
1Q26 FINANCIAL RESULTS

EARNINGS CALL TRANSCRIPT

April 14, 2026

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen. Welcome to JPMorganChase's First Quarter 2026 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. The presentation is available on JPMorganChase's website. Please refer to the disclaimer in the back concerning forward-looking statements. Please stand by.

At this time, I would like to turn the call over to JPMorganChase's Chairman and CEO, Jamie Dimon and Chief Financial Officer, Jeremy Barnum. Mr. Barnum, please go ahead.

Jeremy Barnum

Chief Financial Officer, JPMorganChase

Thank you very much, and good morning, everyone. This quarter, the Firm reported net income of \$16.5 billion and EPS of \$5.94, with an ROTCE of 23%. Revenue of \$50.5 billion was up 10% year-on-year, primarily driven by higher Markets revenue, higher asset management and investment banking fees, and higher NII, driven by the impact of balance sheet growth, predominantly offset by the impact of lower rates.

Expenses of \$26.9 billion were up 14% year-on-year, largely driven by higher compensation, including higher revenue-related compensation and growth in front office employees, as well as higher brokerage expense and distribution fees. The increase also reflects the absence of an FDIC special accrual release in the prior year. And credit costs of \$2.5 billion with net charge-offs of \$2.3 billion and a net reserve build of \$191 million.

And in terms of the balance sheet, we ended the quarter with a standardized CET1 ratio of 14.3%, down 30 basis points versus the prior quarter, as net income was more than offset by capital distributions and higher RWA. This quarter's standardized RWA is up \$60 billion, primarily driven by the Markets business reflecting higher client activity, seasonal effects and higher energy prices, which resulted in higher RWA across market risk and credit risk ex. lending.

Now, let me spend a few minutes on the recently released Basel III Endgame and GSIB re-proposals. I'll start by acknowledging that this has been a long journey and getting it done across multiple regulators and applied to the full set of U.S. banks is unquestionably a difficult task. With that said, we do have some concerns with elements of what's been put forward, primarily with the GSIB proposal.

On the left-hand side, we show you our preliminary estimate of the impact on JPMorganChase next to what the Fed has disclosed for the Category I and II banks in aggregate. Our results are worse in each category. Estimated RWA is higher, GSIB is worse, and because our CCAR losses are below the floor, the Fed's reduction is not going to apply to us. The result is that under the proposed rules, our CET1 capital would increase around 4%, while the Fed's estimate for large banks is about a 5% reduction.

Our long-standing position has been that the agency should calculate each component of the capital requirements correctly without regard to what that may mean for any specific firm or for the broader industry, and to the extent regulators want to add conservatism, they should make that explicit rather than embedding it in methodological choices.

Turning to GSIB on the right, the surcharge on the re-proposed rule looks quite high when placed in the historical context, as the chart clearly illustrates. As many of you know, we have been on the record for the better part of this last decade advocating for averaging, smaller buckets, GDP scaling, and re-weighting short-term wholesale funding to 20%. And we were glad to see many of those concepts in the NPR.

However, while we have every reason to believe that the Fed's published estimate of a 3.8% reduction in capital associated with the GSIB NPR is accurate when defined narrowly, it's important to understand that under the current rule, the surcharges for almost all of the GSIB banks are scheduled to increase meaningfully over the next two years simply as a result of recent growth in the system despite, in our view, no change in real-world systemic risk.

In addition to that background increase, the proposed change in the short-term wholesale funding methodology adds about \$22 billion of GSIB-specific capital, principally to the money center banks, of which we represent about \$13 billion, while in the process, making the methodology less risk-sensitive and less consistent with the Fed's original rationale for including it.

This could have been addressed by better adjusting for growth in the system, but it wasn't enough. The net result is that we need to plan for 5.2% in 2028, a 70 basis point increase from the current 4.5% requirement which, when combined with the RWA increase from the Basel III Endgame NPR, results in a total increase of about \$20 billion of GSIB capital based on our current balance sheet.

This persistent miscalibration of the U.S. surcharge is obviously bad for international competitiveness. But more importantly, domestically, this means that the cost of credit from JPMorganChase to U.S. households and businesses is likely higher than it is from other domestic non-GSIB

Jeremy Barnum

Chief Financial Officer, JPMorganChase

banks. We recognize that we are larger and more systemically important than even large domestic peers. But in the end, the question is how much more should the cost be?

It is very hard to reconcile the principles articulated in the 2015 Fed GSIB whitepaper with an outcome where JPMorganChase has \$109 billion of GSIB surcharge. Obviously, the rules aren't final yet, and this is what the comment process is for. As Jamie wrote in his Chairman's Letter, everyone wants to move on. So, our comments will be very focused. But we feel strongly that the framework should be coherent and the system would therefore be better off with these outstanding points addressed.

Now, moving to our businesses, CCB reported net income of \$5 billion. Revenue of \$19.6 billion was up 7% year-on-year, predominantly driven by higher Card NII, largely on higher revolving balances and higher operating lease income in Auto. A few points to highlight. Notwithstanding the recent volatility in market and gas prices, based on our data, consumers and small businesses remain resilient, with consumer spend growth continuing above last year's pace.

Average deposits were up 2% year-on-year and quarter-on-quarter, driven by account growth and moderating yield-seeking flows. Client investment assets were up 18% year-on-year, driven by market performance and healthy net inflows. And in Home Lending, originations of \$13.7 billion increased 46% year-on-year, predominantly driven by refi performance.

Next, the CIB reported net income of \$9 billion. Revenue of \$23.4 billion was up 19% year-on-year, driven by higher revenues across the businesses. To give a bit more color, IB fees were up 28% year-on-year, driven by strong performance across M&A and equity underwriting, partially offset by lower debt underwriting.

Looking ahead, client engagement and pipelines remain healthy, but of course, developments in the Middle East could have an impact on deal execution and timing. In Markets, Fixed Income was up 21% year-on-year, with strong performance across the businesses, partially offset by lower revenue in Rates. Equities was up 17% from increased client activity.

Turning to Asset & Wealth Management, AWM reported net income of \$1.8 billion with pre-tax margin of 35%. Revenue of \$6.4 billion was up 11% year-on-year, predominantly driven by growth in management fees on strong net inflows and higher average market levels, as well as higher brokerage activity.

Long-term net inflows were \$54 billion, with continued strength across Fixed Income, Equity and Multi-asset. AUM of \$4.8 trillion was up 16% year-on-year and client assets of \$7.1 trillion were up 18% year-on-year, driven by higher market levels and continued net inflows. And before turning to the outlook, Corporate reported net income of \$699 million on revenue of \$1.2 billion.

In terms of the full year 2026 outlook, we continue to expect NII ex. Markets to be about \$95 billion. We now expect total NII to be approximately \$103 billion, as a function of Markets NII decreasing to about \$8 billion, predominantly due to rates, which we expect will be primarily offset in NIR. The adjusted expense outlook continues to be about \$105 billion, and the Card net charge-off rate continues to be approximately 3.4%.

With that, we're now happy to take your questions. So, let's open the line for Q&A.

QUESTION AND ANSWER SECTION

Operator: Thank you. Please stand by. Our first question comes from Steven Chubak with Wolfe Research. Your line is open.

Steven Chubak

Analyst, Wolfe Research LLC



Hi. Good morning, Jamie and Jeremy. Thanks for taking my questions. So, maybe to start on the AI cash tool which, Jamie, you commented on in your letter, there's been lots of focus on this particular at least launch, given that this is a tool which could potentially result in some consumer deposit pressure, as well as drive some impact on increased competition as well as higher deposit betas. I was hoping you could just speak to how you see deposit competition unfolding as similar smart tools become more widespread?

Jamie Dimon

Chairman & Chief Executive Officer, JPMorganChase

A

Yeah. So, it's a great question. And obviously, it is early stages for this particular product. So, you have to look at it literally segment by segment, how people manage their money, how they want to manage their money. People are pretty astute at it, particularly the higher net worth. They have tons of choices. They often have money at many different places. And so, the question for us is, how can we make it easier for them to manage their money in a way they're comfortable? Most of you on this call, you have in your mind how much stays in the checking account, and then you write a ticket to a money market fund or a deposit account, something like that. And that's all we're trying to do.

And we provide great value to people. If you're a customer of JPMorgan, I remind people, you have – if you have this product, you have ATM, you got branches, you got advice, you have instant payment systems like Zelle. So, we look at the whole basket, how we can do a better job for the client. And yeah, it may squeeze some margin somewhere and create more competition somewhere. That's life. Jeff Bezos always says, your margin is my opportunity, and I kind of agree with that. We're trying to look at the world from the point of view of the customer, what more can we do with them. And this is really early stages, and as you know, there's tons of competition out there for money.

Jeremy Barnum

Chief Financial Officer, JPMorganChase

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Yeah, exactly. And Steve, the only thing I was going to add to that, it's sort of understandable that this has gotten attention, because it has sort of AI in it and it's kind of interesting. But as Jamie says, like – and as you highlighted in your question, competition for deposits has always been very intense. It continues to be intense. And we have both external and internal competition from higher yielding alternatives, and people sort of optimize that and it's part of running the business.

And as also Jamie just alluded to, this thing is like kind of not even live yet and it's sort of targeted at a very small subset of the client base, particularly clients with investments, where we think there's an opportunity to take a larger share of the investment wallet as part of this. So, I would – it's understandable the amount of interest that it's gotten. But I think the right way to think of it is sort of as an experiment right now.

Steven Chubak

Analyst, Wolfe Research LLC

Q

No, that's helpful context. And maybe switching gears just to the Basel III capital proposal, certainly helpful in terms of how you frame some of the shortcomings, some potential areas for improvement. But maybe just focusing in on the RWA inflationary impacts, does the guidance that you've laid out contemplate any mitigating actions you might pursue? Is there any potential mitigation that you envisage? And do you have any preliminary views just on the magnitude of SCB relief that you could see from the removal of some of the double counting of markets or operational risk? I recognize that piece is a little bit more opaque.

Jeremy Barnum

Chief Financial Officer, JPMorganChase

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Yeah. I mean, those are interesting questions. I think, obviously, we are kind of well-practiced over the course of the last decade-and-a-half on understanding the rules in detail and ensuring that we're using our financial resources efficiently to support the client franchise. So – and I think the hope is that the rules land in a stage where there is nothing in them which sort of takes an otherwise good and healthy business and makes it completely non-economic.

I think we've alluded to a couple of areas where, if you look at the presentation slide, on the bottom right-hand side, we talked about targeted RWA clarifications needed. And there's this issue with like high-yield repo collateral and some stuff about advised lines, where the proposal is a little bit unclear about what the actual impact would be, and in some versions of the world, we think it creates irrational results. But broadly, I don't think this is a story about optimization at this point. I think this is a story about a rule set that is converging to a place, and then we need to just grow the business and deploy the resources to serve our clients.

Obviously, we have said a lot about GSIB on this page, and I guess I don't really have more to say, unless you have a specific question on GSIB. But that is the one area where we think it's kind of a significant disincentive to a particular type of business, in particular some markets business. And I guess I would just make the point that we've often made publicly that the depth and breadth of U.S. capital markets is a key competitive national advantage, and regulatory capital rules that, at the margin, discourage a dynamic secondary market in the United States with active participation by banks is, in our view, sort of not great. So, that's part of the reason that we're so focused on GSIB, because it disproportionately affects that business.

Steven Chubak

Analyst, Wolfe Research LLC

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And anything you could speak to just in terms of the removal of the double counting?

Jeremy Barnum

Chief Financial Officer, JPMorganChase

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Oh, yeah. Sorry, I forgot about that part of your question. Yeah. So, as you know, like we're currently below the floor, right. So, obviously, if that is like the new normal, then if the double count is addressed by removing further things from stress testing, it wouldn't have any impact. If the double count is addressed by modifying the operational risk calculation in RWA, then it might have some impact. And obviously, it's far from guaranteed that we will be a bank that is permanently below the floor.

But I suspect that issue is more relevant for institutions whose business mix is such that they're going to tend to structurally be above the floor. It's a little bit unclear for us as things settle down whether we're going to bounce around above and below the floor or tend to be structurally above the floor. We'll see. But I think removal of the double count is definitely something we support. It's probably not our number one priority at this point, because some progress has been made on that front.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorganChase

A

Yeah. Can I just also just mention on the market – global market shock, it's never been – in the real-world, all these years, including during the COVID – COVID and then before the Great Crisis, nothing like what they have. And we already have \$80 billion of – or \$90 billion of capital for the trading books. So, those numbers just – they're just completely out of whack with reality.

And operational risk capital, I can't avoid saying it, is another crazy, obtuse 1 in 1,000-year thing. And then, worse than that, in my opinion, they create risk-weighted assets. Every company in the world has operational risk, and they artificially create risk-weighted assets which do not exist, and this locks up a lot of capital and liquidity for eternity for no good reason. And I understand there's operational risk. I think there are real ways to measure it, by the way, which I point out, which is not this artificial, over-architected academic exercise.

But there's operational risk of margin loans that are late and using subprime collateral as opposed to prime collateral and how you process things. And that's what they should really be focusing, reducing actual operational risk as opposed to these calculations, which you can't change. Like if it all comes from the mortgage business and you got out of the mortgage business, it still stays there. Like who would do something like that? And so, it's time to really look at this stuff and do it right.

Steven Chubak

Analyst, Wolfe Research LLC

Q

Well said. Well, thanks so much for taking my questions.

Jeremy Barnum

Chief Financial Officer, JPMorganChase

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Thanks, Steven.

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

Erika Najarian

Analyst, UBS Securities LLC

Q

Yes. Thank you. Good morning. Jeremy, my first question is for you. You modified the Markets NII outlook, given the change in rates between end of February and today. I'm wondering, as we think about the ex. Markets NII number of \$95 billion, you retain that. What are sort of the offsets to higher rates and the asset sensitivity if we don't have cuts for the rest of the year?

Jeremy Barnum

Chief Financial Officer, JPMorganChase

A

Yeah, sure. So, it's a good question, because I think we have said that we're asset-sensitive and rates are a little bit higher as a removal of the cuts in the back half of the year. And so, you might have otherwise expected us to revise the NII ex. Markets up a little bit. But just to do a little mental math, the EaR that we've just disclosed is \$1.8 billion. As a result of the fact that the cuts were pretty backdated, the impact on the full year average is only about 20 basis points. So, the amount of upward revision that you might have otherwise expected is really quite small when you do that math, and there were some other bits of up and down noise and some rounding effects. So, that is essentially the reason the numbers aren't changed. I don't think there's too much to read into it.

Erika Najarian

Analyst, UBS Securities LLC

Q

Got it. Perfectly clear. And my second question is for Jamie. Of course, we were all unpacking your Chairman's Letter from a few weeks ago, and one of the topics that you wrote about and you've spoken about at length in the past is on private credit. And I think we fully appreciate what JPMorgan's view here is.

But given all of the headlines that this topic has garnered, I guess the question here for you and your team is, if we do have a recession and higher defaults and higher severity and cumulative losses in leveraged lending, what is the ultimate loss back to the banks? Because as we understand, the banks are fairly well protected in terms of structure. And while you addressed this in your letter, for those that maybe hadn't had time to read it and that are listening to this call, do you think that if we do have a default cycle in private credit that it will be systemic?

Jamie Dimon

Chairman & Chief Executive Officer, JPMorganChase

A

No, I mean, I was quite clear, I don't think so, and I gave them big numbers. Private credit leveraged lending is like \$1.7 trillion. High-yield bonds are something like \$1.7 trillion. Bank syndicated leveraged loans are like \$1.7 trillion. Investment-grade debt's \$13 trillion. Mortgage debt's like \$13 trillion. And there's a lot of other stuff out there. And I pointed out that I think there's been some weakening in underwriting, and not just by private credit, elsewhere. And there will be a credit cycle one day, and I think when there's a credit cycle, losses will be worse than people expect relative to the scenario.

I don't think it's systemic. It almost can't be systemic at that size relative to anything else. But when recessions happen and values go down and people refi at higher rates, there'll be stress and strain in the system. And are people prepared for that? I can't speak for other banks, but these are – most of these things are on top of – you have to have very large losses in private credit before at least it looks like banks are going to get hit or something like that. So, it doesn't mean you won't feel some stress and strain and that you might have to do something about it. But I'm not particularly worried about it.

I'd be more worried about, when there's a credit cycle, how is that going to filter through the whole system. That to me is a bigger issue. But I also pointed out, corporations, in general, the debt's not too high. Consumers in general, the debt's not too high. Most of the excess debt is in government debt at this point. And so, there are positives and negatives as you look at what's going to happen if there's a cycle. And of course, we always worry about what happens when there's a cycle. And like I said, I think it'll be worse than people expect. And you go look at what happens in other cycles to various credit and industries, et cetera.

The other thing which almost always happens is that there's a industry which surprises people. If you go back to the year 2000, people were surprised, there was utilities and telecom, grandma stocks that got hit. Things changed. And you go into 2008, it was media companies and newspapers, Warren Buffett stocks. Things change. This time, you have all the reporting about software, which we'll see. It might be software, it might not. But something always happens that people don't expect in credit.

Erika Najarian

Analyst, UBS Securities LLC

Q

Thank you, both.

Jeremy Barnum

Chief Financial Officer, JPMorganChase

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Thanks, Erika.

Operator: Thank you. Our next question comes from John McDonald with Truist Securities. Your line is open.

John McDonald

Analyst, Truist Securities, Inc.

Q

Hi. Good morning. I wanted to ask you a question about reserves. Could you talk about scenario weighting and how your evolving views on the macro risks out there factor into your reserve-setting process and how that played out this quarter?

Jeremy Barnum

Chief Financial Officer, JPMorganChase

A

Yeah. John, good question, because I think at a high level, if you look at the allowance, it's like quite small, and you might wonder like what's going on there, given everything that's happening in the Middle East, especially given our historical stance about wanting to be conservative and concerns about the geopolitical dynamics. So, a couple of things in there. One, as you know, we start the reserve – the allowance calculation process with a sort of model-based approach that's based on economic forecast. And so – and actually, just to make it easier to track, let me start with a little bit the punch line, which is we actually did not change the weights this quarter.

And so, with that said, on sort of unchanged weights flowing through the economic outlook actually lowered the weighted average unemployment rate in the allowance build-up from 5.8% to 5.6%. So, that created some tailwinds across the numbers, primarily in Consumer, but also a little bit in Wholesale. And we also had a little bit of a release in Consumer in Home Lending. I think it was about \$150 million, which was an HPI – or maybe \$110 million or something, but anyway, which was an HPI upward revision. So, kind of unrelated to everything else. Under the covers, there are some builds in Wholesale as a function of loan growth and also some idiosyncratic downgrades here and there, nothing dramatic.

But in the place that you would expect to see allowance build, you are seeing some. But at a high level, we did sort of have a very conscious debate about this as a company, like should we add downside skew to the weights this quarter given everything that's going on? And our conclusion was that the existing kind of conservative bias in the allowance was sufficient, and we would just wait and see to see how things developed. And to the extent that things – hopefully, they don't, but if we get some of the downside case outcomes with higher energy prices that wind up having an impact on the core global economic outlook, then that would actually flow naturally through the process. And so, we can see kind of how that plays out.

John McDonald

Analyst, Truist Securities, Inc.

Q

Okay. Thanks, Jeremy. And then separately, I was wondering about any changes to your outlook for loan and deposit growth. Your balance sheet growth was very strong this quarter, a lot of it seeming to be in the Markets business. So, just looking for more color on the drivers of growth this quarter and how it affects your outlook for loan and deposit growth this year.

Jeremy Barnum

Chief Financial Officer, JPMorganChase

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Sure. So, I would say that this quarter's growth, yeah, as you said, it's primarily Markets. It's primarily low density stuff. It's not contributing a lot to RWA, secured financing of various sorts, and a lot of that's seasonal. So, there is a sort of background trend of growth in the size of the Markets business and in the size of the Markets balance sheet. But I don't think that anything happened this quarter that was sort of particularly off-trend in that respect.

In terms of the Firmwide overall outlook, I think arguably the single most significant number is the – what we said about Card loan growth expectations at Company Update, which is that we said we expected 6% or maybe a little bit more, and that hasn't really changed. That's still kind of our core expectation. In the rest of the franchise, it's really pretty modest growth overall.

We actually have some headwinds in Home Lending as a result of some First Republic portfolio roll-off and stuff like that. But to a significant degree, some of that's going to get driven by acquisition financing that we hold on balance sheet for a while, that some of that's a little bit of a driver this quarter as well. And of course, if things deteriorate, which we very much hope they don't, that tends to produce lower loan demand. So, we'll see what happens there. But we're going to be there for our clients for whatever they need.

And then, the final building block of this is Markets which, as you know, has been actually, interestingly enough, the primary driver of Wholesale loan growth recently. But there, it's going to be very opportunistic. A lot of it is kind of the data center lending type stuff and related things, where we're going to participate when the terms make sense, but we're going to be very willing to walk away if we don't like it. And so, that's going to be more a matter of just seeing what the opportunity set looks like and how we feel about the risks.

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John McDonald
Analyst, Truist Securities, Inc.

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Okay. Thank you.

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Jeremy Barnum
Chief Financial Officer, JPMorganChase

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Thanks, John.

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Operator: Thank you. Our next question comes from Manan Gosalia from Morgan Stanley. Your line is open.

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Manan Gosalia
Analyst, Morgan Stanley & Co. LLC

Q

Hi. Good morning. Jamie, Jeremy, you have one of the best views in – on the U.S. consumer. You've mentioned that the economy is resilient, the consumer is healthy. Could you give us some more color on what you're seeing there? How resilient is consumer spend and credit if energy prices remain high? And are there any signs of cracks that you're seeing at all?

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Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

Yeah. So, it's a good question. It's the right question. It's a question we get a lot, and I sort of struggle to say something new and interesting every quarter. There really is not anything new or interesting to say this quarter. We've looked at it through every angle, early roll rates, delinquency rates, cash buffer, spend, discretionary spend, non-discretionary spend. It all looks consistent with prior trends and fundamentally healthy.

So, let me add maybe just a little bit of nuance in the context of energy prices and what's going on this quarter. So, I think gas or energy cost is something like 3% of the typical consumer's expenditure, at least in our portfolio. So, it's not nothing, but it's not overwhelming. We've looked to see if there's kind of evidence in there of people trading – decreasing other discretionary spending to adjust for higher gas prices. But it's just kind of not enough yet to be visible.

I would caution though, I think it remains fundamentally the case that the biggest single reason that the consumer credit performance is healthy is that the labor market is strong. And if you get bad outcomes in the Middle East, much higher energy prices, or other problems that sort of do eventually crack what has been, I think from many people's perspective, I think, a surprisingly resilient American economy and a very resilient U.S. consumer and that winds up having knock-on effects on the labor market, then you will see that come through clearly. But right now, in the end, the story remains the same, which is resilient consumer that's doing fine despite higher gas prices.

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Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

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Yeah. And I would just add, we're really getting too fine-tuned here. But it's being helped right now by higher tax refunds too.

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Jeremy Barnum
Chief Financial Officer, JPMorganChase

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Yeah, exactly.

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Manan Gosalia
Analyst, Morgan Stanley & Co. LLC

Q

That's really helpful. Thank you. And then, a separate follow-up just on the Trading business. One is, are you seeing any signs of bad volatility here or are things – were things in March still pretty good? And then, if we look at trading assets, they were up pretty significantly quarter-on-quarter. Was there anything specific in the environment that drove that? Was that business as usual? Or is this some of the deployment – the ongoing deployment of excess capital, Jeremy, that you've been talking about?

Jeremy Barnum

Chief Financial Officer, JPMorganChase

A

Okay. So, sorry. I think there are several embedded questions in your follow-up question. So, let me try to do this efficiently. So, in short, no, we haven't really seen any so-called bad volatility. I mean, I'm sure there are pockets of that in some markets. But broadly at a high level, I think what we mean by that is the types of extremely gappy, discontinuous markets with low liquidity that keep clients on the sidelines. And as I say, I'm sure there have been pockets of that in certain sub-segments of certain asset classes. But in general, that has not been a characteristic of this quarter, which is I think part of the reason that the performance has been very good.

On trading assets, as I said a second ago, I think that was mostly BAU growth, mostly seasonal, low risk density, and not particularly a function of capital deployment one way or the other. I think to the extent that that plays out, that'll be a longer term phenomenon. And just to refer you back to my comments at Company Update, I think to really get that right, you need both to free up capital, but also to free up liquidity to allow banks to deploy against the broadest possible set of opportunities to support the real economy, not just kind of high risk density opportunities that require less liquidity per unit of capital.

Manan Gosalia

Analyst, Morgan Stanley & Co. LLC

Q

Appreciate that. Thanks for taking my questions.

Jeremy Barnum

Chief Financial Officer, JPMorganChase

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Thanks.

Operator: Thank you. Our next question comes from Mike Mayo with Wells Fargo Securities. Your line is open.

Mike Mayo

Analyst, Wells Fargo Securities LLC

Q

Hi. Jamie, in your CEO Letter, as was mentioned, you talked about private credit and you mentioned \$1.7 trillion private credit market, which didn't really exist two decades ago, as you know. How much of that \$1.7 trillion would you say is a substitution effect from banks to private credit? And how much of that might be types of credit you never would have originated in the first place? And with the regulatory changes and what's happening in the market, do you think you can recapture some of that share? And more generally, what are you doing with regard to the collateral? There are news headlines this past quarter that you're becoming more conservative with that. And lastly, what kind of spreads are you getting? Are the spreads improving on this or staying the same?

Jamie Dimon

Chairman & Chief Executive Officer, JPMorganChase

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Yeah. So, those are all really good questions. So, the \$1.7 trillion, that actually was there before. It was always there, and banks did it. In some ways, it was arbitrage, because banks were really discouraged from doing leveraged lending over a certain amount of leverage. And then, of course, the competitive world finds new ways to do things, which we're not against how they do it. There's a little bit of ratings arbitrage and all these various things.

But I do think – I mean, it's really hard to say that half of it probably was arbitrage that banks will pick up some of that. Banks also look at relationships differently. When a bank does a loan in middle market leveraged lending, that's what this is. We've been doing this for a long period of time. But we look at the relationship through extensively, not just the loan, but the rest of the relationship, payments, custody, asset management type of services, et cetera. So – and maybe some will come back. I'm not particularly concerned about it.

And spreads, you can just track how spreads move around. Every bank does it differently and every bank charges differently and stuff like that. But depending on how concerned they are, they're going to raise their spreads and what they're charging for private credit. Private credit spreads themselves and what they charge their clients have gone up and down. And you've actually seen loans go back and forth every now and then from the private credit market to the bank syndicated loan market. So, we'll see.

And we always had what we call marking rights to look at the underlying collateral, and that's just a right that protects you and gives you certain rights, things like that. Obviously, if you ever see credit getting worse – and it's gotten not terribly worse. The actual credit, which a lot of these private equity – private credit guys point out, the actual credit hasn't gotten that much worse. There are pockets where it has. And

Jamie Dimon

Chairman & Chief Executive Officer, JPMorganChase

A

credit spreads themselves haven't gotten much worse in general, but there are pockets where it has. So, we'll be watching it closely. We think we're okay on all of that. It remains to be seen.

I think the big point to me, Mike, is I don't think it's systemic. But I do think when the credit cycle – and I'm not referring to private credit here. Because of underwriting and leverage and PIKs and competition, and we've had a cycle for a long time, a lot of people late to this game, I just don't expect every player is going to be the same. I think some will be – it won't be a bell curve. It will be something different than that, and people are going to be surprised that some of the players aren't particularly good at it. And that business will probably come back to banks.

Mike Mayo

Analyst, Wells Fargo Securities LLC

Q

And then separately, Jeremy, you mentioned no change in the core NII despite being asset-sensitive. And in terms of the deposit growth, you had some really amazing deposit growth and then kind of hit an air pocket for a little while. In this quarter, consumer deposits were up 2%. I guess taxes probably helped that out. Is this the start to getting back on that higher deposit growth path or not yet?

Jeremy Barnum

Chief Financial Officer, JPMorganChase

A

Well, I think air pocket is a little bit of a strong word, but fair enough. I recognize the dynamic that you're describing. And I think it's a little bit too early to sort of say like, yay, we're back with like super robust consumer deposit growth, partially because of your point actually about tax, because I think you're right. That probably is contributing a little bit right now. But at a high level, we talked about at Company Update, our consumer deposit growth expectations being low to mid single-digits. And I think that is still the belief, and I think we'll be a little bit more confident in that, as you say, once we get through tax season. So, maybe we'll know a little bit more next quarter.

But I will say that through the lens of like net new checking accounts, where I think we said in the EPR that we did over 450,000 this quarter. So, that driver of sort of long-term consumer deposit franchise growth is in place, and it just becomes a question of at the margin, how yield-seeking flows develop and what that does to kind of balances per account, as we talked about at Company Update. So, it's the right question, something we're watching. A little bit early, but unchanged expectations and some signs, as you point out, that the trend might be improving slightly.

And then, just to complete the picture, on the Wholesale side, as you'll recall, last year was an exceptionally strong year for Wholesale deposit growth. So, our expectations for this year were a little bit more modest. Actually, the year's starting out pretty well. Some of the typical year-end seasonal increases that we tend to see roll off have not quite rolled off to the extent that we would have expected. So, I still think the core view is for significantly less robust growth than last year. But from a core franchise perspective, things feel pretty good there.

Mike Mayo

Analyst, Wells Fargo Securities LLC

Q

All right. Thank you.

Jeremy Barnum

Chief Financial Officer, JPMorganChase

A

Thanks, Mike.

Operator: Thank you. Next, we will go to the line of Gerard Cassidy with RBC Capital Markets. Your line is open.

Gerard Cassidy

Analyst, RBC Capital Markets LLC

Q

Hi, Jeremy. Hi, Jamie. Jeremy, obviously, the first quarter, the expense levels were a little elevated relative to the full year guide, if you annualize it out, of course. Can you give us some color that – how you're going to bring down the following three quarters to be able to hit the year-end guide that you gave us at about \$105 billion?

Jeremy Barnum

Chief Financial Officer, JPMorganChase

A

Yeah. So, I would somewhat discourage you from like annualizing quarterly expense run rates, because there's a lot of seasonality in the volume and revenue-related component of that as a function of the seasonality of the Markets revenue in particular. But I think – and I think in reality, as you well know, Gerard, that's kind of like not how we manage the company, meaning I don't think you meant this, obviously, but the implication of your question is that like, oh, the numbers are a bit high in the first quarter, let's like run around and find some expenses to cut in order to meet our guidance. And that's kind of like not how we do things. Like we just manage the expenses holistically kind of every day of the week.

But at a high level, I think you're actually getting at something important, which is that when you consider the exceptionally strong performance of the Markets and Banking business this quarter, you actually might have otherwise expected us to revise up the full year expense guidance, because realistically, I think no one could have – it's impossible to imagine that we would have budgeted the level of performance that we saw this quarter in Markets and Banking, and that's...

Jamie Dimon

Chairman & Chief Executive Officer, JPMorganChase

A

No.

Jeremy Barnum

Chief Financial Officer, JPMorganChase

A

Yeah, yeah. I'm almost done. I'm almost done.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorganChase

A

No, but I'm saying some of it is expected it to be quite good and...

Jeremy Barnum

Chief Financial Officer, JPMorganChase

A

Anyway...

Jamie Dimon

Chairman & Chief Executive Officer, JPMorganChase

A

...I hope every quarter is this good, and then our expense target will be – we'll have to spend more money, because we did so well.

Jeremy Barnum

Chief Financial Officer, JPMorganChase

A

Okay. But I still want to make my point, which is that, Gerard, I would discourage you from drawing the conclusion that for the purposes of the full year, we are going to see the amount of implied internal offset between volume and revenue-related and other expenses that is implied, and the failure to revise the guidance this quarter, it's just a little early in the year. So, let's see how things play out in the next quarter or so.

Gerard Cassidy

Analyst, RBC Capital Markets LLC

Q

Certainly, yeah.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorganChase

A

I'll say this – if volumes, and if every quarter was as good as this quarter, we will spend more than \$105 billion for very good reason.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

Yeah. No question about that. Yeah, absolutely.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

So, \$105 billion is not a promise. It's an outcome of business results.

Gerard Cassidy
Analyst, RBC Capital Markets LLC

Q

Which you've said in the past, Jamie, good expense growth. We all completely understand. As a follow-up question, on digital assets, stablecoin, on the continuum that we're on for adopting these types of new technologies, can you guys give us an update where you see this moving in terms of deposit impact possibly, but more importantly, payments? Obviously, you're a very large payments company, and how are you guys assessing it? Thank you.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

Sure. I mean, there's like so much to say on the stablecoin front. Obviously, there's a lot of like legislative and regulatory stuff going on. I think, Gerard, your question is a little bit more about sort of long-term impact on the payments ecosystem. So, I guess through that lens, I would actually start with the Wholesale business and talk about all of the innovation that we've done in sort of modernizing payments through Kinexys and the way that some of that is starting to play out and giving a lot of our customers kind of exciting new features like programmable money and different hours and the associated tokenized deposits and all that type of stuff.

So, we're super excited to embrace this type of innovation and be part of it. And the question a little bit is, how does that relate to our existing franchise? And in the context of wholesale payments, I think it's just part of an overall product offering. I think sometimes, people think that you're going to have some stablecoin thing that's going to like radically disrupt the existing wholesale payments paradigm.

And I think that's not quite the right way to look at it, only because wholesale payments is already an incredibly efficient, extremely low-margin business with very sophisticated clients. And so, it's not as if – a little bit to Jamie's earlier comment, it's not like there's one of these like your margin is my opportunity type situation in wholesale payments. It's already a very modern, very technologically sophisticated, pretty low margin business where we're constantly delivering innovation, including with some of these sort of new technologies.

On the consumer side, people talk about like what is the consumer use case for stablecoin, and one version of it is like digital cash, and there's all the obvious like KYC implications with that. And I think maybe that's where you get a little bit into the legislative and regulatory front, where there's some new developments on that whole thing associated with this notion of like, to what extent is the payment of rewards a proxy for interest. And that sort of turns it into, instead of stablecoin being an interesting form of innovation, it's just regulatory arbitrage that you can run a bank without being subject to the important regulatory protections, both prudentially and for consumers in terms of KYC and stuff like that.

So, we're eager to compete. We're eager to innovate. We're innovating all over the place. We definitely support the certainty that comes from this legislation. But as we get close to some form of finalization there, it's very important that the same product be regulated, same risk be regulated in the same way, and that it doesn't become the case that you just create a giant arbitrage backdoor for the prohibition on the payment of interest for stablecoins. So, we'll see how that plays out.

Gerard Cassidy
Analyst, RBC Capital Markets LLC

Q

Gentlemen, as always, thank you.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

Thank you, Gerard.

Operator: Thank you. Our next question comes from David Chiaverini with RBC Capital Markets (sic) [Jefferies LLC]. Your line is open.

David Chiaverini

Analyst, Jefferies LLC

Q

Hi. Thanks. Actually with Jefferies. But thanks for taking the question. So, wanted to follow up on...

Jeremy Barnum

Chief Financial Officer, JPMorganChase

A

Welcome to the call.

David Chiaverini

Analyst, Jefferies LLC

Q

Thank you. Thank you so much. Wanted to follow up on the consumer deposits. So, interest-bearing deposit costs were down nicely in the quarter. Could you talk about the opportunity going forward in light of the changes in the forward curve?

Jeremy Barnum

Chief Financial Officer, JPMorganChase

A

Okay. That's an interesting formulation. I sort of don't actually know the number you're quoting. But I suspect it's just a function of the rate curve...

Jamie Dimon

Chairman & Chief Executive Officer, JPMorganChase

A

Yeah .

Jeremy Barnum

Chief Financial Officer, JPMorganChase

A

...and the thoughts that came through last year. Go ahead, Jamie.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorganChase

A

I would just keep it simple. The margin would be about what it is today, give or take a couple of basis points up or down. There are a lot of factors in there, like what kind of accounts you're opening, tax refunds, all that kind of stuff. So – but roughly the same for now.

Jeremy Barnum

Chief Financial Officer, JPMorganChase

A

Yeah. I mean, I was going to pivot to the broader question, I guess, which you talk about in terms of opportunity. And I think that there's the – as Jamie says, there's the – just the yield curve flowing through the high beta portions of the deposit franchise. And then, there's the low beta portion of the franchise, where I wouldn't say there's "a lot of opportunity to price down," because I think as is well-known, the price there is already quite low, but it's in the context of an overall service bundle, where a lot of clients with relatively low balances are getting a lot of value in the package. So, I guess I would leave it there.

David Chiaverini

Analyst, Jefferies LLC

Q

Thanks for that. And then, shifting over to a follow-up on private credit, so there's still a lot of attention on this in the banks. I think the banks are well-protected. But can you remind us of the structure of these loans in terms of typical advance rates and embedded credit enhancement that protects your position?

Jamie Dimon

Chairman & Chief Executive Officer, JPMorganChase

A

I think you're asking for too much information. They are loans on top of leveraged loans. So, you're senior to the actual loans themselves, and each one is different, the loan-to-value, the triggers on loan-to-value and all the things like that. So – but you can probably figure those out or if you look at the disclosures on the BDCs, et cetera.

Jeremy Barnum

Chief Financial Officer, JPMorganChase

A

Yeah. I do think it's reasonable to sort of remind, I guess, the market of some things that we've said before about this space, right. So, yes, each client, each relationship is a slightly different structure. But at a high level, as Jamie points out, it's a senior position. The portfolios are well-diversified. There are a number of protections that we have, conservative advance rates, good underwriting, sector concentration caps, cash flow trapping mechanisms, et cetera, et cetera. So, as we often say, nothing that we do is risk-less, but this is a space that we're quite comfortable with as a function of very close scrutiny on the way that we do the business and ensuring that the underwriting is high quality and that we've got a bunch of structural protections in place.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorganChase

A

Yeah. And the BDCs have statutory rules that they can't exceed in terms of loan to the parent, which is sometimes one and sometimes a little bit more than that.

David Chiaverini

Analyst, Jefferies LLC

Q

Very helpful. Thank you.

Jeremy Barnum

Chief Financial Officer, JPMorganChase

A

Thanks, David. Welcome to the call again.

Operator: Thank you. Our next question comes from Ebrahim Poonawala with Bank of America. Your line is open.

Ebrahim H. Poonawala

Analyst, Bank of America Merrill Lynch

Q

Hey. Good morning. I guess just one question on AI. One on the risk side, one on the opportunity side. On the risks, maybe, Jamie or Jeremy, if you can just give us a sense of – it's very hard for investors and for us from the outside to handicap cyber risk. We saw the headlines last week around LLM-enabled cyber risks being discussed in D.C. Like is this a different level of risks? And how would you characterize the preparedness of the banking system to handle this if something were to happen and we see headlines? I'm just wondering what would be the implications of that as we think about just systemic risks, et cetera.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorganChase

A

So, cyber – we've been talking about cyber risk for a long time. In fact, I think I said in the Chairman's Letter, it's our largest risk. So, I think – every industry is different. So, in context, I think JPMorgan is very well-protected. We spend a lot of money. We've got top experts. We're in constant contact with the government. We're constantly updating things. But AI has made it worse. It's made it harder. Of course, we read about Mythos, which we're testing now and looking at. And it does create additional vulnerabilities, and maybe down the road, better ways to strengthen yourself too.

But the cyber risk isn't isolated to banks. It's like you can look at almost any industry – and also banks, of course, are attached to exchanges and all these other things that create other layers of risk, which – we work with a lot of people to protect themselves. So, this is a complex one. It's a full-time job and we're doing it all the time. And while we're trying to get the benefits of AI, we also are very cognizant of the risks of cyber. I think the government is aware of it too. And remember, you have cyber criminals, you have cyber states, you have cyber everywhere,

Jamie Dimon

Chairman & Chief Executive Officer, JPMorganChase

A

and that's why you have to be quite careful. So, I'd say the banks in total are rather well-protected. That doesn't mean everything that banks rely on is that well-protected.

Jeremy Barnum

Chief Financial Officer, JPMorganChase

A

Yeah. And I think there's one just minor extension of what Jamie said that is worth pointing out, which is, obviously, we've been – he has specifically been talking about the importance of being prepared for cyber risk for many, many, many years. But I think even more recently, even before this sort of latest set of headlines around the latest Anthropic models, there's been a clear understanding that AI and generative AI in particular brings both risks and opportunities from the cyber risk management perspective.

So, it's not like this is the first time that anyone's thought about the way in which these more recent generative AI tools can both make it easier to find vulnerabilities, but then also potentially be deployed by bad actors in attack mode. So, obviously, now you've got an even higher level of attention as a result of the apparently much greater capabilities of the latest models. But that is still happening on a continuum that we've been engaged with for really quite a long time.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorganChase

A

Yeah. And for everyone on the phone, I think it's also important to look at, a lot of it is hygiene, is your new software being tested before it goes in place? Did you ask them to do certain things to protect their company? How do you protect your data? How do you protect your networks, your routers, your hardware, changing your passcodes? I mean, a lot is just doing all those things right, dramatically reduce the risk. And you've seen a lot of banks, they haven't had some of those risks like ransomware and things like that, at least not that I know of.

Jeremy Barnum

Chief Financial Officer, JPMorganChase

A

Yeah. Knock on wood.

Ebrahim H. Poonawala

Analyst, Bank of America Merrill Lynch

Q

And on the – no, that is helpful. Thank you. Because I think it's something that investors struggle with. On the opportunity side, I think what – it feels like the productivity boost, which for us translates into what the long-term efficiency ratio could be, could be meaningful from AI deployment, just given the speed at which the technology is evolving. Maybe talk to that. And also, does it create new business opportunities, where maybe it's extending the perimeter of JPMorgan's business into new things that were harder to do and are now easier to sort of put together and grow as a business given AI-driven technologies?

Jamie Dimon

Chairman & Chief Executive Officer, JPMorganChase

A

Yeah. So, on the first question, I think it's a bad idea to think that you're going to deploy AI and improve your efficiency ratio, because in the competitive world, I'm going to do it, everyone else is going to do it, and the benefits will be passed on to the marketplace. It's not like you're entitled to have your ROE go to 50% and that'll stay there because you do it better than everybody else. You may get a head start, you want a head start, but I think that's just not a rational thing that somehow that will be the ultimate outcome.

But the second question, absolutely, it creates opportunities, because if you look at – and you just take our Consumer business. It's true in all businesses, but just take the Consumer business with the data you have, and now we call it Connected Commerce, we can do travel and offers and all of these various things that people want. So, you can use your relationship with the client, the data you have to make the client happier. We do a lot to reduce risk and fraud and scam by using AI. We do a lot better job of prospecting. We offer AI services to clients, et cetera. So, it will enhance a lot of things you can do directly and it will create more adjacencies, in my opinion, if you can use it quickly and wisely.

Ebrahim H. Poonawala

Analyst, Bank of America Merrill Lynch

Q

Got it. Thank you, both.

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

Matt O'Connor

Analyst, Deutsche Bank Securities, Inc.

Q

Hi. I wanted to start with a big picture question on Trading. It's been amazingly strong this quarter, over the last few years, really no matter whether markets are good or bad. We've had shocks in commodities this quarter, rates, credit, equities. And it's not just you and others kind of managing well, but it does seem like the client base is also managing it very well. And just wondering if you have any thoughts on that, on why it's been so consistently strong across a variety of environments.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorganChase

A

Yeah. So, just to put it into big picture, first of all, our folks do an excellent job. And if you meet with them, you'd be very impressed with their knowledge, their brain power. And we buy and sell almost \$4 trillion a day, and you make a little bit each time you buy and sell, and then you have to manage the exposures and the risks. So, they do a great job in that. Every now and then, you're on the wrong side of something in credit or commodity or rate side or something like that, and you see that. But to me, that's kind of the cost of doing business. That's like a retailer having inventory that they can't sell.

The real question is, do you serve your clients every day with great products and great service and great execution? And the answer is yes, and that's where the real business is. And what you see today is much more volume and volatility which generally helps, because it makes spreads a little bit wider, all things being equal. There will be times where you're going to be sitting here and we're going to say that volatility killed us if you're on the wrong side of something. But in general, you're serving huge investors around the world who have \$350 trillion with so much products and services. That's the business of trading.

And I remind people, it's not that different, when you go to Home Depot, they have inventory. They put it in. They put it out. They mark it up. They mark it down. They don't call it trading, but there's that element of risk management there. So – but fabulous people, doing a great job for clients, very conscious of the risk they take. Sometimes, we take a risk that we were wrong, and we're okay with that. We never panic over that. We don't – you've never seen us say, my God, we were on the wrong side of this trade. No, because we're there serving clients. And very often, you're on the wrong side of a trade, because the client wants to sell and you're not really dying to buy, but you do it anyway to serve a client. And so, it's a business. It's a very good business.

Jeremy Barnum

Chief Financial Officer, JPMorganChase

A

Yeah. And just one minor extension of that, that I think supports the larger point is the thing we've said a couple times now, which is, yeah, the revenues have been great and the performance is very good. We're deploying a ton of capital in this business actually and a lot more over the last few years. And I think the returns that we're getting are good there. They're actually below the 17% for the company as a whole. That's fine. And we're serving clients and it's much better than alternative uses of capital. But I think the important thing to understand is that it's not as if you're getting giant amounts of revenue growth with the same capital base in ways that you might think are unsustainable. Part of what's going on here is that we're deploying more capital and getting healthy returns on it.

Matt O'Connor

Analyst, Deutsche Bank Securities, Inc.

Q

That's helpful. And then, I guess a good segue into kind of a broader capital management question. Obviously, a lot of comments on the re-proposals and – but as we think about kind of capital management going forward, any updated thoughts on – you still have a big buffer, obviously, on today's required levels three years from now – or two years from now. You generate a ton of capital. Obviously, very solid buybacks this quarter. You grew organically, as you mentioned. But just any updated thoughts on how to think about capital allocation going forward? Thank you.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorganChase

A

Yeah. So, obviously, we have a lot of excess capital, which today we measure around \$40 billion. Obviously, that can change depending on ultimate rules and regulations. And we prefer to deploy the capital serving clients, and the way you see us serving clients, we have more bankers, Innovation Economy, more global banking and doing commercial banking overseas, opening countries, opening payment systems, opening branches. That is ultimately what deploys capital over time, building the client base. It doesn't happen overnight.

The outcome isn't deploy capital – I mean, the goal isn't deploy capital. It's build wonderful businesses that use capital intelligently over time, developing with a client – mainly with a client focus on it. And I think when I look at the world today – if you look at the world, it is so big and so complex, and the capital needs, when you look at the small – we're one of the biggest small business bankers out there. But look at the capital needs of countries today, the remilitarization of the world, the infrastructure that people need. I think there'd be huge capital needs of companies, huge mergers. I mean, some of these companies, when I look at them, we're not big enough to serve them anymore.

And so, we think there will be more opportunity to serve large clients in ways that they need it over time, and that could be M&A. It could be countries. It could be helping them build the infrastructure they need. And that'll happen over time. We're not in a rush. Our preferred way of using capital is not buying back stock today. We're doing it, fair market value and all that. But I'd rather buy back stock when we think it's a real discount and the ongoing shareholder gets the benefit of buying it cheap.

Matt O'Connor

Analyst, Deutsche Bank Securities, Inc.

Q

Okay. Thank you very much.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorganChase

A

In fact, I want to remove that little thing that says cash returned to investors, which is dividends and stock buyback. I don't particularly like that, because I think it puts you in artificial position thinking that's always a good thing when it's not.

Jeremy Barnum

Chief Financial Officer, JPMorganChase

A

Okay, we'll add that to the list. Next question?

Operator: Thank you. Our next question comes from Glenn Schorr with Evercore ISI. Your line is open.

Glenn Schorr

Analyst, Evercore ISI

Q

Hi. Thanks very much. That last comment leads into my question. I'll just merge my question and follow-up together, because it's easier. So, those things that you just mentioned, Jamie, on the big capital needs, some of those are very long duration. I'm curious on how much you think of that plays into a long duration private markets balance sheet or can big public banks finance that? And so, you mentioned in your letter, the market might be a little too relaxed about higher for longer rates. And I'm curious how you see that playing into all these direct lending, BB and B credits that need to get refinanced. And while we're at it, the follow-up is, can you size your private credit exposure? So, sorry to smoosh that all together, but I'll end it on that.

Jeremy Barnum

Chief Financial Officer, JPMorganChase

A

So, Jamie, sorry, if you don't mind, let me just answer Glenn's second question first, because I think it would be useful for the market to have the size number out there.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorganChase

A

Right.

Jeremy Barnum

Chief Financial Officer, JPMorganChase

A

So, I'll do that quickly, and then if you want to take the first part of the question. So, Glenn, let me just frame this in context, because I think the question of private market exposure and the definition of that, it means, as you know, a lot of different things to a lot of different people. So, let me just quickly run through. You'll remember last quarter, we did a walk in the context of NBF1 from the \$330 billion in the Call Report to the \$160 billion that we consider core NBF1 exposure, which we defined in that context. I won't go through that again.

So, inside of that \$160 billion, there's about \$50 billion that we would call private credit, and it's essentially the portion of that \$160 billion of NBF1 which involves leveraged loan investors. So, that's some of the stuff that we've been talking about on this call in terms of back leverage and BDC lending that has all these characteristics in terms of underwriting diversification, cash flow trapping, et cetera, which is why we're broadly comfortable with it.

So, I just thought it would be worth sizing that in that context. There are obviously other pieces of that like direct lending or subscription lines that are variously in or out of very different measures, and that you could consider like in a broader definition. But our sense is that the thing that people are interested in is this kind of like leveraged loan, back leverage type stuff, and that's about \$50 billion for us. So, with that, I'll hand it back to Jamie for the first half of the question.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorganChase

A

Yeah. So, the way I'd look at it, so banks aren't going to warehouse very long-dated stuff in their balance sheet. But when you have investment-grade or even large non-investment-grade, private markets and public markets are going to come together. There's going to be – people have to make markets with those things, do research on those things. I think it's going to be harder for private credit to do, not all of them, but to do large investment-grade stuff, though they've done it. But like I said, they have to compete with us on that, and we're willing to do it too.

We always take the customer view. If they want to do a large direct lending investment-grade deal, we will present that side-by-side with a bank syndicated loan or something different. But I do think you're going to see a lot of creative capital, a lot of creative financing. A lot of institutions out there need long-dated assets. Think of pension plans and Social Security plans, all these various things like that. So, our job is to intermediate, to come with ideas to turn it over, sometimes put it on the balance sheet. The stuff in the balance sheet will be shorter dated. But it's all opportunity.

And I think the requirements of the world are going up fairly dramatically in the infrastructure – infrastructure writ large, and almost everything is infrastructure today, utilities and roads and bridges and data centers and GPUs. And so, it's all there. But we're going to do a great job serving clients. And so, we're not worried about that. But I do think you'll see, in certain categories, private markets and public markets come a lot closer in how they look at values and trading and secondary markets, et cetera.

Glenn Schorr

Analyst, Evercore ISI

Q

Thanks so much.

Operator: Does that conclude your question, Glenn?

Glenn Schorr

Analyst, Evercore ISI

Q

Yeah – I just had some stuff in there – the higher for longer part and if that has an impact on some of that B, BB paper that's coming due for refinancing.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorganChase

A

Yeah. No, Glenn, that's like a basic risk management, where when you look at the world, you got to look at what's going to happen, a recession or not. I'm not talking about – I'm not forecasting anything. I'm simply saying, for JPMorgan, we have to be prepared for a recession, and that you could have stagflation. You see people mention that we have to be prepared for stagflation. Obviously, if you have stagflation and

Jamie Dimon

Chairman & Chief Executive Officer, JPMorganChase

A

higher rates for longer and credit spreads gap out, that will put a lot of stress and strain on leveraged companies as they refinance. And those get fixed.

Sometimes, people put more capital to credit, sometimes reduce their CapEx plans. It's not an immediate disaster overnight, but it would put a lot more stress and strain on people. And I pointed out that if there's a credit cycle, I do expect it will be worse than people think relative to the scenario. It's not a disaster. We're used to credit cycles. We'll be big boys about it. But asset prices go down, credit spreads go down, people may get a little nervous about some of those things. We don't think it's systemic. That's more, I would put, in the category of traditional recessionary behavior.

Glenn Schorr

Analyst, Evercore ISI

Q

All right. Thanks for all of that. Appreciate it.

Operator: Thank you. Our next question comes from Jim Mitchell with Seaport Global Securities. Your line is open.

Jim Mitchell

Analyst, Seaport Global Securities LLC

Q

Good morning. Just maybe a quick question on investment banking. It seems like activity held up pretty well in March. But just wanted to get your thoughts on that. Has there been any pushing out of – any pause on activity levels and pushing out of the pipeline? Just any thoughts on the pipeline and how you're looking in the near to intermediate-term? Thanks.

Jeremy Barnum

Chief Financial Officer, JPMorganChase

A

Sure. Yeah. I mean, I think it's true that activity held up well. The other thing that I think is worth noting is that some of the robust result this quarter is the result of actually accelerated timing on M&A deal closure, and some of that was as a result of faster-than-expected regulatory approval. So, that's obviously all to the good, but I think it's sort of unrelated one way or the other to like overall sentiment.

On the question of overall sentiment and the pipeline, I would describe it as resilient, maybe surprisingly resilient given everything that's going on. But I also think the timelines in the Middle East are kind of quite short. There are deadlines or negotiations. I think it's reasonable for people to kind of proceed with their plans in the hope or maybe expectation that we get relatively quick resolutions. But if things start getting derailed, I would be surprised if you didn't see some impact on sentiment and on deal decision-making. But for right now, it seems quite resilient.

Jim Mitchell

Analyst, Seaport Global Securities LLC

Q

Okay. And just a follow-up on the balance sheet growth in Markets. It has been strong, I think up over 20% year-over-year. Would you say when you think about the impact of the GSIB surcharge on JPMorgan specifically, does that start to impinge your ability to grow that as much as you want? How is that factoring into your capital decision in the Markets business?

Jeremy Barnum

Chief Financial Officer, JPMorganChase

A

I think the short answer is yes. And that's a big part of the reason that...

Jim Mitchell

Analyst, Seaport Global Securities LLC

Q

Yeah.

Jeremy Barnum

Chief Financial Officer, JPMorganChase

A

...we spent the time that we spent today talking about the problems with the surcharge. It disproportionately accrues to the Markets business. It disproportionately accrues to the relatively low risk density type of stuff that the client base really needs and wants these days. And that's why we think it's important that regulators think very carefully about what they're actually trying to achieve here.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorganChase

A

I'll add one other thing. We will obviously use our brainpower to do something I don't like doing, which is trying to find a lot of ways to serve our clients properly and reduce the GSIB charge, which is usually called arbitrage. So, I'm not sure the outcome is great for the system, but we will find ways to do it.

Jim Mitchell

Analyst, Seaport Global Securities LLC

Q

Okay, great. Thanks.

Operator: Thank you. Our last question comes from Kunpeng Ma with China Securities. Your line is open.

Kunpeng Ma

Analyst, China Securities

Q

Thank you. Good morning. Thank you for taking the time. This is Kunpeng of China Securities. I have a quick follow-up on private credit. I totally agree with Jamie that there's no systematic risk at this moment as long as we assume the – every type of capital expenditures continue with good yield outlook. So, it comes down to company-specific questions like how does JPMorgan ensure its capability of selecting the top-tier projects? How do you ensure you stay with those good guys and stay away from those bad guys? Thank you.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorganChase

A

Yeah. So, we are quite disciplined on credit. There's certain things we turn down because we don't like the covenants, the underwriting or the ability to move assets out of the secured company or something like that. And we're perfectly willing to have our balance sheet go down. In fact we think credit is getting stretched, you will see us not make loans, not because we don't want to, we're just not willing to meet those terms.

And so, that's how we do it. We underwrite – when it comes to most clients, including private credit, we underwrite the company, the loans, the covenants, all those various things. And credit is a discipline. Like I said, loans, all of them are an outcome of doing good business. Sometimes, if the loan book drops 10% next year, we would be completely fine if we thought the loans that we're walking away from were irresponsible.

Operator: Does that conclude your question?

Kunpeng Ma

Analyst, China Securities

Q

Thank you. Thank you, Jamie.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorganChase

A

Great. Thank you.

Jeremy Barnum

Chief Financial Officer, JPMorganChase

Thanks very much. Thanks, everyone.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorganChase

Thanks, everybody.

Operator: Thank you all for participating in today's conference. You may disconnect at this time, and have a great rest of your day.

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