# JPM AT THE 2019 GOLDMAN SACHS U.S. FINANCIAL SERVICES CONFERENCE

**TRANSCRIPT**

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JPMorgan Chase & Co.

# MANAGEMENT DISCUSSION SECTION

## Richard Ramsden
*Analyst, Goldman Sachs & Co. LLC*

So it's 11:50. We're going to get started. We're delighted to have Jenn Piepszak up next, who is I think well-known to many of you, she's CFO of JPMorgan. This is, I believe, her inaugural presentation at an external conference as CFO. So thank you very, very much for joining us.

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

Thanks for having me.

## Richard Ramsden
*Analyst, Goldman Sachs & Co. LLC*

Jenn has been at JPMorgan for almost 26 years now...I believe?

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

Yes.

## Richard Ramsden
*Analyst, Goldman Sachs & Co. LLC*

And has a lot of experience working across the bank. Before assuming the role of CFO in May, she was Head of Card Services and previously ran Business Banking. So, Jenn, thank you again for joining us.

We're going to talk about a broad range of subjects, but I thought that given that this is the first time you're talking to an audience like this at a conference, it'll be very helpful just to get a brief overview of yourself, your experiences at JPMorgan. And I know you've been in the job now for roughly seven months, so I'd be very interested to hear what your priorities are now that you've been in the role for some time.

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

Sure. So thanks again for having me, Richard. So as Richard said, I've been at the company nearly 26 years. The first 20 or so years, I was in finance, mostly in the Investment Bank. I held various roles, CFO, Controller of various Markets businesses within the Investment Bank, and then ultimately I was the CFO for the Mortgage business during the height of the crisis. And then, as Richard said, I left finance for a few years. I ran our small business franchise, and then the last few years leading up to this role, I ran our Credit Card business.

So the experience has been terrific. Obviously, I have experience in the finance function, a lot certainly changed in the five years I wasn't in finance. So it's been a steep learning curve; very helpful that I have been in a number of different areas of the company. But importantly, just have received extraordinary support from across the company as I get up the learning curve.

And then, in terms of priorities, I'll just mention a few. Capital and liquidity management are perhaps obvious ones, spending time with our regulators, as well as looking at our internal frameworks as well around capital and liquidity. And then, on expenses, it is, of course, that time of year as we're working through budgets, so making sure that we are investing with discipline across the company, not just in the customer experience and in innovation, in control, in cyber, but also, importantly, in productivity. And then I would just say people. I am a strong believer of the importance of culture. And so, we're always focused on making sure that JPMorgan Chase remains a great place for our employees and then, importantly, for the thousands of finance employees that I'm now responsible for.

# QUESTION AND ANSWER SECTION

**Richard Ramsden**
*Analyst, Goldman Sachs & Co. LLC*

**Q**

Okay. Great. So, let's talk about the operating environment. So it's obviously been a pretty strong year from an economic standpoint. I appreciate things don't need to change as we head into 2020, but what are you assuming for the operating environment as we head into 2020? And as you look across the payment networks that you have, what does it tell you about the health of US corporates and US consumers? And are you seeing a divergence between the two?

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

**A**

Sure. So I would say in terms of the operating environment, I'll start with growth. We recently revised up our GDP forecast for the fourth quarter from 1.25% to 2% on stronger data. Globally, growth is slower, but at the margin, getting better. And then we have the Fed and the ECB, I would say, are both on hold as we head into 2020. And then, as we think about the environment starting with the consumer, the consumer is incredibly strong.

So, starting with credit, credit is very, very good. Think about the job market, obviously, Friday's report was very encouraging. So the labor market, very strong. Sentiment had come off the peak but we've now seen a rebound in consumer sentiment. And then, on spending, spending very strong as well. You've all seen the reports, but I can tell you on our own data, holiday to-date, holiday spend to-date, and this holiday is a little bit different because there are six less shopping days as you may have heard or feel in your personal life. But holiday spend feels very consistent, holiday to-date with what the trends we've been seeing all year, which is up about 10% year-on-year. Importantly though, if you look at Black Friday through Cyber Monday, year-over-year, we're up nearly 20% for Black Friday through Cyber Monday. So look, we have to wait to see how the holiday plays out in the fullness of time; but very consistent with what we're seeing broadly across the US consumer which is very strong.

And then on the business side, I would say there are some cautionary signs, but things at the margin are improving or at least have improved since the summer. And that includes CEO sentiment, I would say. So there are certainly some cautionary signs, but marginally better from where we were in the summer. And then there's the backdrop of uncertainties. So trade would of course top the list there. But the elections in the US will contribute to, you know, an uncertain environment in 2020. So overall, I would say we feel very good heading into 2020, but no doubt there will be a backdrop of uncertainty.

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**Richard Ramsden**
*Analyst, Goldman Sachs & Co. LLC*

**Q**

Okay. Got it. Okay, so let's talk a little bit about some of the growth objectives. And I think it's fair to say that there hasn't really been a business that you haven't grown market share in over the last three or four years at JPMorgan. So from here, where do you see the best opportunities to broaden the franchise and which markets or products do you think are going to generate the best risk adjusted returns on a three- to five-year view from here?

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

**A**

So, I would say across the company thematically it's building on our scale and then deepening with existing clients or customers. And then from a line of business perspective, just starting with Consumer & Community Banking; in the Consumer Bank, building on our scale with the market expansion here in the US. In Card, we still have significant opportunity with lending. And there, we don't even need to take share to grow because we have the secular tailwind of the electronification of cash which will contribute to growth; although I do think there's still opportunity to take share there.

And then from a deepening perspective, we have 40 million credit card households and a little less than a third of them have a multi-LOB relationship with us. Mortgage has also proven to be an effective tool for us for deepening into D&I. In fact, we're seeing a meaningful portion of our deposit growth in the Consumer Bank coming from customers who were previously Consumer Lending-only customers; so real opportunities in CCB for both building on scale and deepening.

And then in CIB, I would start with Wholesale Payments. Wholesale Payments is an opportunity for us both to continue to build on scale, as well as to use the platform as an opportunity to deepen with existing clients. China, a big opportunity for us. And then just surgically hiring in markets where we're relatively underpenetrated around the world is still an opportunity for us.

In the Commercial Bank, international expansion, and there, of course, we're building on the existing infrastructure that we have in the Investment Bank. And we have a really strong partnership between the Investment Bank and the Commercial Bank on IB fees. In fact, last year, 40% of our IB fees in North America came from the Commercial Banking segment.

And then, lastly, in AWM, International Private Bank is an opportunity for us and high net worth is a segment where we are relatively underpenetrated and so have opportunities there. So I would say we still have opportunities across the franchise for growth.

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## Richard Ramsden
*Analyst, Goldman Sachs & Co. LLC*

**Q**

I think one of the more interesting expansions that you've talked about is the geographic expansion on the retail side, and I know at the Investor Day, you talked about moving from covering 69% of the US population to 90% over a three-year period. And I know that is now quite some way underway. So can you talk a little bit about, I guess, two things, the first is how do you differentiate yourself in those markets, and as this expansion is now further underway, how are the returns and growth turned out relative to your expectations before you moved in?

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

**A**

Sure. So there, just as a reminder, by the end of this year, we'll have 80 or 90 branches open in our expansion markets, and these are really powerful opportunities for us. So Boston, DC, Philly, North Carolina, Virginia, Minneapolis, so really, really exciting markets for us. It's early days but exceeding our expectations as we look at historical performance for new branches; so lots more to come in terms of how the returns are looking.

But then how we differentiate ourselves? Interestingly given our Consumer Lending franchise has more of a national footprint, our brand is already differentiated when we enter these new markets. And we have the data from our Consumer Lending franchises to know an awful lot about our customers to be able to position those branches for success in these new markets.

And then I would say people and community engagement. So we're being incredibly thoughtful and deliberate about taking top talent market managers that are internal and transferring them to these new markets but also hiring really, really extraordinary talent in these local markets. It's very important for us to make sure that our branches always feel local in the communities that they serve. And so, community engagement is another way in which we differentiate ourselves. In many of these markets, we already have leadership on the ground in the Commercial Banking franchise and we can leverage that for community engagement.

And then I would say our capability, our digital capabilities. It's interesting what we're seeing is that in our national footprint, we have less than a third of our new accounts being opened digitally – in expansion markets, that's closer to two-thirds. And I think that tells us a couple of things. One, it tells us that of course customers love our digital capabilities. But I think it's also a proof point for the fact that our brand is already differentiated when we enter these markets because we see that customers are willing to engage with us before we have a fully mature footprint of branches in these new markets.

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## Richard Ramsden
*Analyst, Goldman Sachs & Co. LLC*

**Q**

So can you just expand a little bit on the branch strategy? It is different to what we've seen in the rest of the industry. I think your branches are flat. Over the last couple of years, the industry is down around 5%. Can you talk a little bit about what that difference is? Is that all because of this geographic expansion? And then secondly, as the world becomes more digital, how are you viewing the value of the branch distribution network. How is that evolving?

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

**A**

Sure. So, of course, some of it is because of the market expansion. But as we've always said, we believe very strongly in our omni-channel approach. Having said that, that doesn't mean we don't have extraordinary discipline around the physical branch footprint. And so while the headline number may not be moving very much, the constitution of the branch network changes all the time. So we have consolidations, we have new locations, we have changing the format, and then of course we have market expansion. So there's a lot of velocity in that footprint and a tremendous amount of discipline in how we think about the footprint.

And it's important to note that only – I mean less than a handful of our mature seasoned branches are not profitable. But as you say, it's not just about the physical footprint; it's about what's going on inside the four walls. And that is truly transformational. Just a couple of fun facts, 80% of our transactions are now through self-service channels. And over the last few years, we've seen teller transactions down 40%. So it really does give us the opportunity to leverage that capacity for higher value-add engagement with our customers inside the branches. So, definitely seeing that the branches become more efficient.

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### Richard Ramsden
*Analyst, Goldman Sachs & Co. LLC*

**Q**

Yeah. So just on the subject of efficiency, your efficiency ratio has improved 300 basis points over three years; so basically, 100 basis points a year. You're very close to the 55% target that you set out. Can you talk a little bit about where you see the best opportunities to drive further efficiency improvements from here because it does feel as if you've done a lot already? And then, secondly, if the revenue environment does deteriorate, how are you going to think about driving operating leverage versus investing in the franchise?

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

**A**

Sure. So, first, Richard, you mentioned that we're very near the 55% target; and I'm proud to say that that was both through revenue growth as well as expense efficiencies. Given the ratio is a function of both, it is true that in any one year, that ratio might be a little bit higher or a little bit lower but 55% feels like a good place for us. In terms of the efficiencies, we continue to see opportunities for further efficiency. Just a few examples, if you think about robotics and the opportunity that presents to replace repetitive processes; you think about machine learning and AI, we're in the early innings there. But there, machine learning and AI can assist in decision making processes like fraud. That's a great use case for us. We've seen a lot of efficiency as a result of that.

Our developers can become even more efficient, leveraging cloud technology. As I mentioned, in terms of the self-service capabilities that we've offered to our customers that, of course, reduces the cost to serve, and our call centers are getting more and more efficient. So we continue to see opportunities. And in terms of the revenue environment, I would say we are getting after all of these opportunities with urgency regardless of the revenue environment. We always say that we're not going to change the way we run the company because of a temporary revenue headwind.

Having said that, if there were something other than temporary that we needed to respond to, there would be some very natural levers, of course, volume-related expenses, compensation. But our investment portfolio is significant and a meaningful portion of it can be re-decisioned on an annual basis; and so, that would be an opportunity as well. But I can't stress enough that we get after these opportunities with a great deal of urgency regardless of the revenue environment..

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### Richard Ramsden
*Analyst, Goldman Sachs & Co. LLC*

**Q**

So within expenses, technology is obviously an increasing part of that, and the technology budget, I think, has gone from $9 billion a few years ago to $12 billion today.

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

**A**

A little bit less than that.

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### Richard Ramsden
*Analyst, Goldman Sachs & Co. LLC*

**Q**

I think – a little bit of rounding. But I think you said it's roughly going to plateau from here. I mean, what gives you that confidence just given the inflation that we've seen in the last five years? And then, secondly, is it getting to the point where you can fund increases in the technology budget through other efficiency gains within the bank?

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

**A**

Sure. So it's a great question, one that has part of the answer in the question itself, which is we have increased our technology budget significantly over the last few years and we continue to, as a result of investing in productivity, have opportunities to self-fund incremental investments. We are also investing in productivity which naturally will create that capacity for reinvestment as well.

But importantly, the reason it feels like the right number is because it's a bottoms-up process; it's not a top-down process. And so, we have a very disciplined approach to business cases and to payback periods. And then in business reviews, we are always asking the question, are we investing enough and are we investing in the right things? Are we investing in innovation, in the customer experience? Are we investing in the non-negotiable things like control and cyber? Do we have enough in R&D? Are we looking around the corner and thinking about the future? And are we investing in productivity? So I would say all of that is the reason why that feels like the right number for us. But if we think we need to invest more we will, but we will do it with the disciplined process that we always have.

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## Richard Ramsden

*Analyst, Goldman Sachs & Co. LLC*

**Q**

Okay. So let's talk a little bit about net interest income and the impact of lower interest rates. We've had three rate cuts this year. If we look at your net interest margin is down, I think, 16 basis points since the first quarter. What is your ability to offset some of the impact of falling rates either through cutting deposit prices or through better asset growth or other things that you can do?

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## Jennifer A. Piepszak

*Chief Financial Officer, JPMorgan Chase & Co.*

**A**

So, there, I would say, betas are largely symmetric. And so, if we look across the company starting with retail, we didn't have a lot of reprice on the way up. And so, of course, there's less opportunity on the way down. In fact, what we're seeing there both in the third quarter and the fourth quarter is rates paid across the franchise, tick up a little bit on mix shifts. So, customers still moving from savings to CDs. Having said that, CD pricing has come off of its peak, as you might expect.

On the wholesale side, after the first cut, we did see an opportunity for reprice and we've seen betas accelerate a bit after the second cut, which you would expect a little more so in CIB, a little less so in CB and AWM, but really behaving as you would expect. Importantly, on the wholesale side, the pricing is client by client. And so we're not going to lose valuable client relationships over a few ticks of beta.

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## Richard Ramsden

*Analyst, Goldman Sachs & Co. LLC*

**Q**

Okay. So, can we talk a bit about customer deposit growth and how that kind of fits in to what you were saying? Because if we go back over the last few years, I think you're running at roughly 2 times the industry growth rate from just a deposit growth standpoint. It has slowed to more in line with the industry, what's driving that?

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## Jennifer A. Piepszak

*Chief Financial Officer, JPMorgan Chase & Co.*

**A**

So, interestingly, in the earlier part of this year – sort of a tale of two cities. In the earlier part of this year, it felt like we were still in a stable to rising rate environment and that was the first time in the rising rate cycle that we saw a strong correlation between rate paid and deposit growth. And we invest in lifelong relationships with our customers. We bring a lot to the table beyond price. And so, we chose not to compete with the regionals on rate, and that was the right answer for our shareholders.

Interestingly, what we're seeing now after three rate cuts, the higher yielding alternatives are less attractive and we are seeing an increase in deposit growth, and assuming the rate environment holds, I would expect that to carry into 2020.

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## Richard Ramsden

*Analyst, Goldman Sachs & Co. LLC*

**Q**

Okay. The other thing that you've done as the interest rate structures have evolved is move your securities portfolio around quite a bit. I think you've added about $130 billion to your securities portfolio. That's a 70% increase relative to last year. I mean, what was the rationale behind that? What was the opportunity that you saw in terms of growing the securities portfolio by that amount?

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## Jennifer A. Piepszak

*Chief Financial Officer, JPMorgan Chase & Co.*

**A**

Yeah. So there, it's important to note that that increase was not all about adding duration; so a little more than 40% of that was us adding duration. You would expect us to add duration in the interest rate environment that we were in, in the negatively convex balance sheet that we have, and we will continue to manage the balance sheet in both directions.

The rest of it was split between agency MBS that we purchased on the back of the Home Lending loan sales and then cash optimizing cash deployment. So you can think of that as shorter duration securities.

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## Richard Ramsden
*Analyst, Goldman Sachs & Co. LLC*

**Q**

Okay. So to kind of round out this discussion on NII, you previously talked about $58 billion to $60 billion of NII being the right run rate over the next few years, given everything that you can see from a growth perspective, from a deposit repricing perspective, do you still think that's the right range?

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

**A**

Sure. So the short answer there is yes, absolutely. And so, we initially shared that at Investor Day earlier this year and you may remember that we had multiple paths of how we may get from where we were to that range. And so it is certainly fair to say that we are on a different path than we thought we would be on earlier this year at Investor Day. But it is still absolutely achievable for us. And depending upon the rate environment, we could get there sooner or a little bit later through a balance of rate and balance growth. But still feels like a good number for us.

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## Richard Ramsden
*Analyst, Goldman Sachs & Co. LLC*

**Q**

Okay. And obviously loan growth is also going to impact that number. So can you just touch a little bit on your loan growth expectations as you head into next year? And specifically, your loan growth has actually slowed in the last few quarters. So could you talk a little bit about that dynamic, what's driving it, and whether or not you think that will change as we head into 2020?

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

**A**

Sure. So, there are a number of puts and takes in our loan growth, so I'll go through it. I always have to start by saying that loan growth is an outcome not an input; although I know for many of you it's an input. So, we'll go through the details.

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## Richard Ramsden
*Analyst, Goldman Sachs & Co. LLC*

**Q**

Yeah, for us it's an input…

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

**A**

If you look at 2019, excluding Home Lending loan sales, we should be about 3% to 4% growth. I would say that assuming the environment holds, 2020 should look a lot like that even with the similar themes that I'll go through. So first in CCB, Card loan growth has been strong and very healthy. So we feel really great about what we're seeing there. It's majority existing customers and all high-quality customers. So I feel great about that growth and expect that to continue. Likewise, in AWM, we've seen strong growth; expect that to continue into 2020.

And then as you look at the Commercial Bank, there's C&I and there's CRE. And in C&I, seeing good growth where we're focused. We're focused in a few and some specialized industries in markets where we're expanding and that is partially offset by the continued run off of the tax exempt portfolio which is not surprising. And then in CRE, we're seeing good origination activity in Commercial Term Lending given the rate environment. And there, you see an offset in Real Estate Banking given where we are in the cycle, we're being cautious. And then in the CIB, it's episodic. It will be what it will be. But, largely speaking, I expect the trend, again, assuming the environment holds, to continue into 2020.

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## Richard Ramsden
*Analyst, Goldman Sachs & Co. LLC*

**Q**

Okay. So let's talk a little bit about capital level. So I think – look, a number of people have observed this which is that between the first and third quarter, you typically run above your GSIB buffer level and then you manage your balance sheet down in the fourth quarter to make sure that you don't move up a capital category. How sustainable is that especially in the context of the fact that demand for your balance sheet is growing? Would you be willing to consider moving up the capital category? And how do you think the regulators are thinking about this framework? Do you think there's an appetite to go back and revisit it given the fact that it is static and, obviously, as the economy grows, demand for bank balance sheets grows?

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

**A**

So it's a great question particularly the part about how sustainable is it. So I'll start by saying we fully intend to be in the 3.5% bucket for year-end. There are components of GSIB that we cannot control and there are components that we can. And those that we can, we treat like any other scarce resource and we are managing it carefully to the 3.5% bucket. That will become increasingly challenging, to your point, as we grow the balance sheet. And so we remain hopeful that the Fed, it will be taking a look at refinements to GSIB.

The Vice Chair made comments last week that I thought were very constructive and helpful. And so we think it's critically important that we look at the whole framework and that the whole framework be coherent. But, in particular, there are some refinements on GSIB that we think are really, really important and we remain hopeful that we'll see them soon.

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Richard Ramsden
*Analyst, Goldman Sachs & Co. LLC*

**Q**

Okay. Perhaps linked to that, obviously, we've seen this volatility in the repo market. We keep on seeing it at the year-end. That seems to become a standard [indiscernible] (00:23:27) in the repo market, but we saw it more recently in September which was new. I mean, what is your take on that? Is that just simply demand for bank balance sheets outstripping supply, and what do you think the solution is?

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

**A**

So I'd say it a little differently, I mean, there's been a lot of talk and discussion about what happened in the middle of September. I would say, at the margin, we were constrained, but that wasn't the point. The point was that there were no other stresses in the market. And if there had been, those constraints may have had a greater impact.

So in terms of what the solution is, I think, in the short term, the Fed has said and done everything they need to do. In fact, as we look at the year-end turn as of right now, financing markets look very stable, widened out a little bit in the last day or so, but still well within the range of what would be normal for a year-end turn.

So in the short term, I think the Fed is saying and doing everything they need to do. Longer term, I think it's a little bit more complicated and I think it's really important that we remain engaged with the regulators, not only on the rules and the policies, but on the interpretation and implementation of those rules. And so, we're doing just that.

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Richard Ramsden
*Analyst, Goldman Sachs & Co. LLC*

**Q**

Okay. So perhaps you can talk a little bit about the performance of your Markets business in Q4. How are they tracking relative to last year and relative to your expectation?

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

**A**

Sure. So for the Markets businesses – and then perhaps we'll take the opportunity to talk about IB fees and NII, for that matter, to get outlook out of the way for the fourth quarter. So for the Markets businesses, as you all remember, the fourth quarter of last year was particularly challenging.

So at third quarter earnings, we said we do expect to be up year-on-year. I can tell you that we expect to be up meaningfully year-on-year, both FICC and Equities, more so in FICC. I'm not going to put a finer point on it than that because we still have a lot of runway in front of us for the remainder of the quarter, but we do expect to be up meaningfully.

IB fees at third quarter earnings, we said that we thought we would be down year-over-year in the fourth quarter. We now expect to be flat year-over-year in the fourth quarter. On IB fees, the quarter has played out a little bit better than we thought largely on healthy Investment Grade flow given the rate environment. Important to note there that the wallet is shrinking; so staying flat for us year-over-year is a continuation of us taking share in IB fees.

And then I'll just take the opportunity on NII, given the rate environment has gotten a little better, a little bit more on balances. We expect to be a few hundred million higher in the fourth quarter. So call it about $14.2B in the fourth quarter relative to where we thought we'd be at third quarter earnings. So NII looking a little bit better, IB fees flat year-on-year and Markets meaningfully up.

## Richard Ramsden
*Analyst, Goldman Sachs & Co. LLC*

**Q**

Okay. Great. All right. And then perhaps we can talk a little bit about credit trends as well. Are there any concerns? Obviously, credit looks incredibly benign, but are there products that you're monitoring more closely, are there parts of the market where you think the risk return is unattractive, and/or are you pulling back in any areas or does it look pretty pristine heading into 2020?

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

**A**

I would say it looks pretty pristine heading into 2020. Having said that – and that's across both consumer and wholesale. Having said that, we manage our portfolio surgically. And so whether it's the Credit Card business or whether it's CRE, we manage the whole place at a very, very detailed level. And so to say we're not pulling back anywhere wouldn't be true, because, of course, there are always going to be cells in the consumer space that look less attractive to us. And so we would do that on a surgical basis; so no broad based pullback. CRE is an obvious place at this point in the cycle where we're being cautious.

## Richard Ramsden
*Analyst, Goldman Sachs & Co. LLC*

**Q**

Okay. So the dividends are a very important part of the investment framework for a lot of the investors in the room. Your dividend payout ratio I think reached 34% percent in this CCAR period, but you've also got a $22 billion (sic) [$29.4 billion] (27:30) authorization. Can you conceptually walk us through how you're thinking about dividends versus buybacks over the next few years, especially against the backdrop of us moving to an SCB framework where, I guess, you will be indifferent between increases in dividends relative to the buyback because you don't need to pre-capitalize dividend payments under that framework?

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

**A**

Yes. So just on SCB, I mean that's constructive in terms of what we've heard. But we don't know where we'll be on SCB until we get a final proposal. And so, we look forward to getting that. Having said that, again, the Vice Chair's comments there have been constructive in terms of the level of capital in the system feeling about right, and so we're not expecting meaningful changes in the level of capital because of SCB. But to your point, there will be details that will matter.

And then, how we think about capital allocation? That hasn't changed. And so, first and foremost, we are always going to be focused on investing and growing our businesses and then having a competitive and sustainable dividend. And only then, returning capital to shareholders through buybacks. And we think of the buyback authorization as just that, not necessarily our plan. It's not necessarily what we're going to do. We're pleased with the capacity that we have, but we are always looking at how we allocate capital in the way that I just described.

## Richard Ramsden
*Analyst, Goldman Sachs & Co. LLC*

**Q**

So let me just ask a follow-up on that. As you're getting very close to your 12% CET1 target, I mean, is that still the right number? And then secondly, that you still, as you mentioned, have got the $22 billion (sic) [$29.4 billion] (29:06) authorization. If the growth environment became more attractive, should we interpret that as you may not execute on the full buyback?

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

**A**

Absolutely.

### Richard Ramsden
*Analyst, Goldman Sachs & Co. LLC*

**Q**

Okay.

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

**A**

So if we think that there is something more attractive for us to do with that capital to invest and grow our businesses, yes, we would do that rather than the buyback, and the authorization, as I said, is just that. Our target remains the upper end of the 11% to 12% range.

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### Richard Ramsden
*Analyst, Goldman Sachs & Co. LLC*

**Q**

Okay. And then, acquisitions, I mean – I know you can't obviously buy a depository institution but there's obviously a lot of other assets that could be of interest on the technology side. Again, what's your framework for considering acquisitions and are there other parts of the franchise that you think could benefit from an acquisition today?

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

**A**

Yeah. So, I would say across the franchise, we're always looking at where we may have gaps, competitive gaps, and thinking about how we would fill them. And we always use a similar approach of can we build it ourselves or should we buy or partner? And so we'll always start with can we build it ourselves?

But in some cases, it just makes more sense for a number of different reasons to do an acquisition or to partner. And so wholesale payments, I think, is a good example with recent acquisitions there of InstaMed, which helps us fill out a gap in healthcare and WePay which really helped us to accelerate our growth in small business in Wholesale Payments.

And so, where we think it makes sense, of course, it has to be a strategic fit and we have to feel that we have a high probability of executing well on the acquisition. And of course, the financials need to make sense. But we would think about buy, build, partner and then, as we think about buy, it would, of course, have to make sense for us on a number of different fronts.

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### Richard Ramsden
*Analyst, Goldman Sachs & Co. LLC*

**Q**

Okay. So we've got a few minutes left. Let me just see if there's any questions from the audience. Okay. So we have a question here. Can we get a mic at the front? Thank you.

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### Unidentified Participant

**Q**

You have been gaining share in the Investment Bank like elsewhere. There's some signs that competition domestically may pick up. There are some players that are hiring more, like your host today, Goldman Sachs, is hiring in the middle market. I think Bank of America is hiring as well. Can you talk about going forward what you think the drivers of success in the IB are going to be and how important is technology as a part of that?

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

**A**

Right. So, obviously, bankers – and making sure that we have the best talent in our markets is going to be critically important in IB fees, so they are very, very much about people. But technology, critically important, I mean, as we think about the Markets businesses or even Wholesale Payments or Securities Services, all of those businesses are under secular margin compression. And so, scale is going to win and technology is going to really help us to build on our scale. So people and technology, probably that's been true for decades, but it still remains true as for the critical success factors there.

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## Richard Ramsden
*Analyst, Goldman Sachs & Co. LLC*

**Q**

Okay. Do we have any other – okay, we have a question over here.

## Unidentified Participant

**Q**

Yeah. Thank you. I just want – can you elaborate more on your Chinese strategy? You just got controlling share on the securities companies in China onshore. Can you let us know your key business initiatives and will we see the business onshore in the longer term in terms of investment and return perspective? Thank you.

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

**A**

Sure. So as you mentioned, we have the securities company, the license for the securities company, as well as the JV in Asset Management, both of which are still subject to a number of approvals and so we're working through those. But there's no doubt that China is an extraordinary opportunity for us and an extraordinary market, and we remain focused on building out the franchise onshore.

## Richard Ramsden
*Analyst, Goldman Sachs & Co. LLC*

**Q**

We have a question over there.

## Unidentified Participant

**Q**

In the event that you didn't have the recalibration of GSIB or minor tweaks and you see growth globally, would you go one bucket higher or would you trade off real economy growth for either securities or tighten your balance sheet towards leverage assets?

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

**A**

So it's a great question. Look, it's difficult to – we would look at it. But the next bucket, which is, again, a refinement that could be interesting to make the buckets less, there's like cliff effects in these buckets. So the bucket is 50 basis points. And so, 50 basis points across the franchise is a lot of capital to absorb. But, of course, we would look at it and make the right decision for our shareholders.

## Richard Ramsden
*Analyst, Goldman Sachs & Co. LLC*

**Q**

Okay. We have time for one more question if there is one. Okay. So we'll take the one question here.

## Unidentified Participant

**Q**

I hate to use the example of East Africa here talking to one of the largest companies in the world – banking companies in the world. But what we've seen in some parts of that part of the world there is telecommunications companies coming into the banking market and taking over significant shares of a very rapidly growing banking space for 500 million people. And I'm just curious. So we always continuously have a low-grade discussion about what fintech might be doing to banking here in the United States. Is there anything big and important that could be happening from outside the banking space such as, for example, we've seen in East Africa through the telecommunications company that we should be paying attention to? Thank you.

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

**A**

So, I would say, as it relates to competition and competitive threats, we look everywhere. We don't just look within the banking industry. And so, we are very well aware of the benefit that fintechs can bring in terms of solving customer pain points. Having said that, I think that there's real – so we learn from everywhere and only the paranoid survive. So we are always assessing competitive threats, as I said. But we bring to the table something that is very challenging for fintechs, in some cases, which is scale and a lot of capabilities and distribution.

And so what we have found over the years is that perhaps there's more opportunity to partner. And I think that that sort of landscape has shifted a bit certainly in the US in terms of opportunities to partner as opposed to fully disrupt. But as I said, we are always learning from various industries in terms of how we can make sure that we leverage our scale, fill in competitive gaps, and continue to serve our customers and solve pain points wherever we see them.

## Richard Ramsden
*Analyst, Goldman Sachs & Co. LLC*

Okay. We're out of time. So, Jenn, thank you very, very much for joining us.

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

Thank you.