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TRANSCRIPT

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JPMorgan Chase & Co.

MANAGEMENT DISCUSSION SECTION

Gerard Cassidy
Research analyst, RBC Capital Markets, LLC

Thank you, everyone. Our next presentation comes from JPMorgan Chase. I think many of us remember Sarah in her former role as Head of Investor Relations. And you might recall back in April of 2016, she was made the Chief Financial Officer of the Consumer and Community Banking group. Prior to that, she was in the FIG Investment Banking area for over a decade. So, we're quite pleased to have you with us, Sarah, so thank you for coming.

Sarah Youngwood
Chief Financial Officer of Consumer & Community Banking, JPMorgan Chase & Co.

Thank you, Gerard.

QUESTION AND ANSWER SECTION

Gerard Cassidy
Research analyst, RBC Capital Markets, LLC

Q

Consumer banking is, obviously, one of the strong areas for JPMorgan Chase. And being one of the largest in the country, can you share with us the current macro environment that you guys are seeing for the consumers? And do you think that driver of economic performance that we're seeing from the consumer will continue into 2020?

Sarah Youngwood
Chief Financial Officer of Consumer & Community Banking, JPMorgan Chase & Co.

A

Yeah. So, we have a strong consumer; cycle has been in the eleventh year. You see that in the data. The unemployment is just off the 50-year low at 3.6%. The housing market is actually helped by this rate environment. Consumer spending, that's one that we have a lot of data on, both data on debit and on credit, and that's really strong – extremely strong. Consumer sentiment is not at the peak anymore, but it's still in the upper third percentile when you look at it in the context of 10 years. So, there is really nothing that is worrisome there, although the data is less consistent.

So what we're watching is really the geopolitics, trade war, Brexit. And in general, geopolitics actually do not translate into correlation with the stock market, but trade war is actually entirely correlated to the stock market. You can do the chart and you'll see that. And that's normal, because it translates into CapEx, into manufacturing. And so, the business indicators are weakening and that could translate into the consumer, but today, we haven't seen any of that erosion. We're seeing very good strength, but of course, we're watching.

Gerard Cassidy
Research analyst, RBC Capital Markets, LLC

Q

Yeah. And similar to other conversations, if there are questions from the audience, please don't hesitate to raise your hand. Speaking of credit, can you share with us – obviously, credit is very strong, today, in the consumer, as you know. What are some of the underlying trends? Are there any early signs that you guys are watching to say that maybe auto has got greater delinquencies than you would have thought, or – how are you measuring that and what do you see?

Sarah Youngwood
Chief Financial Officer of Consumer & Community Banking, JPMorgan Chase & Co.

A

So not surprisingly, we have a very strong customer. We have very good consumer credit data; not just for us, but also, in general, for the industry. And we look at it, really, with everything we can see, both in terms of internal data, external data. The debt levels are strong, but of course, the debt burden levels are low. And when we look at it by sector, we look at the card where the back books are very stable. We can see that in the trust data. And there, you see, of course, a little bit of increases in the rates, but we're not seeing that as a sign of deterioration. Several other companies like us have maturing vintages, and that is as expected.
On auto, you mention it; we are actually really seeing a bifurcation. There are players like us that are very conservative, and there are people who are more aggressive on underwriting. So we would watch that, especially some of the longer tenures. And on some of the other things

that you would be potentially worried about is people who lend and who have not done that through the cycle. Fintechs who have gotten into lending, and the student lending industry has had a lot of growth

Gerard Cassidy
Research analyst, RBC Capital Markets, LLC

Q

You mentioned the seasoning of credit cards. Can you share with us – how long does that take? When you issue new credit cards, when do you guys see that seasoning effect, and how do you underwrite to mitigate that drag, possibly, on earnings when it shows up?

Sarah Youngwood
Chief Financial Officer of Consumer & Community Banking, JPMorgan Chase & Co.

A

Yeah. So basically, we underwrite for portfolios to be resilient and for them to be resilient through the cycle. We expect that curve and we, of course, look at it by vintage for each of the portfolio. And we don't have an answer that is always consistent for every single loan, but for each type of portfolio, it could take a year, it could take 18 months. And we know that, based on our data, and we track it. So we definitely take it into account from the get-go, but we really underwrite based on the cash flows and the capital requirements.

Gerard Cassidy
Research analyst, RBC Capital Markets, LLC

Q

And speaking of – there's a question. Yeah?

Unidentified participant

Q

[indiscernible] (4:34-4:42)

Gerard Cassidy
Research analyst, RBC Capital Markets, LLC

Q

If you could repeat the question...

Sarah Youngwood
Chief Financial Officer of Consumer & Community Banking, JPMorgan Chase & Co.

A

So if rates – I'm repeating the question. If rates stay flat, what will be the revenue driver for the consumer? So the revenue driver is complicated to say for somebody like JPMorgan, who has actually a diverse stream of earnings, but we are seeing good growth. For example, in credit card, you have seen us have healthy growth, and that is not rates-driven. That is entirely what we are doing. We talked to you about $250 billion of credit that is within our credit box, but that is on our customers and that is not with us. So those are our existing customers. It is our credit box and we can properly continue to do that, and we have been doing that successfully.

We're seeing growth in our existing customers. So it could be volume growth, volume growth on deposits. And you know that we have been investing for many years into many different initiatives that drive not only engagement, but also the opportunity towards new markets. And I'm sure we'll speak about new market expansion.

Gerard Cassidy
Research analyst, RBC Capital Markets, LLC

Q

Sure. Any other questions? Coming back to credit cards, years ago a popular product for many of the banks was to offer these transfer balances for zero percent interest for 18 months ...

Sarah Youngwood
Chief Financial Officer of Consumer & Community Banking, JPMorgan Chase & Co.

A

Yeah.

Gerard Cassidy
Research analyst, RBC Capital Markets, LLC

Q

What's the popular – today, what do you find consumers most interested in? Is it the cashback card, points cards? What are you guys seeing in that benefit to the consumer?

Sarah Youngwood
Chief Financial Officer of Consumer & Community Banking, JPMorgan Chase & Co.

A

So the customer is looking for value today and value over time.

Gerard Cassidy
Research analyst, RBC Capital Markets, LLC

Q

Correct.

Sarah Youngwood
Chief Financial Officer of Consumer & Community Banking, JPMorgan Chase & Co.

A

And that's a little bit different than what we had at the time of the cycle, where it was all about immediacy, the immediate zero rate balance transfer. We have drastically reduced our balances of balance transfer. And even when we do it, we do it with a sense of engagement.

If you look at what we've done on Sapphire, for example, there was an appeal to the high immediate reward, but there was a lot of value and there is a lot of value in the ongoing relationship. And we think that the customer has learned that it is not a one-time miracle, but it is important to generate that value over time. And because they like to engage with our products, they see that benefit and we share that transparency with them, and they benefit from it.

Gerard Cassidy
Research analyst, RBC Capital Markets, LLC

Q

Yes.

Unidentified participant

Q

[indiscernible] (7:07-7:56)

Sarah Youngwood
Chief Financial Officer of Consumer & Community Banking, JPMorgan Chase & Co.

A

We think of the consumer revenue as the full picture. And so, it can be fee; it can be NII. If you think, for example, about what we've done in terms of the deposit value proposition from the customer, we are not going for a higher fee in that regard, but we are going for the customer experiencing the full value of our ecosystem and, therefore, choosing to bank with us even if, for example, the rate may not be as high as some competitors. And so, the customers choose to be with us, and then they pay us in ways that work for them. And for us, we are not particularly managing whether that needs to come in the fashion of fees or in the fashion of NII. It's really the full value of the relationship that we are focused on.

That being said, there are also streams that could come from offers, for example; so, if we give customers money in their pockets. We have had 100 million activated offers in a product that we recently launched. That is beneficial from the customer and, therefore, they value it in their relationship; and in turn, that turns into profitability for us. So, it's really about generating those streams of revenues across the board.

Unidentified participant

Q

[indiscernible] (9:23-9:11)

Gerard Cassidy
Research analyst, RBC Capital Markets, LLC

Q

Can you repeat the question?

Sarah Youngwood
Chief Financial Officer of Consumer & Community Banking, JPMorgan Chase & Co.

A

So there is a question on CECL and the question is, really, as this standard gets adopted, will the returns change – will the cash returns change because of the increased capital requirements? And how will that affect credit, risk appetite and the availability of credit for consumers, for us, and particularly, for the monolines, who may not have the diversification that we have?

So the answer here is nuanced, and I think you pointed it out in the question. The cash flows themselves have not changed. So the simple answer should be that pricing, risk appetite do not change. But to the extent that there is higher level of reserves that are required and those higher levels come into stress, that can create higher levels of capital requirements, especially, if it gets integrated, in certain ways, in CCAR. And to the extent that those levels of requirements become the binding constraint, then you would see that, over time, translating into risk appetite and into credit availability or pricing.

We believe that, for us at least, it is an immediate impact that is $4 billion to $6 billion at January 1, 2020, that it leaves us very well-capitalized and totally ready, able, willing and looking forward to doing credit with our customers. But we certainly are watching the adoption of CECL into CCAR, because everything you mentioned is something that is important for the industry, depending on binding constraints and depending on the regulatory rules.

Unidentified participant

Q

[indiscernible] (11:59-12:18)

Sarah Youngwood
Chief Financial Officer of Consumer & Community Banking, JPMorgan Chase & Co.

A

Yeah. So, we had talked at Investor Day about what you could expect in terms of deposits. And at that point, we were smart enough to talk about ranges, because nobody can predict a rate path, for example. What has happened in this cycle is different than the 2004 cycle, if only because it is a different rate path. You remember 17 rate hikes, that level of stabilization at the end, and that's when a lot of the repricing happened.

So, we're not seeing that. We got nine rate hikes followed by three rate cuts, immediately. And so, mathematically and logically, there has been less repricing in this cycle. But then, what's important is that it is not just about the rate path; it's also about customer behavior. And at that time, we had said it could be more digitalization, it could be more of the acceleration that's related to the fact that deposits become scarce in liquidity requirements that values them. And therefore, we had said that could be one hand.

On the other hand, we had also said, okay, it can be less repricing because now we have more fulsome relationships, ecosystem and value created for the customer, which in turn, could reprice less. And so, we are still seeing all of the above. We, as JPMorgan Chase, have experienced very little repricing. First of all, because of the rate path, but second of all, and we believe, because of the investments we have made in inelasticity, really, in customers choosing us despite the fact that we are not necessarily the best rate price; and really, considering into the pricing and into the value proposition all of the things we do for them, and not just price.

So, we have seen deposits repriced a little bit more at the beginning of this year as it was looking like rates continue to go up, and that's for the industry. And that slowed down more recently, now, with the rate cuts, which is logical. And for us, we've been able to maintain the primary relationship, the growth and, importantly, the value to shareholders.

Gerard Cassidy
Research analyst, RBC Capital Markets, LLC

Q

Sarah, talking about deposits, the FDIC comes out once a year with their deposit market share numbers and it's hard for us to parse through what's consumer, what's non-operating commercial. So, can you share with us, maybe, a little color about your retail deposit market share growth that you've seen over the last few years?

Sarah Youngwood

Chief Financial Officer of Consumer & Community Banking, JPMorgan Chase & Co.

A

Yeah. So, the retail deposit market share is 9.3%. And if you compare it to 2015, it's up one percentage point. I think there's a lot to be proud of for that because this is a very fragmented market, and so one percentage point is a lot. And we've achieved it in a way which we're very proud of. It's in all of our top markets that we have seen increased market share. We've done it without increasing the share of branches.

We have branches in our market that are at 13% of branch share and our deposits are at 17% share. So clearly, we're getting a lot more deposits for each branch and we're continuing to evolve that. And what we are seeing in terms of that market share is that it worked very, very well at the time when rates were low and you saw us at two times the industry deposit growth, and as the reprice started and – that nine rate hikes that I was referring to, we continued to maintain. And even at the time when there was more reprice, we saw the core relationships stay with us.

We maintain our primary relationships and that's really important, because we're not after the last dollars, but we care a lot about maintaining the focus on our primary relationships and that is going very well for us.

Unidentified participant

Q

[indiscernible] (16:28-17:00)

Sarah Youngwood

Chief Financial Officer of Consumer & Community Banking, JPMorgan Chase & Co.

A

Yes. So we have, as a firm, $11.5 billion in tech spend and about half of that is in investments. It's really hard for regional banks to put on numbers that are that caliber. And the consumer business is spending a lot in all of the things that you're talking about in making sure that we can have an ecosystem that works for our customers in catching the customers in the way they want to be served, whether that is digital or in the branch or in their homes. Even if they want to use a check, we actually help them do that efficiently for themselves and for us.

And so, it's very hard for a smaller regional to make the right investments, as we do, in, first of all, the foundation, like cyber, the fraud risk. We use machine learning. We use, really, tools that are very sophisticated. For example, Zelle is an important advanced technology play, but as we move to real-time, it's very important to have the right fraud models behind it and we invest in that; and, we've been doing it for a while. It's very mature.

And so, it's not just that we have 36 million active mobile customers, that we're the number one and the fastest growing, although that's good, it's also that we have a leading share with the millennials, that we serve the customers they want to be served, that we invest in security, that we invest in the fraud, that we invest in the new advanced technology. There is a lot to do and, yes, it is harder if you don't have the budget to do it.

Unidentified participant

Q

[indiscernible] (18:41-19:12)

Sarah Youngwood

Chief Financial Officer of Consumer & Community Banking, JPMorgan Chase & Co.

A

Yeah. So the answer is, yes, as you can tell by our numbers and the leading share that we have. Whereas you can get the offering if you are plugging in all of those – all of those pieces of the ecosystem can be added and plugged in, but it's not the native experience that you are going to get if you actually created it all together in an ecosystem that is meant to work for the customers.

And so, there is a difference between those slivers of experiences, which work all very well in their own right, and the integration of those experiences into a bundle that is an ecosystem that works for customers, that not only provides the same capabilities, but potentially more capabilities, and all of that being really integrated. And what we have seen is that the customers actually are telling us, in coming to us rather than in those, that they are seeing a difference in the way it works.

Gerard Cassidy

Research analyst, RBC Capital Markets, LLC

Q

Sarah, maybe you can share with us – obviously, JPMorgan is now expanding de novo in a number of markets.

Sarah Youngwood
Chief Financial Officer of Consumer & Community Banking, JPMorgan Chase & Co. **A**

Yeah.

Gerard Cassidy
Research analyst, RBC Capital Markets, LLC **Q**

Could you share with us how that's moving and what markets, at least initially, are turning out to be really attractive, maybe better than expected?

Sarah Youngwood
Chief Financial Officer of Consumer & Community Banking, JPMorgan Chase & Co. **A**

Yes. So the market expansion, so far, is early days; 50 branches open. We'll be at 90 by the end of the year and it's going very well. Our deposits are growing about three times faster than some of the plans that we had put in.

Now, I wouldn't go ahead and update models, but it's just – because it's very little and it's an investment that should take a lot of time. But it's really important to see that the thesis that we had in going into those markets is actually strong. In fact, there is one branch that I'm going to later today that is right here. And so, what the thesis was, was we can put the branches in the right places. We've got card data and we put the branches exactly where needed; we put the ATMs exactly where needed.

The second thing is we have digital account opening. So this is the ability for customers to open before we arrive into those market expansions; and, two-thirds of the accounts in new market have been actually digital. That should probably level off as we continue to expand, but a great accelerator.

And the other thing we have, and which we knew we had, but which we maybe underestimated the power of, is 6 million current customers in those markets. And so, we are known not just as a brand, but they have experienced us. They already have our app. They already know how we operate. They already trust us, and they're coming to us in a meaningful proportion. And so, it's going really well, but it is early days and we're going to continue to go at it.

Gerard Cassidy
Research analyst, RBC Capital Markets, LLC **Q**

Is there any timeline that you guys have established that you hope these markets reach their internal profitability targets? Is it five years out, three years out, two years out? Can you share with us any color there?

Sarah Youngwood
Chief Financial Officer of Consumer & Community Banking, JPMorgan Chase & Co. **A**

We're not sharing a specific number.

Gerard Cassidy
Research analyst, RBC Capital Markets, LLC **Q**

Okay.

Sarah Youngwood
Chief Financial Officer of Consumer & Community Banking, JPMorgan Chase & Co. **A**

We would simply say that it's going better than expected, and so you would see good timelines versus your expectations.

Gerard Cassidy
Research analyst, RBC Capital Markets, LLC **Q**

Yeah. One of the interesting developments in our country, of course, is the establishment of national nationwide banks like your own and Bank of America. Can you give us any insights on the branding power that this is giving you? You just touched on how you have a bunch of customers, already, in these markets. How important and what can you build upon with this branding, again, nationwide?

Sarah Youngwood
Chief Financial Officer of Consumer & Community Banking, JPMorgan Chase & Co.

A

Yeah. I've been at JPMorgan for 22 years and when you look at the power of the Chase brand and how it has changed over the last 10 years, it has been spectacular. And it's not just the investments in marketing, although we do spend billions of dollars in marketing, but it's also how we insert ourself into doing good for the communities, and – whether it's the work we have done in Detroit, $200 million, whether it is what we are doing when we come into a market, and we have actually been very involved in some of our new markets. We have a brand that doesn't just represent financial institutions, but it's, we have your back. We are going to take care of you. We're going to help you for your financial journeys. And this is a brand that works very well, also, for young people, and this is something we're very focused on. And so, it's a great brand. It's a beautiful brand and it's one that has served us well that we invest a lot in.

Gerard Cassidy
Research analyst, RBC Capital Markets, LLC

Q

When we look at consumer banking, we've heard much from yourself, just now, and others about how important the digital experience is. Can you share with us what percentage of the customer base is using the digital channel and what are some of the more – the uses of the channel and where is the real growth potential coming from that digital experience?

Sarah Youngwood
Chief Financial Officer of Consumer & Community Banking, JPMorgan Chase & Co.

A

So we're seeing a usage that is incredible in our digital channel, I mentioned 36 million active mobile, and we are also seeing that what they're doing is they're using both. And so, it is really not one or the other. And in fact, we've looked at deposits gathering if you only had digital. And in fact, we are seeing a lot more market share in primary relationships and share of wallet when people use both. And so, we really like the idea of an ecosystem where the customers don't have to say either/or, but use digital in cooperation with the humans.

And that's where the customer is in terms of its transition. We're watching for the evolution, but we are not forcing it on the customer.

Unidentified Participant

Q

[indiscernible] (25:26-25:35)

Sarah Youngwood
Chief Financial Officer of Consumer & Community Banking, JPMorgan Chase & Co.

A

Yes. So volume, continuing to go in the right direction; we've mentioned that a little bit in the other question. Margins, it depends, I would say. There are some products that see, I would say, compression in terms of margin, and that has happened over many years, but we're always creating additional opportunities. And so, for example, you are seeing in the deposit or in card that we are able to generate value of ecosystem where we are fighting those secular trends and doing a great job at it. But it's us creating the margin opportunity when there are some secular trends that are against it.

Credit is probably not going to get better; although, as I mentioned in the beginning as we were talking about the consumer, the credit is really strong today, So if you look at it in terms of the next few quarters, there is really no sign of erosion. But if you look at it in longer terms, it would be unlikely that it gets better from here. And you put all of that together, expense continues to be a lever. And it's really the structural expenses that we are after, because there are expenses like investments or volume-related expenses which are going to continue to go; and that's a really good thing to get to those higher volumes we talked about.

Unidentified Participant

Q

[indiscernible] (27:11-27:28)

Sarah Youngwood

Chief Financial Officer of Consumer & Community Banking, JPMorgan Chase & Co.

A

So in terms of the card space, it's a very strong product for us. You have seen that in our performance. It has done very well. It is a highly competitive market. It has been a highly competitive market and it is stable at this elevated level. And in that market, that gives us the opportunity to continue to compete, to continue to win. We have 23% of the volume of sales and 17% of the volume – or the market share outstanding.

And so, we have an opportunity to continue to gain, and you've seen us gain every year, really, for many years in that market. We're very proud of it. We do it very carefully and we do it in a way that creates that recurring engagement with the customer, which we think is really important, both in terms of revenue and in terms of credit.

Unidentified Participant

Q

[indiscernible] (28:29-28:36)

Sarah Youngwood

Chief Financial Officer of Consumer & Community Banking, JPMorgan Chase & Co.

A

Yes. So I'll take – one example is we talked at Investor Day, 7,000 ops people, so those were the call center reduction in operations going down by 7,000 between the year 2014 and 2018. And so, if you look at that kind of number and you continue to look at it this year, it continues in terms of the trend. And it's not just happening because we have reduced the number of transactions through technology, but also, we are able to help our call center colleagues in giving them the right information at the right time, so that they can reduce the length of a call by two seconds or so that they can deal with several types of calls instead of one, and there is less transfer for the customer. So it becomes better for the customer because nobody wants to spend too much time with us, actually, when they call us.

It's also better because, overall, it works and it's really just one of the example. Another example in terms of structural reduction would be paper. Paper is expensive and, to the extent that we have a customer that goes paperless, it's not only the paper that goes away, but it's the cost of mailing. It's the cost of handling the paper that goes with it. It's possibly some of the fast experience for the customer; of course, digital is faster than the mail.

And so, there are many things that we do to reduce structural expenses which actually end up being serving our customers better. And that's one of the things that is very interesting and a great paradigm today, which is that as we reduce structural expenses, the levers are exactly the same levers that help us serve our customers better.

Unidentified Participant

Q

[indiscernible] (30:36-30:41)

Sarah Youngwood

Chief Financial Officer of Consumer & Community Banking, JPMorgan Chase & Co.

A

We haven't disclosed that one, specifically. We think about structural expense as opposed to our volume expense and our investment expense, and we don't just think of it as fixed versus variable because everything can become variable in a longer-term period. And so, it's not something that we specifically talked about publicly, but it's something which we manage, which I manage personally as the CFO very much, and where we spend a lot of time making sure that all of the waste is eliminated. But that's not enough, because we've been at the waste reduction for a long time. And it's also really applying technology, machine learning to make sure that the capacity plans work well, that the fraud is reduced and that we do everything to make sure that it's more efficient for our customers and for our operations.

Gerard Cassidy

Research analyst, RBC Capital Markets, LLC

Q

Sarah, we touched a little bit about credit. Credit is very strong for, obviously, JPMorgan Chase and the Consumer business, as it is for the industry. Can you share with us – or do the underwriting standards change as we go – at some point, we'll probably go into a recession. Do you hold them steady or have they changed much in the past? Can you just share with us your view on underwriting and how it may progress over the next five years, if we go into a downturn?

Sarah Youngwood

Chief Financial Officer of Consumer & Community Banking, JPMorgan Chase & Co.

A

So we've been incredibly stable. And if you look – that's in the recent past. Obviously, we are much better than we might have been in 2008, 2009 at the time of the recession. But we just published our 10-Q, so you can look at the proportion in each of the FICO bands and you'll feel really good about what you see here. And this is an outcome of our decisions because we look at it at a much more granular level than that, but we really make sure that our underwriting remains extremely thoughtful and we do that with the view that today is an excellent credit environment. But every loan needs to be underwritten to be resilient and resilient through the cycle. So I don't want to say we don't mind when the cycle will turn, but we are prepared.

Unidentified Participant

Q

[indiscernible] (34:42-34:46)

Sarah Youngwood

Chief Financial Officer of Consumer & Community Banking, JPMorgan Chase & Co.

A

Yeah. So as you just mentioned, debt burden is important and maybe the absolute level of leverage of the customer, and then there is what they can afford and how much of a shock they can absorb. And we look at it for different types of customers and we try to see the proportion of customers that would actually have an issue if there was a change in either the level of rates or the level of unemployment.

There are many customers in the US that actually are not able to absorb a lot of shocks. But when we look at the underwriting, we make sure that the customers that we give credit to are customers that have the ability to repay and to sustain shocks.

Gerard Cassidy

Research analyst, RBC Capital Markets, LLC

Q

Can you share with us – another the question?

Unidentified Participant

Q

I was going to say, if you had a do-over over the last couple of years, what would you have done differently?

Sarah Youngwood

Chief Financial Officer of Consumer & Community Banking, JPMorgan Chase & Co.

A

So if you go back to, for example, the pay-to-pay, that's one where we're doing great. We are number one in Zelle. We are about on par with Venmo, but we let that space go until we got focused on it. And the good news is when all of the banks get together and get focused on something led by JPMorgan Chase, we catch up and we catch up really fast; and, we're in a great position.

But at the same time, you would say, a few years ago when it all started we could have been earlier. That's an example. It's not going to be a problem, since we have caught up. And what we make sure of in our technology investments is that we are ahead of trends. And so, it's important to have an R&D budget in our technology investments, and not just the tried and true – although, you certainly want to spend a lot of money on tried and true things – because it enables us to see if some of the trends are real trends or just something that will actually not evolve. And we're doing that very well, now.

Gerard Cassidy

Research analyst, RBC Capital Markets, LLC

Q

Sarah, as CFO, of course, of the Consumer and Community Banking group, in these last few minutes here, can you share with us what's going on in small business, and how you guys are penetrating that market and the success that you've had over the years in small business lending?

Sarah Youngwood

Chief Financial Officer of Consumer & Community Banking, JPMorgan Chase & Co.

A

Yes. So, we have 4 million small businesses that bank with us, and we feel that there is a very good value in having the small business as well as the owner of the small business as a client. They actually don't separate in their own mind. And we've done a lot of analysis on them and they actually think of their accounts as fungible; probably too much, actually. But we can help them in helping them to compartmentalize, in serving them better, in giving them the same tools so that they don't have to re-learn it, and in having their back as they grow their businesses and letting them focus on their businesses.

And so, you have seen our share in small businesses being strong, being strong in our markets, and we're very well received, also, in new market expansion. And we also have a good opportunity, in particular, on the lending side, if we think about it together, between our cards that serve the small businesses and other lending to small businesses.

Gerard Cassidy
Research analyst, RBC Capital Markets, LLC

Q

Some of the other banks that we've heard from talk about the turnaround time in small business lending on how quickly the loans are approved. Can you share with us any color on that process at JPMorgan Chase? Does it take a week, two days or – anything you could share with us there?

Sarah Youngwood
Chief Financial Officer of Consumer & Community Banking, JPMorgan Chase & Co.

A

Yeah. So we have a traditional process, which is similar to other banks, and then we have a smaller dollar credit that has a faster turnaround and that we're investing in to continue to make better. So, this is certainly something which is a real trend which we're focused on and which we're continuing to invest in.

Gerard Cassidy
Research analyst, RBC Capital Markets, LLC

Q

One of the things we heard probably five to seven years ago was that this emerging fintech sector was really going to come in and take market share from the banks. It doesn't seem to have really played out that way. They have grown fast, but as a percentage of the total picture, they're still not major players. So in your experience, what do you guys see for the nontraditional bank competition, whether it's in small business lending or the consumer?

Sarah Youngwood
Chief Financial Officer of Consumer & Community Banking, JPMorgan Chase & Co.

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The fintechs do a great job at the customer experience. They take that sliver of an experience and they make it perfect. They remove the pain points, and we've really learned from them. And at this point, I would say we compete very well at each of the bundles. But in addition, we put it together, to the point of the question earlier, into an ecosystem that actually is a bundle. So each of the unbundled experience now competes in its own right with the fintechs. And together, as a lender that has a balance sheet that stands for security, choice, consumers, we are able to put all of that and do better than that.

And I think that when you look at our leading market shares, both with the millennials and with the consumers, it is really important to see that the consumers are choosing that the financial institutions can fill that gap as long as those financial institutions do the work and spend the dollars in doing it in the way they want it done.

Gerard Cassidy
Research analyst, RBC Capital Markets, LLC

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We're out of time, and so I want to thank Sarah for joining us today. Very good job, so thank you very much.
