availability of products and services and lending. There may be some opportunities for costless optimization. I'm personally a little bit more pessimistic about those, but we've surprised ourselves on those points in the past, so we'll see.

And then finally, yeah, we may stop doing certain things and we may exit things. But, I wouldn't necessarily assume that that's going to do a lot to preserve returns at the 17%. That's going to be about exiting things that are shareholder-destructive, but not necessarily producing much higher returns, if you know what I mean.

So that's that, and then the other part of your question implicitly was talking about organic capital generation and I think it's just very important to separate impacts on the economy and impacts on long-term returns from our ability to meet the requirements. Of course, as Jamie always says, JPMorgan is going to be fine and we're building a lot of capital and we were managing capital conservatively and we'll be able to build the necessary capital in order to achieve on-time or early compliance, which is always what we strive to do, but that doesn't really have any particular bearing on the question of what the long-term return target is or the impacts on the real economy.

Erika Najarian
Analyst, UBS Securities LLC

Q

Got it. Thank you.

Operator: Thank you. Our next question comes from Glenn Schorr with Evercore ISI. You may proceed.

Glenn Schorr
Analyst, Evercore ISI

Q

Hi. Thank you. So I very much appreciate the comments in the release on the big picture things, what's going on in the world and their potential impact on markets, on food markets, global trade, everything that you mentioned, and sadly agree about the most dangerous time in decades. The question I have is, does it surprise you that markets are hanging in, that you, yourself, have green shoots or still green shoots type of mindset about banking while that's going on? And then maybe more importantly, if you believe what obviously what you wrote, what are you doing about it? How do you manage yourself conservatively? How do you prepare for tougher times?

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

A

Go ahead, Jeremy.

Jeremy Barnum
Chief Financial Officer, JPMorgan Chase & Co.

A

You want to start? Okay. So, I mean, on green shoots, you'll just note that our comments are cautious. I mean, there is momentum. I do think we are a little bit more optimistic than we were, but obviously, markets have been bumpy, both equity markets and rate markets have been very whippy recently. So we don't want to get too carried away with optimism here. We are coming in off a very low base and so there's a hope and an expectation that we are on the path to normalization and improvement. And of course, the overall economic picture at least currently looks solid, this sort of immaculate disinflation trade is actually happening. So those are all reasons to be a little bit optimistic in the near-term, but it's tempered with quite a bit of caution.

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

A

So I would add a question. There has been an extraordinary amount of fiscal monetary stimulus still in the system, and you can't look at, and of course, it can drive markets in sentiment and sales and profits and all that, but you can't stay like this forever. Between QT, if you never had and how much the fiscal stimulus could continue at this rate before you have kind of the crowding out kind of factor. So I think people have to be very cautious, and of course, the geopolitics I think is just an extraordinary issue we have to deal with. How do you prepare the company for that?

We do 100 stress tests a week, and we do multiple views of it, including geopolitical problems, interest rate problems, but usually, geopolitics presents itself as a deep recession or a mild recession, or a recession part of the world, or markets going down a lot, and because markets do well is not a reason, ever, to say that they are going to continue to do well.

If you don't believe me, remember 1987, 1990, 1994, the year 2000, the year 2009, and people don't predict those inflection points. But my caution is that we are facing so many uncertainties out there. You just got to be very cautious with what you're facing. And like I said, the other thing about the green shoots, regardless of that, we try to run the company so that we serve the clients day in and day out, better products and better services, securely, safely, and all those things, so that's the ultimate goal.

We know there are going to be bad times. That's not a surprise that there are going to be bad times. We don't always know how they're coming, and where they're coming from, but we'll keep on serving clients and doing good for clients, you can build a good business kind of separate from what it does to your returns. That's a slightly different issue at this point, but we'll deal with that too when we figure out what to do.

Glenn Schorr
Analyst, Evercore ISI

Q

Thank you for all that, all good.

Jeremy Barnum
Chief Financial Officer, JPMorgan Chase & Co.

A

Thanks, Glenn.

Operator: Thank you. Our next question comes from Mike Mayo with Wells Fargo Securities. You may proceed.

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

Hi. I understand the NII strategy benefited from First Republic, asset sensitivity, CD strategy, money in motion, and I'm curious to how much is the NII increase and the deposit benefits a function of the 67 million digital banking customers? Do you have more digital banking customers than branch customers now? If you can just refresh that.

And then a more general question. I guess I have the first one for Jeremy and the second one for Jamie. You have record tech spend. What's the benefit of having record tech spend, if you can kind of mark-to-market your thoughts there as it relates to AI, as it relates to maybe wasted spending, your outlook for next year? And does it really help to be the biggest tech spender in the banking industry?

Jeremy Barnum
Chief Financial Officer, JPMorgan Chase & Co.

A

Yes. Let me do digital banking, Mike. I spent some time on this actually a couple weeks ago. And it's interesting to note this sort of extent to which the growth in digitally engaged consumers is higher than the overall growth in consumer accounts, meaning that we're continuing to increase the percentage of our consumers that are digitally engaged. And it sort of goes back to my prior point...

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

A

But the percent who are digital only is much lower than that.

Jeremy Barnum
Chief Financial Officer, JPMorgan Chase & Co.

A

For sure. For sure. Which actually links to the broader point that what – in terms of your question about how much is this helping the current NII story, it goes to the larger point of it holistic through the cycle, multichannel, fully engaged customer strategy which requires a lot of investment in branches, obviously, but also in digital services of all sorts. So in many ways, you can see the current environment as a little bit of a payoff of that investment. But that's not like, therefore, we stop investing, obviously.

So I guess that's part of the answer. And I guess your other question is the benefits of being the biggest tech spender. I just think like it's sort of mandatory, right? I mean we're big and it's a very technology-centric business, and the world is competitive, and everything is changing. Younger generations have different expectations, and we have to be nimble, and we have to be on our front foot. And otherwise, we risk getting severely disrupted. So I don't know if Jamie wants to add anything.

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

A

Just the competition, when we look at it, it's Wells, who's coming back, which I'm happy for you guys. It's obviously Marcus, it's Apple, it's Chime, it's Dave. There are a lot of people coming up after these businesses in different ways, and there some have been quite successful. It's Stripe in payments. And so we want to be very good and very competitive. Some of that tech spending is things which are almost a sine qua non, which is cybersecurity, data center resiliency, regulatory requirements, and things like that, which we simply are going to do and be very, very good at to protect the company.

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

As it relates to AI specifically, which is the talk of the town, I guess the consensus among people outside the banking industry is that banks will not win that battle, including JPMorgan. You won't control the front end. What are you doing with AI to make a difference now, or is this just simply a moon shot?

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

A

Oh, I don't agree with that statement. Banks have an extraordinary amount of proprietary data in addition to when you do like a large language model, that's public data, looking at everything on the internet or everything that's ever been published or something like that. But AI is an extraordinarily good tool to use. We just put a woman who's running it at our table. So it's data analytics, AI, et cetera. And there are multiple types of AI. So we use AI for risk, fraud, marketing, prospecting. And the management team's getting better and better at saying how can we use the data to do a better job to reduce errors, to serve clients better, to have a salesperson have co-pilots so they know to widen the client's coin or something like that. And so, we simply have to do it. Does it create opportunity for disruptors to come in? Yeah, of course. That's always been true with technology. And, but, we'll be quite good at it.

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

And then lastly, I think you had made a mention at a conference about investment spend or tech spend over the next year. Where do you stand on that?

Jeremy Barnum
Chief Financial Officer, JPMorgan Chase & Co.

A

Yeah. Now because you did ask a little bit about the expense outlook for next year. So I think at the conference we said, I think the consensus was $88 billion, but we're still going through the budget process, et cetera, et cetera. So that's still true. I think we're still kind of in the ballpark, but I would say at the margin there's going to be a little bit of upward pressure.

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

A

Is that for First Republic too, or no?

Jeremy Barnum
Chief Financial Officer, JPMorgan Chase & Co. **A**

Yeah, this is all now including First Republic. And I think there will be a little bit of upward pressure on that as we sort of do our usual thing and look at all of the opportunities that we see and the investments that we want to make. So no surprise in that sense that we're going to invest prudently. Nothing dramatic, but probably a little bit of upward pressure at the margin.

Mike Mayo
Analyst, Wells Fargo Securities LLC **Q**

All right. Thank you.

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

Thank you.

Operator: Thank you. Our next question comes from Jim Mitchell with Seaport Global. You may proceed.

Jim Mitchell
Analyst, Seaport Global Securities LLC **Q**

Hey. Good morning. Jeremy, do you think there's any receptivity among regulators regarding the double counting not only of operational risk but I think you alluded to this earlier in the Markets business, but there's clearly double counting in market risk in the trading book. Is there any receptivity?

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

Can I just answer that real quickly? We don't really know. It's a one-sided conversation generally. They say put it in your comments, so everyone is going to put in extensive comments, kind of like you heard from Jeremy and we don't really know. We don't really know what's going on inside the Fed, how many people get involved. In my view, it's become a very politicized process as opposed to the technical analysis I think is required to do it exactly right. So we'll see.

Jim Mitchell
Analyst, Seaport Global Securities LLC **Q**

Okay. And then if it weren't to change, and you talked about the potential negative impact on liquidity in the Markets business specifically, is that a JPM pulling out of certain businesses type event? Or is it more a comment that there'd be fewer providers of liquidity as less scaled players exit, and maybe that's almost equal a market share gain opportunity for JPMorgan in a smaller business?

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

I think so if you look at Markets alone, it's a huge, I think 60%, increase in capital. And if you look at it, you can do that by product. For some products it's worse than for others, but generally it's bad across all products. But the really important thing is market making is a critical function and if you look at the world, only some of these large market makers who could make markets for governments, hospitals, cities, schools, states, IMF, World Bank, BlackRock, Blackstone, and all those various things who buy and sell for their clients in size. And market makers have a different function than hedge funds, and I don't know what the real intent was with this. This is another one I think that needs to be really thought through with what are you trying to accomplish.

We do market making quite safe. We've never lost the kind of money that people talk about in market making in the global market shock or something like that, but the other thing about market making, I do agree, it could actually force some people out. It will force lower positions which is why I think it's a little risky, but it may also force more consolidation. And so clients, since they need it so much, there may be consolidation in an unintended way in market making and obviously more volatile markets because with all the constraints, with the LCR, SLR, capital, et cetera, you will constantly be up against limitations in what you can do.

Jeremy Barnum
Chief Financial Officer, JPMorgan Chase & Co.

A

Yeah. And I think that last point of Jamie's is particularly important because, sure, if you want, you can construct what I would consider a very optimistic argument that the higher cost of doing business will lead smaller scale players to exit and that's a share gain opportunity for us, but if I refer back to the comments about the disincentives to beneficial diversification and scale, getting bigger, especially in markets is quite expensive from, for example, a GSIB perspective, and so you wind up kind of hemmed in on all sides which is one of the reasons why we're sort of highlighting, but it does seem like the only way out, sometimes, when you look at the cumulative effect of everything that's happened in markets over the last 15 years, is a fundamentally very different system, and while obviously...

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

A

Great opportunity for European market makers. I mean, a great opportunity, like they can do repo and FX and swaps and credit and stuff with 30% less capital. That is a big difference in that kind of business.

Jim Mitchell
Analyst, Seaport Global Securities LLC

Q

Right. That's helpful. Thanks.

Operator: Thank you. Our last question comes from Matt O'Connor with Deutsche Bank. Your line is open.

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

Q

Hi, good morning. You talked about increased investment spend in some areas in response to an earlier question. But just how do you think about cost control overall, looking at the medium term? The outlook for revenue is obviously pressured at least on net interest income. Fees might help, but the backdrop is for potentially declining revenue or at least flattish revenue for a couple or few years. So, I know you always say you want to invest for the cycle, and it's really paid off over time, but how are you thinking about cost control the next few years?

Jeremy Barnum
Chief Financial Officer, JPMorgan Chase & Co.

A

Yeah. I mean, I wish I had sort of an answer that fit better into your framework. But in some fundamental sense, we just kind of don't agree with the framework in the sense that and we've been through this over the last couple of years, right? In a world where rates drop very suddenly and recover like quite dramatically, and credit becomes abnormally good and then rebounds, and you've seen these very significant fluctuations in capital markets. We saw that in 2021 going into 2022 where the revenue environment can change a lot in the short term for reasons that can be largely out of your control.

And while of course there are parts of our expense base, which are in the short term directly sensitive to the revenue environment and some of those adjust naturally and some of them we adjust more forcefully as a function of volumes, but other things are much more structural. And the goal is to make sure that those other things are sized appropriately to what we believe sustainable through the cycle returns are. So we're always very focused on cost. You can be rest assured of that. That discipline internally is as aggressive as ever as we go through the budget cycle. But there are long-term plays and you really shouldn't expect us to see trying to generate cosmetically lower costs in response to a lower revenue environment where we didn't balloon the costs when the revenue became as we've argued unsustainably high.

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

Q

Yeah. Fair enough. And if I could just squeeze in on First Republic, obviously the contribution there is coming in multiples higher-than-expected. How do you think about the puts and takes in terms of, I think there's probably some run-off of loans still to come, but also opportunities to deepen the relationships there?

Jeremy Barnum
Chief Financial Officer, JPMorgan Chase & Co.

A

Yeah. So you're right about the contribution and about the run-off of loans, and it is notable the First Republic related net income that we've printed this quarter – so the first thing to say is that we don't think that that First Republic related net income number from this quarter is a sustainable indicator of the future run rate. Some of the same dynamics that we've just talked about, in particular, over-earning on deposits or sort of above normal on deposit margins, also apply to the First Republic franchise to some degree. So we would expect that to normalize. And probably more significantly as the things you alluded to, we do have some accelerated pull to par on some of the commitments that we took on at a fair value discount as part of the acquisition, so that's a short-term tailwind in the revenue that will come out of that over the next few quarters.

And yeah, in terms of how it's going overall and deepening the relationships, that remains a focus and I think more of that will happen as we continue the integration and we continue stabilizing. And yeah, I think as I said on the press call, things are going well arguably a little bit better than we'd sort of modeled as part of the acquisition, and we're happy to see that.

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

Q

Okay. Thank you very much.

Operator: Thank you. There are no further questions.

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

Thank you very much.

Operator: Thank you for participating in today's conference. You may disconnect at this time.