2025 INVESTOR DAY

TRANSCRIPT

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JPMorganChase

MANAGEMENT DISCUSSION SECTION

Operator: Good morning. Please welcome to the stage, Mikael Grubb.

Mikael Grubb

Head of Investor Relations, JPMorganChase

Hey. Good morning. Once again, it's my great pleasure to welcome you to our Investor Day. First, I want to thank all of the sell-siders and investors with whom we engage regularly, and whose questions and ponderings were critical to shaping today's content. This year's volatile backdrop did provide some particular challenges. I woke up early this morning to check my social media feed to make sure we didn't have to hit F9 on any of the many analyses you'll see here today. Tomorrow is also our Annual Meeting and we are lucky today to be joined by our Board of Directors. For the stewardship experts in the audience, I also want to thank you for your thoughtful and independent engagement during this proxy season.

Few logistical points. Q&A, as per usual, we will have a full session of Q&A with Jamie at the end of the morning. Hopefully, that should be enough, at least for Mike Mayo's questions, but fear not, we will also have time for Q&A after each individual presentation. Of course, please review the disclaimer about forward-looking statements. And now, for the first speaker of the day, a few of you refer to him as the professor, but the course he does not teach is pablum. So, please listen, carefully, and that includes turning your cell phones to silent and face down.

Welcome, CFO, Jeremy Barnum.

Operator: Welcome to the stage, Jeremy Barnum.

Jeremy Barnum

Chief Financial Officer, JPMorganChase

All right. Thank you, Mikael. Good morning, everyone. Before I jump in, just a housekeeping item. I actually have to go to my daughter's college graduation right after I get off stage. So, I won't be here for the Q&A at the end of the session. I think you're amply served, more than enough people to answer your questions then, you don't need me, but we have budgeted a small amount of time right after I finish to handle any sort of super-burning questions that you might have that need to be answered immediately. So, we can do that right after I'm done.

So, with that, let's get started. You'll note that the next few slides will look familiar to many of you and that's not a coincidence. Consistency is part of the strategy. And so, to reiterate some of the key points of our strategic framework. We have exceptional franchises that are customer-centric and our unwavering principles position us well to support clients, customers and communities through any environment. We're focused on generating long-term shareholder value, which you'll hear more about from me shortly. And sustainable business practices, broadly defined, will continue to have an important role in our strategy as we take a rational and commercial approach to supporting our clients and growing our business.

The left-hand side of the page highlights how 2024 was another year of record revenue, even excluding the gains from the Visa B shares; and looking at recent history shows the balanced contribution across the lines of business and revenue types. The right side illustrates the breadth and depth of our franchise – across our three lines of business, we can meet individual and corporate needs throughout their lifecycle, and we're uniquely positioned to differentiate ourselves when individual and corporate needs overlap.

Calling out some key metrics. We serve 84 million U.S. customers, we have $4 trillion in AUM, over 90% of Fortune 500 companies do business with us, and we operate in over 100 markets globally. As we've said before, you cannot outgrow us. We have leading positions in most of our businesses, in part as a result of significant share growth over the last 10 years. In CCB, we have 11.3% U.S. retail deposit share and we have number one share in 22 of the top 125 markets. The Commercial & Investment Bank has unrivaled scale and can serve clients end-to-end while continuing to grow share across Investment Banking, Markets, Treasury Services, and Securities Services. In AWM, we've had 21 straight years of positive net inflows and we have $5.9 trillion of client assets.

As we emphasize on the right, our leading positions are at the root of a strategy that has produced exceptional returns for shareholders over time. You know the financial performance story well. We have consistently produced best-in-class results. Both the absolute and relative results are exceptional. The previous page showed total return and this page shows tangible book value per share CAGR, both of which are more than two times that of peers. While we are incredibly proud of these results, our focus is on the future, both operating in the near-term and being prepared for the long-term. We will continue to invest, maintain discipline and push ourselves to keep getting better.

This slide covers a number of aspects of our current operating environment, which Jamie covered extensively in his Chairman's Letter. For today's purposes, suffice it to say, we do have reason to hope for an improved working relationship between the government, regulatory bodies and the banking industry, and while we're seeing some encouraging early signs, there's a lot of work to do. More on that later. More broadly, while the news flow has been better recently, the evolving tariff environment combined with the pre-existing geopolitical tensions adds significant uncertainty into the economic outlook, and the combination of inflation and large fiscal deficits may constrain the available policy responses in ways that further increase the risk. So, in that context, let's talk about our financial outlook.

In terms of NII ex. Markets, we've assessed the various drivers over the last few days and have decided not to change our guidance from approximately $90 billion. However, we do want to acknowledge that the outlook is probably slightly better than it was at first quarter earnings. You may remember that at the time we discussed how the increase in the number of expected cuts was offset by some other factors, which on balance slightly worsened the outlook, but not by enough to warrant changing guidance.

As we sit here today, some of those headwinds are now tailwinds. The forward curve is back to only having two cuts, and the other effects are relatively muted. When you combine that with what we see in the actuals so far this year, we think the full year 2025 might end up a little better, maybe by $1 billion. But the yield curve has been very volatile recently and we'd like to see things settle down before sharpening our pencils. So, we'll reassess the formal NII guidance for you in eight weeks at second quarter earnings.

One driver that's relevant to that outlook is the impact of yield-seeking customer behavior on the interest versus non-interest-bearing deposit trend. To help us tell the story better, we've reclassified certain deposits to make the numbers more intuitive relative to what's in the supplement and created what you might call an “economic” view of the trends. Focusing on this view, which is the purple line, you see that at the beginning of the rate cycle, there wasn't much change, but as the Fed started hiking more aggressively, we saw increased movement into interest-bearing, and more recently, that movement has slowed down. We're not necessarily calling the end of the so-called “cash sorting”, but this is one data point to consider.

Now, let's turn to expenses on the next page. We still expect 2025 adjusted expense to be about $95 billion. I won't go through this page in detail, as the priorities, themes, drivers and the narrative have not really changed since we presented it at fourth quarter earnings. But you might be asking yourself whether anything has changed as a result of the environment. Obviously, our core philosophy hasn't changed. We invest through the cycle and where it makes sense for the long-term. At the same time, it's true that volume- and revenue-related expenses will naturally fluctuate with market conditions. But it's important to remember that overall actual performance in the first quarter was strong and that's a quarter of the year already booked. And even over the last couple weeks, the outlook has changed quite a bit in both directions. So, we’re just going to have to see how it plays out.

One topical development worth noting is the effect on expenses of the recent weakening in the dollar. We hedge our non-dollar revenue and expense on a net basis, and as a result, the effect of the weaker dollar on pre-tax income is insignificant. But when looking at expenses in isolation, the weaker dollar could result in some upward pressure. For the rest of my presentation, I'm going to cover some focus areas in a bit more detail. I'll start by explaining what we're talking about when we say we want to “live within our means.”

As the slide says, expense discipline is, of course, a good thing, but what you really want to do is grow profits. So, yes, our expenses have increased by $26 billion over the last five years, which pretty much overlaps with my tenure as CFO of the company. But we've also grown revenue by $54 billion, and you can see how that combines to produce the PPNR CAGRs we show on the page. You've heard this speech from us many times in the past, it's a version of the folly of looking for constant operating leverage and ever-expanding margins. We give this speech for a reason, because it's true, and clearly our results support the claim.

At the same time, we are very focused on making sure that our commitment to investing through-the-cycle is not misinterpreted by our own people. It is not carte blanche for solving every problem by adding resources. We must invest prudently and constantly to increase efficiency. And so, even though, we broadly believe the headcount increases over the last few years were healthy and necessary to support growth, we do suspect some inefficiency was introduced. So at the margin, we're asking people to resist headcount growth where possible and increase their focus on efficiency.

Of course, it should go without saying that we'll never compromise on safety and soundness, and will continue to hire and invest in the high certainty areas, where there is a link between adding employees and growing revenue. As we attack this challenge, one tailwind we believe we have is our investments in technology and AI. For the sake of efficiency, Lori, Teresa and I agreed that I would give an update on our Firmwide technology and AI strategy, as well as cover tech expense. Earlier in the year, at an industry conference, we shared our outlook for total technology spend this year, which is still approximately $18 billion, up about $1 billion year-on-year.

There are some interesting things to note in the year-on-year drivers. We are now probably past the point of peak modernization spend, resulting in a tailwind this year that is funding some of our ongoing investments in products, platforms and futures. And we do continue to see volume growth across the company drive some increased hardware and infrastructure expense. This in turn is partially offset by efficiencies. On the right-hand side, we've included some detail on investments. You'll see the majority is spent on products, platforms and features. Throughout the morning, you'll hear from the leaders of our lines of business about the specific areas where they are investing in order to drive their businesses forward.

Let's talk a bit about the strategies in tech and AI on the next page. As a firm, we continue to make progress on moving to the cloud and modern infrastructure. About 65% of our applications now run a large part of their workloads on the public or private cloud, up from 50% last year. If we include the applications that run largely on virtual servers, that number increases to 80%. In addition, we have almost completed the application migrations for our largest legacy data centers and we are in the process of dismantling the physical infrastructure in those sites. This progress in our modernization efforts continues to deliver significant engineering efficiencies, which we see through ongoing improvement in our speed and agility metrics, but we can't afford to fall behind.

Competition is fierce and innovation in AI and the cloud is making it easier for everyone to deliver features faster, and we know it's critical for us to do the same. One area we are particularly excited about is the accelerated adoption of AI coding assistance by software engineers. And just on a personal note here, I'll say that I've recently been indulging in what I've come to learn is known as “vibe coding,” a little bit, and it's actually like pretty amazing. And from what certain of my colleagues tell me who are actually trained, professional computer scientists, it actually helps them quite a bit, too, with their efficiency. So, it's not just the amateurs who are helped by these tools. It's amazing stuff and we have high hopes for the efficiency gains we might get.

Away from software development, we were early movers in AI and have been investing in it for over a decade, initially focusing on risk management, particularly in areas like fraud detection. More recently, we've significantly expanded our use of AI and are increasingly focused on driving operational efficiencies. One prominent use case is in the CCB call centers, where AI is helping our agents service our customers more effectively with tools that help them anticipate and respond faster to questions, but there are many others.

Our AI strategy is focused on balancing top-down direction, investment and leadership with democratizing access and usage in order to generate as many bottoms-up ideas as possible from the people who are actually doing the work day to day. 2024 was a pivotal year in making progress on that, with the launch of our flagship model-agnostic generative AI platform, which we call LLM Suite.

Over 200,000 employees globally have access, and on average, certain key subsets of the users tell us they are gaining several hours a week of productivity, and almost by definition, the time savings is coming from less valuable tasks, which means more time spent on value added. And as an additional benefit of this strategy, we are starting to see a number of “citizen developer” use cases go into production. While we've made substantial progress over the last decade, we are still in the early stages of our AI journey. We are focused on modernizing data, investing in scalable platforms and being at the forefront of innovation as technology evolves, positioning the company for sustained future success.

Turning to the next topic of interest, let's talk more about credit, including a bit of additional detail on the allowance. Okay. Let me draw your attention to the net charge-off lines in the historical charts. Our current results do not reflect actual deterioration in credit to any meaningful degree. On the consumer side, the increase in charge-offs is simply normalization, and in wholesale, recent fluctuations have been more driven by idiosyncratic factors. Still, wholesale net charge-offs have been extremely low since the Great Financial Crisis, and it seems unlikely that the future will look as good as the past.

Now, let's turn to the CECL framework. This is, obviously, a topic of interest that comes up regularly on earnings calls. But given the complexity of the framework and the time limitations on those calls, extensive discussion of allowance calculation details can become a distraction and has been known to occasionally irritate a certain CEO sitting right here in the front. So, let's take the time now to go through it once, and hopefully, that will make future discussions more efficient.

We design five economic scenarios which project macroeconomic variables over eight quarters in order to forecast near-term expected losses before transitioning to historical loss rates. The five scenarios consist of the central case, which is basically the modal economic forecast, the relative and extreme upside, and the relative and extreme downside, and each of these is assigned a probability.

Under standard weights, we attach half of the probability distribution to the central case and the rest is distributed to the other scenarios, with obviously more probability on the relative cases than on the extreme cases. Importantly, given the nature of the scenario construction, even under standard weights, the probability weighted peak unemployment is higher than the peak in the central case. In addition, to reflect management judgment or a different view of the probability distribution, we can change the probabilities assigned to each of the scenarios and I sometimes informally describe this as the "skew."

Moving to the current dynamics of the allowance. As of the fourth quarter, the peak unemployment rate in the central case was 4.5%, and the application of the skewed probabilities produced a weighted average peak of 5.5%. As we approached the April 2nd tariff announcement, the forecast still called for a relatively benign peak unemployment rate of 4.4%. To reflect our view of the elevated uncertainty, we changed the skew to be even more weighted to the downside scenarios, which resulted in a first quarter allowance that embedded a peak weighted average unemployment rate of 5.8%.

A question we get a lot is, what would happen if the unemployment rate actually approached the 5.8% level? Would we have to build additional reserves? The answer is almost certainly yes, but the magnitude would depend on a number of factors, including our ongoing evaluation of the amount of future uncertainty, the timing of the peak unemployment rate, and the extent and speed of the recovery from that peak. As an illustration, we have simulated an instantaneous change, which increases the central case peak unemployment rate from 4.4%, what we had in the first quarter, to 6.5%, with the increase happening over five quarters and then recovering.

Subject to many, many caveats, in that scenario we would likely need to build about $3 billion. And since we're talking about an instantaneous shock to the outlook and CECL is a lifetime expected loss concept, the build would be all upfront. It's important to note that the choice to describe this as an instantaneous shock to the outlook is quite deliberate. While we all remember the large single period changes and the actual reported unemployment rate during COVID, that's not the way a normal recession plays out. Hence the statement that the outlook changes instantly, but the actual deterioration in the unemployment rate takes five quarters, assuming the outlook materializes. And for the avoidance of doubt, this is only one scenario. There are worse scenarios that would involve significantly bigger builds.

Okay. Onto the next page, we explore the potential impact of tariffs on the C&I portfolio. Despite some optimism based on last week's news, which may be changing this week again, tariffs remain relevant. So, we're sharing some of our analysis with you. The focus of this page is the traditional C&I lending portfolio, so it excludes things like derivatives, secured financing and margin loans. Our analysis considers industry-specific dynamics, the ability to pass through costs, as well as the profitability and creditworthiness of the clients themselves.

Here, we're showing you a stylized representation of that analysis. The size of the bubbles represents the current allowance in any given sector. By using the allowance, we are essentially combining the nominal size of the exposure with its credit quality. To help you get a sense of scale, the reserves related to these exposures are $5 billion. This would be the sum of all the bubbles. The Y-axis represents the starting operating margins before the impact of any tariffs, and the X-axis is the potential impact to margins from tariffs.

What the chart shows should be intuitive. In general, companies with higher margins will have more choices about whether or not to pass the tariff impact on to consumers. Companies with lower margins may be forced to pass on price increases, which may result in market share loss or require them to absorb the cost impact and erode already thin margins, and we're showing you where our exposures are across these dimensions. So, with this chart as a backdrop, the question of quantification arises. You won't be surprised to hear that we are reluctant to get too specific, given the amount of uncertainty, both about the likely end state of the relevant policies and about the particular effect on any given client or industry.

But depending on the policy end state and how the pass-through dynamics play out, there are certainly some scenarios that would produce a notable increase in the wholesale allowance. Still, even those scenarios would be manageable for us. Most importantly, no matter the outcome here, we are committed to serving our clients through any environment and feel well-positioned to do so. One reason for that confidence is our excess capital position. The left-hand side of this page is a reminder that we have excess capital well-above our current requirements and regulatory buffers.

To recap, we began preemptively building excess capital due to a potentially worse Basel III Endgame outcome, which now seems less likely to materialize. As you've heard us say before, we view the excess capital as earnings in store and are happy to have it in this moment of uncertainty. At the same time, we recognize that at a certain point the cost of carrying too much excess might exceed the option value of holding it and we have been keeping this in mind as we adjust our buyback strategy.

So, how are we going to use the excess? The boring answer is that we'll deploy it in line with our normal capital hierarchy, which we've illustrated on the right-hand side of the page, starting from the top, risks and uncertainties are elevated in both the macro and regulatory environment, so it's useful to have a buffer to ensure that we can continue to support clients. Next is to grow our business. We're, of course, focused on growing organically, but inorganic growth opportunities are always on the table. We've recently increased the dividend and we'll continue to do so in a sustainable way that can withstand downside shocks. And at the end, are buybacks, which I've already addressed.

With that, let's cover our thoughts on the evolving regulatory landscape. We believe a robust regulatory framework should be coherent to avoid duplication, transparent, including thorough cost-benefit analysis and durable, to avoid ad-hoc changes in times of stress. Key pieces of the puzzle include: allowing modeling, so that RWA is risk sensitive; backstop measures that are appropriately calibrated to ensure they serve their intended purpose; destigmatizing discount window usage and more broadly incorporating it in liquidity and resolution requirements; resolution planning done right to enable clear crisis communication with the general public so that depositors understand where they are on the capital stack and how they are protected; as well as ensuring that institutions have the necessary mechanisms in place to fail in an orderly fashion, reducing pressure for government bailouts.

On the bottom left, we illustrate a point I feel quite strongly about. Both the global economy and our business are complicated, so an appropriate level of complexity in the regulatory framework should exist. However, there is a point of diminishing returns. Risk can never be completely eliminated and increasing role complexity can become its own source of risk. This is another compelling argument for the importance of understanding the cost-benefit analysis of any given proposed regulation before implementing it, as well as revisiting rules when they are not working as intended.

The Venn diagram on the right-hand side highlights that the overlap between the different rules covering risk sensitivity, backstop measures and systemic risk in terms of their purpose and impact is somewhat inevitable. The issue the industry has been experiencing is that, over time, the duplication and crossovers have only grown, most notably with the continued rise in GSIB scores. So, we do feel strongly that it's the right time for regulators to look back at the last 10 years of capital and liquidity rules holistically and determine what makes sense going forward. We are encouraged by recent openness on their part to evolve some aspects of this framework, but there is a lot to look at. As always, we are actively engaging with policymakers to encourage more rational outcomes during this important time.

Now, let's cover returns under different scenarios as we do every year. This page is the output of a heavily simplified representation of the company that starts from our internal outlook and generates different multiyear ROTCE scenarios based on approximate sensitivities to certain key variables, and you'll note that our economic scenarios are updated to be relevant to the current environment. Now, taking a step back, there are a few key takeaways. Even in the scenarios that produce below 17% return, returns are quite healthy, and this even includes recessionary scenarios. We are still comfortable with the 17% through-the-cycle target, and perhaps most importantly, we remain confident in delivering strong relative and absolute returns in a range of environments.

That in turn is a good segue into the next page, where I'll address in more detail how we think about the through-the-cycle ROTCE target. We often get the question of whether we should, in light of recent results and the simulations I just discussed, change the ROTCE target. It's an important question that is worth addressing in some detail, because it highlights some key elements of our capital deployment philosophy. But before going into that, I want to direct your attention to the left-hand side of the page to make the point that no matter how you slice it, 17% is an exceptional return. If you focus only on the first row, the JPM row, you might be misled into believing that this type of performance is entirely normal. But if you then look at the other rows, it makes it quite clear how truly exceptional the performance is in the context of the industry.

Now, obviously, all else equal, higher returns are better, but all else is not equal. If we simply maximize ROE, we will become a tiny company and keep only the highest returning businesses, while returning the rest of the capital to shareholders, and I think it's safe to say that you wouldn't want us to do that. This highlights the fundamental tension between maximizing ROE and maximizing shareholder value, and we are in the business of maximizing long-term shareholder value. We illustrate this point on the right-hand side of the page. The white bar is the Firm's indicative cost of equity. The Y-axis is the two-year average ROE. And the X-axis represents the sub-lines of business with the width of the bar indicating how much capital is allocated to each business.

As you can see, we do deploy significant amounts of capital above our 17% target, but we also deploy quite a bit of capital below 17%, but above the cost of equity. Now, you might say, why not move some of the capital from the lower-returning businesses to the higher-returning businesses. And the answer is that the higher returning businesses have access to all the capital they want. Capital is not what constrains their growth. Therefore, the choice is between deploying the capital to the lower returning businesses or buying back shares. Considering the implied cost of equity from where our stock trades, the right choice is obvious, retain the capital and deploy it into those businesses, even if they return below 17%.

This is not to say that we are indifferent to ROE as long as it clears the cost of equity. The lower the expected return of any given capital deployment, the less room for error. And given the risk characteristics of certain businesses, we might decide that they should return well in excess of the Firm's average cost of equity and adjust accordingly. But this doesn't change the basic, simple point of this slide. By and large, you should think of the Firm's ROTCE target as an output, not an input. And there are many decisions that we could make that would decrease that output while increasing long-term value generation.

So, with that Firmwide update as the backdrop, you'll now have the chance to hear directly from my colleagues who will review our strategic priorities, provide updates on the progress we've made since last year, and tell you more about what we're doing to set up the Firm for long-term success. But before I hand it over to Marianne, I'm happy to take any burning questions that you have right now, and Mike Mayo has his hand up.

QUESTION AND ANSWER SECTION

Mike Mayo
Analyst, Wells Fargo Securities LLC Q

Inorganic growth, what do you mean by that? What priorities there, what would you look at, and would you consider a non-U.S. bank for inorganic growth? Thank you.

Jeremy Barnum
Chief Financial Officer, JPMorganChase A

I mean, I'm sure Jamie will enjoy addressing that question later – oh, he's right here. But I mean, my quick take on that is like, obviously, inorganic opportunities, by which we mean, by and large, acquisitions, are always on the table, and we've been through phases of doing more and fewer. A few years ago, we did a few. Recently, we've done fewer. And I think the larger point is that, when we've got this much excess capital, it would be wrong, I think, for us to be foreclosing that option. But at the same time, we've learned some lessons from the ones that we've done, we know they're hard to digest, hard to integrate. And so, we're going to be appropriately cautious, but it always has to be on the table.

Mikael Grubb
Head of Investor Relations, JPMorganChase

Steven?

Steven Alexopoulos
Analyst, TD Securities Q

Yeah. Hey, Jeremy. It's Steve Alexopoulos.

Jeremy Barnum
Chief Financial Officer, JPMorganChase A

Hey, Steve.

Steven Alexopoulos
Analyst, TD Securities Q

How are you?

Jeremy Barnum
Chief Financial Officer, JPMorganChase A

Good.

Steven Alexopoulos
Analyst, TD Securities

Q

So, I want to follow-up on the early comment that "you can't outgrow us." So, if we look at the last five years, revenue CAGR is about 8 – you're a 1 point above on PPNR. When you think about the market share opportunity for the businesses, you look forward five years, can you continue revenue high single-digit? And when you think about using AI to increase efficiency, productivity and you think of the gap, do you see the gap between PPNR and revenue CAGR widening or staying about the same at a point?

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

Right. Ok so there's a lot in that question. Let me start by actually reframing what we mean by "you cannot outgrow us," right. Because that statement is made in the context of the customer franchise and our ability to serve customers from the smallest to the largest through every evolution of domestic expansion, international expansion, all forms of growth and serving customers through their entire journey.

Your question pivots to share growth opportunities and expense and revenue and the associated math. And I guess, at a high level what I would say is that, of course, given our size and our breadth and depth, we periodically get the question, are you capped out in terms of share?

But I sort of go back to like Investor Days from 10 years ago, where Daniel always talked about the reds and the ambers behind the greens, right.

We may have dominant share positions at a high level of aggregation in any given business, but as you dig down at higher levels of granularity, there are often areas where we can get better. And that old red, greens and ambers story was about the CIB, but we have the same narrative in CCB with the branch expansion strategy, where in some of the newer markets that branch footprint isn't fully seasoned. And so, we see significant growth opportunity there.

Steven Alexopoulos
Analyst, TD Securities

Q

Okay.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

So, our strength is not going to be a reason that we're not pushing really hard to continue taking share.

Mikael Grubb
Head of Investor Relations, JPMorganChase

Okay, we'll take our last question from Betsy down there.

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

Q

Oh. Hi, Jeremy. Thank you.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

Hey, Betsy.

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

Q

So, two questions. One is, you had the slide on regulatory complexity, and I know we've heard a lot from many at JPMorgan around how suggestions on how it could get easier. And the question I have is, I know we don't have the new potential rule set out there yet, but assuming that you get what you have been looking for, which is very rational, would that open up more opportunities for growth for you or not? Just wondering would the capital request coming from the business lines be able to expand to meet this interest in growing faster.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

I mean, my short answer to that question is yes, absolutely, and that's a big part of why we advocate in the way that we do, right. We want banks to be part of a new wave of growth in the U.S. economy and the global economy, and the current scheme makes that hard. And it's not just capital, it's the broad combination, it's a number of the things that I mentioned, right. It's the primary measures. It's the liquidity backstops. It's the way that discount window works. It's the intersection of the various short- and long-term liquidity rules. So, that's why changing – and then, we got very focused on like Basel III Endgame, RWA expansion, but even within that, you had intersections between GSIB score, operational risk, FRTB, RWA expansion. And then, say, you do get a bunch of extra capital to deploy out of all that, you need to be able to lever it, and that requires tweaks to the TLAC rules, how does liquidity get handled, and how does that all play through resolution.

So, it's a big, complicated ecosystem, and if you want to get all the benefits of some cleanup and some rationalization, you probably do need to look at it holistically. We recognize that that's complicated and there are some easy fixes that we do think should happen now, recalibration of GSIB in the right way being one really obvious example that can be done on a standalone basis, and it would eliminate a degree of freedom that would make it easier to sort of resolve all the other sources of complexity as all the interactions play out. So, I do think there would be opportunities to deploy, but it's not just one tweak that's needed.

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

Q

And if SLR were to change, to remove Treasuries from the denominator, would that be at all impactful to your opportunity set? Thank you.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

Look, I mean, that's a very heavily discussed topic, and obviously, the administration has some particular views on it and various market participants have particular views on it. In the end, the math is not that complicated, and I think that it's important to be clear about the difference between what bank portfolios are going to do versus what bank dealers are going to do, and also the distinction between what people are bound by now versus what they might be bound by in crisis moments and the different levels of bindingness across different market actors.

But broadly, SLR is clearly something, you recall the mention of like properly calibrated backstop measures, SLR is a prominent example of a backstop measure that was not properly calibrated, became binding in exactly the wrong moment, which is why an ad hoc change was needed, which is why we made the reference to the need for the framework to be durable through crisis scenario. So, SLR should clearly be fixed, it's a low-hanging fruit, it should be done, and it will certainly bring some benefits somewhere. We're just like a little bit cautious about managing expectations there.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

Right. Okay. Thank you very much.

MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the stage, Marianne Lake.

Marianne Lake

Chief Executive Officer of Consumer & Community Banking

Okay. Good morning, everybody. It's my pleasure once again to be able to spend the next hour discussing the Consumer & Community Banking franchise with you. And as Jeremy said today, I'll share our strategies, our progress and our expectations looking forward with a particular focus on a wider range of potential outcomes, given the uncertainty in the outlook.

So, riffing off of a firm tagline, which Jeremy didn't use this time, this page describes CCB's top-down strategically differentiated positioning. We are complete. Number one in our core businesses with a full set of products and services, and scaling adjacencies in Wealth Management and Connected Commerce. We're national with 5,000 branches across 48 states and the number one digital banking platform in the U.S. We're diversified, supporting best-in-class through-the-cycle returns, and we are at scale, having deep relationships with more than 91 million customers across segments.

So, before looking forward, let's look back at the progress that we have made over the last five years. On the top left, I've said it before, but it all starts with customer relationships, consistently growing at 3% a year, with digital engagement double that at 6%, both being outpaced by deepening, and 7% growth in multi-LOB customers. All while delivering records in NPS and customer satisfaction across CCB and across our channels.

On the right, we are a growth franchise, gaining share broadly, and doubling the size of Wealth Management and Connected Commerce over the last five years. None of it would be possible without the investments we're making in distribution, tech, data and AI to drive customer experience, profitable growth and productivity. Closing out this page, 2024 was another year of best-in-class financial performance, with an ROE exceeding 25% on both a reported and a normalized basis.

So, digging into our financial performance one click deeper on the next page. Starting at the top, deposit balances stabilized at the end of last year, and year-to-date, we've seen modest growth. Loan growth continues driven by Card, and together, these will drive NII higher this year. Noninterest revenue growth will continue, notably in Wealth Management, Card and Connected Commerce, as well as normalization in auto lease. On expense, we have more than doubled investment spend over the last five years. Those investments are paying off and growth is moderating from here, and credit costs remain in line with our expectations for 2025.

On revenue. So 2019 was a normal year and exit 2024 also felt somewhat normal with balances stabilized and credit normalized, which is to say that you can actually look past all of the macro noise over the last five years and see that organic growth has been the revenue driver and will be a strong tailwind looking forward. We are also seeing the power of diversification in our revenue. First, even as deposit balances and margins came down last year, we benefited from capturing nearly 90% of net yield-seeking flows within our ecosystem, and the impact of lower deposit NII was basically offset by our lending businesses. Secondly, noninterest revenue has now grown over the significant headwinds of the pandemic and we expect growth to continue.

Now, let's set the backdrop for our key performance drivers looking forward, starting with the health of the consumer. This is a busy page and you can read it later. But overall, we see both consumers and small businesses remaining financially healthy and resilient. True whether you look at cash buffers, spend or credit metrics, also generally true across income segments for consumers and for smaller businesses, too. However, what has definitely worsened is consumer confidence and small business sentiment, but it is too early to see any transmission to real customer behaviors yet.

So, we don't have a crystal ball, but let me lay out a range of economic scenarios consistent with Jeremy's upfront presentation. We're using four scenarios to illustrate a range of potential outcomes across our most material business drivers. You can also read these at your leisure, but from the left, a soft-landing, sun is shining view, which was our base case until quite recently. Second, a near-term mild recession, with unemployment peaking at about 5.3% and rates coming down to 325 basis points by early next year. The distance between a soft landing and mild recession is somewhat narrow, and our current central case, which has been fluid over the last several weeks, is between these two. Third, a moderate recession, unemployment peaking at 6.5%, rates coming down to 2% in 2026. And fourth, a deep early recession, with unemployment peaking a little over 7% and rates cut hard and fast to 25 basis points by mid-next year.

So, let's look at the range of outcomes, starting with deposit balances. As I said, we are beginning to see modest growth this year in checking, driven by strong customer acquisition, adding about 10 million net new checking accounts over five years, and we expect deposit growth through 2027 in all scenarios. In fact, in lower rate scenarios which often accompany periods of stress, we benefit from stronger growth, including flight to quality.

Moving to deposit margin and I'm going to set some context. In CCB, as you know, we don't take outright interest rate risk positions. We'd rather transfer that to Corporate Treasury to manage. So, our margins now come of the assessment of deposit duration and reprice sensitivity, and therefore, it is a function of a blend of short-term and long-term prevailing rates, plus the liquidity value we're paid as a source of funding for the Firm.

Looking back over the last decade or so, rates were structurally low for a number of years, and as such, over the last 10 years, our average deposit margin was a little over 200 basis points, but for many of those years, it was below 200. We obviously don't know what rates will do looking forward, but everything we show you here is based on the scenarios. Starting well above 400 basis points is just a different place to start.

In the table in the bottom right, you see a snapshot of our current funding profile. There's a portion of our deposits invested short, representing higher beta deposits and a potential for balance changes. This has, obviously, served us well over this rate hiking cycle with significant excess liquidity draining from the system. There's another portion we deploy for term, and more recently, over the last three years, we've had the opportunity to deploy at rates on average above 4%, leaving a balance that was invested before this most recent rate cycle at lower rates, yielding below 2%. This is, obviously, an opportunity to improve margin as we reinvest it looking forward.

So, starting with 2024 margin of 266 basis points, as front end rates trend down, we expect the mix of CDs and higher beta products, and therefore, rate paid to trend down also. Coupled with a steeper curve under most scenarios, we expect deposit margin of about 250 basis points or more, with the obvious exception of the deep recession. If rates are cut to close to zero and stay there for a while, so will go our margin over time.

Moving on to lending and credit. Credit card balances will also grow across scenarios, a function of the cumulative impact of new vintage acquisitions. We're adding about 10 million new accounts a year and have improved retention from an already strong position, up 70 basis points over the last five years. Outstandings have grown with a 6% CAGR from 2019 through 2024, notwithstanding the sharp, pandemic V-shaped dip and recovery, and in fact, a 6% CAGR if you look all the way back to 2014. We currently expect stronger growth looking forward of 8%, plus or minus. The arrows in the chart on the bottom right show the countervailing impacts of drivers under stress, which we believe would still net to moderate growth of about 3% or 4%, depending on the scenario.

Moving to the next page, looking at Card credit metrics, spoiler alert, these still look very good on both an absolute and relative basis. Importantly, leading indicators also still look good, entry to delinquency, early flow rates to two missed payments, and minimum or low payment rates. While we see some movement, these are stable and do not yet indicate stress. Rounding off, we expect Card charge-offs this year broadly in line with our guidance of 3.6%. And given the elevated level of uncertainty and how much market views are changing, for 2026 outlook, I put on the page a range from 3.6% to 3.9%, with 3.6% being consistent with a continued benign environment and given our portfolio mix and metrics have now normalized, and 3.9% reflecting a slightly worse scenario, which is today's central case, unemployment peaks at 4.8% next year, as I said between the soft landing and mild recession.

And for a wider range of scenarios, so you can pick your own adventure, let's turn to the next page and a Card stress analysis. Okay. You can see loss rates next year under the range of scenarios, and as Jeremy said, we are currently reserved for a weighted average peak unemployment at 5.8%, in grey. Of course, losses are unlikely to be realized ratably over time, they will be frontloaded in reserves, as Jeremy said.

The final page then on credit will wrap up with the other businesses. We are maintaining discipline, our portfolios are clean, and performance is generally in line with expectations. With the exception of Business Banking on the bottom right, you can see loss rates are slightly elevated, a function of an intentional expansion in small dollar credit. While we expected this to lead to higher losses, for which we priced, performance was outside of our expectations and we've tightened and seeing credit metrics roll over. For context, this is a smaller part of our portfolio, and most importantly for you all, it is not an indicator of stress more broadly.

Rounding off the financial story with expenses. This year, we expect expense to be around $41 billion, and you can see the thematic drivers of the year-on-year increase in the walk. Unsurprisingly, they are consistent with our investment and growth strategies. So, field and branch network, marketing and tech and product.

On the following pages, I'll dive into each of these to show you the incremental productivity and efficiency we're delivering. But stepping back, one point that I know isn't lost on you is that in our expense, is auto lease depreciation, a function of accounting geography. I'll remind you that for every dollar of auto lease depreciation we have, we have more than a dollar of auto lease income in the same period. The reason this is coming into focus right now is because loan and lease mix is now normalizing after sharp pandemic declines. Excluding this, underlying expense growth is slowing from a nearly 9% CAGR from 2019 through 2024 to now a little more than 6%.

So, let's move on to the field and branch on the next page. We've shaded these bars into same-store and expansion, where expansion incorporates both new builds as well as incremental bankers and advisors across our businesses. We're seeing overall growth this year moderating to 5% as we have ramped up our investments over the last five years, and now they're at a steady clip and they are in our run rate.

On the right, notable performance metrics. Our investments in branches, bankers and advisors, pretty consistently breakeven in less than four years, with new branches and advisors making meaningful contributions to deposits and investment gains. And at the bottom, over the last five years, you can see that the field has become significantly more productive across job families, delivering the franchise benefit of this channel.

Marketing, shown here, these numbers are gross and they include credit card acquisition premiums reflected in contra revenues, which brings our estimated spend to be a little over $10 billion this year. Starting at the bottom with acquisitions. We have data-driven confidence in the performance of new vintages consistently meeting or exceeding our expectations, and 2024 was no exception, delivering a more than two times return on investment and an 85% increase in vintage lifetime value versus 2019.

The far largest part of this, of course, is Card. Over the last several years, we've seen a change in mix towards fee-based cards, yes, driving higher costs, but also higher value. We expect to break through 10 million accounts this year. Our current outlook is for more than 10.5 million, with the increase being primarily in premium travel cards. Again, higher costs, higher value, and strong returns. In addition, we're spending more on media this year, supporting product refreshes and launches. The 2025 acquisition vintage is estimated to deliver a two times return on investment again.

Moving up to the lighter blue bar, our strategy is to provide product benefits that are easy to use. So, stronger growth here is a very good thing as we continue to add more and more benefits to our cards, including our Sapphire lounges. This level of engagement is in line with product design and business case, so we are getting paid for it. You can see that on the right, we've grown annual fees at a 13% CAGR over five years with strong retention and a material improvement in top of wallet share for customers who engage with these benefits. So, actual marketing spend will always be a function of the demand and excitement in the market for our products, which is strong today and reflected in this outlook.

The third big investment category, tech and product, is on the next page. We estimate spend of about $9 billion on tech, product and design this year, moderating to a 6% growth rate year-on-year. $7.4 billion of this is in tech, about 10% of revenue. Production expense is at the bottom and is up modestly this year, with the impacts of outsized wage inflation and First Republic migration, among other things, largely behind us. Moving up, as Jeremy also said, we expect the amount we are spending on modernization and lower discretion investments to be relatively flat looking forward, and these investments include addressing risk and controls and products and platform maintenance.

Strategic investments are up, as we refresh Card financial products and improve digital and engagement platforms, including deploying AI to enhance our servicing interactions. In the table on the right, you can see some of the results. We have increased code deployments by more than 70% over the last two years and improved the quality of product delivery over the same period with a 20% reduction in work being re-planned. Our investments this year have more than two times return on investment and continue to pay back within five years, and our investments in AI/ML delivered a 35% increase in value last year.

Moving on to operations, another great story. Outside of fraud costs, you can see expense is basically flat over five years, and relatively flat coming into this year, clearly demonstrating the benefit of efficiency. Accounts serviced per ops headcount are up 25%, in part because we've eliminated customer pain points and improved the ability for customers to self-serve, which has driven a nearly 30% decrease in servicing calls per account. In addition, processing costs have gone down by 15%. And while AI has definitely contributed here, a lot of this is good old-fashioned process automation and organizational efficiency.

On fraud, even as bad actors get more sophisticated and threat vectors get more complex, with a 12% CAGR in attack rate, the cost of fraud in basis points has been flat over the same period, and here AI has been a very significant part of the solution. We have even higher expectations for driving efficiency going forward in the illustration on the bottom right. Ops head count, excluding Home Lending, has grown by only 13% over the last five years, while the business has grown by more than 25%, so a 15% productivity. The operations team is at the tip of the spear on using and leveraging new AI tools and capabilities. And based upon what we know today, we expect headcount will trend down by about 10% over the next five years or so, even as the business grows by another more than 25%. So total productivity of above 40%.

But I would take the over on this projection, and I'll bet we will deliver even more as the tools and capabilities just keep getting better and better, which is a great segue to talk more broadly about the value that we've been delivering across CCB from leveraging data in AI/ML. Across the top you can see we have a very rich and valuable tapestry of data. And despite the step change in productivity we expect from new AI capabilities over the next five years, we have been delivering significant value even with more traditional models and the value we're delivering is growing exponentially. I point that out for two reasons; one is that, not every opportunity requires Gen AI to deliver it, and we are “all systems go” already; and second, we are well on our way, modernizing our data to make it more efficiently consumable and machine readable.

First, by migrating to the public cloud to achieve max storage and compute efficiency, and we're done here. Our users in reporting need to migrate to the cloud too, and we're well on the way there. Being on the cloud isn't the only thing, of course. Our data needs to be in our target platforms. We're about halfway through that journey, and making data truly fit-for-purpose will include a subset that will need to be streamed real-time, and we've made significant progress here, in particular, for servicing and personalization. There's still a way to go, but as I said, in the meantime, we are delivering significant value. Moving to the right, 35% more value last year and we expect an acceleration this year.

The biggest driver looking forward is expected to be revenue productivity, as a result of enhanced credit strategies, marketing and sales optimization and pricing and personalization. Personalization is like a 1,000 points of light. It's not one big thing, it's every individual experience we deliver just driving more and more value. By way of example, and there are many examples, we are now beginning to personalize the mobile landing page, changing up what we show you based upon, of course, your relationship with us, but more importantly, what we believe would be contextually relevant to you today. For example, if you are a points enthusiast we'll prioritize Ultimate Rewards content spotlighting ways to engage, earn and redeem points. Results so far are strong. When we personalized the mobile home screen, we achieved a 25% higher engagement rate.

Wrapping up the financial section, it's fair to say that the macroeconomic and regulatory outlook remain fluid and uncertain. We have a very strong hand, but we never underestimate the competition everywhere. What has served us well in the past will serve us well in the future, running the business with a long-term view and through-the-cycle metrics, looking around corners to build capabilities, products and businesses that give us strategic optionality and operating with a growth mindset, competing to win. So speaking of winning, let's move to our strategic growth plans, and here you can see, we do have bold long-term ambitions, but we do have plans to deliver them. I'm going to take you through those and then I'm going to come back to this page at the end.

Starting at the top with customer experience. We of course, can't forget what we're here for, which is serving our customers across their financial needs. Our long-term growth and profitability depends on enduring relationships and loyalty from our customers, only possible if we deliver an extraordinary experience. It doesn't just happen. It's in the culture. This is a game of inches, particularly when starting from a high base like ours. With record NPS last year, up 5 points over the last five years. But we can and will do better. And here, too, we manage at a granular level, not just at the business level, across channels, across products, segments, and we even measure and manage interactions. Personalization is the key to unlocking the next frontier in customer experience, and our data and AI agenda is how we're going to get there.

Now to our plans by business, starting with Banking. We are outgrowing the competition in deposits with a 7% CAGR in Consumer and 12% in Business Banking driven by the strength and consistency in customer acquisition and contribution from investments in new branches. We've gained 220 basis points of share over five years and have momentum. But you can see that it hasn't been linear, which sparks the question, is growth slowing? Short answer is no. I think you could agree that the last few years have been very atypical. At the peak, we estimate we had about $300 billion of excess deposits and our growth materially outpaced the industry on the way up because of the strength of primary bank relationships. Now, as customer balance sheets have normalized through 2024, and we're seeing deposits move higher, so we expect to resume our historical share gain trend.

On Business Banking, we're also gaining share as a primary bank, up nearly 30 basis points over the last five years and have confidence that that will continue. All in all, we maintained number one positions in both deposit share and primary bank for business. So I do know that a key question on your minds is how do we get to 15% share from here? So let me show you. First of all, a history is an indicator of the future statistic.

We have added about 30 basis points of share a year over the last 10 years, and we expect growth broadly consistent with that to continue. Let's break down the 220 basis points of recent gains in the chart.

Putting First Republic to one side, which contributed about 40 basis points. Over the past five years, as you know, we've embarked on an ambitious strategy to expand our network nationally and lay the foundation for capturing share in expansion markets. Those expansion markets represent 40% of total retail deposits, and 80% of our new builds since 2019, the 660 that I circled on the right. New builds, including in expansion markets delivered in total about 100 basis points of share. Finally, continued growth in our mature footprint contributed the rest of it, 80 basis points, split pretty evenly between heritage Chase and WaMu. With WaMu, we achieved a significant presence in some of the largest deposit markets, including in California and Florida, that we did not have a presence in before, and we have outperformed because of the strength of our brand, having the best people, the best real estate, products and services and uplifting the customer experience. So looking forward, we're no longer going to discuss the various heritages. Instead, we are showing you the breakdown of expected gains by our presence or our density in a market.

As branch density increases, so does deposit share, as the two are highly correlated. You can see growth across the board, but with a larger contribution from expansion markets, as you would expect. In fact, all new builds continue to deliver another 40% of these future gains, and we continue to make meaningful progress optimizing the network in mature markets, where we already have significant share, and you can see that on the next page. We have delivered widespread share gains in all of the top 25 markets and 95% of the top 125 where we have a presence. We're number one in four of the top five. You can see the outsized gains in large California markets like Los Angeles and San Francisco, and in Florida, in Miami and Tampa. In large expansion markets like Boston, D.C. and Philadelphia, we have real momentum, and now nearly 2% share from a standing start.

So I hope that all this detail has given you more insight and confidence into the branch and deposit strategy. But stepping back to wrap up, 20% of our branch network is less than 10 years old, with more than $160 billion of deposit opportunity embedded. And while we discuss branches maturing in 10 years being the steepest part of the curve, they of course, have not fully matured, still showing accelerated growth for many years after. And to that end, we have another 10% of our network that is between 10 and 15 years old with a further $50 billion of deposit opportunity. Of course, nothing is in the bag, but that is a pretty serious tailwind. It isn't just the branches, it's also the outperformance of customer and account growth too as we continue to invest across the country and serve local communities.

As you know, we aim to be the bank for all, investing in products to meet the unique needs of diverse customer segments. When customers are in the right product for them, we see greater satisfaction, higher wallet share and better retention. We've been focused over the last few years on growing relationships with starter and low mass customers, and are making material progress with an 11% CAGR, and these segments now represent a quarter of all our accounts. Another focus is the affluent segment, and we introduced J.P. Morgan Private Client, a new tier in our product continuum to deliver an elevated banking experience that deepens into Wealth. In small business, we're growing at a healthy 9% CAGR across segments, and covering more of our larger clients with business relationship managers, launching new value-added services and tools like invoicing, payroll and customer insights.

And for smaller businesses, we are maniacally removing points of pain and friction to make banking with us seamless and easy, driving the NPS for the segment up 8 points since 2022. So together with our branch investments, these products and segment strategies will continue to fuel outsized growth and underpin our path to 15%.

Moving then onto Card. With an 11% CAGR in sales and 6% in loans, we've gained 110 basis points of sales share and 90 basis points of lending share over the last five years, and so far, 2025 looks like a continuation of this growth. Relative to our 20% outstandings share ambitions and the path to get there, it's also helpful to zoom out and have a broader and longer term context on the next page. So here, looking back over the last decade, we've delivered about 210 basis points of underlying core OS growth. And I say underlying and core because we have made a pro forma adjustment to the starting point to normalize for the elevated level of prior cycle balance parkers. We spent the first half of the decade risk managing these balances down to focus on highly engaged, spend-centric customers. So 200 basis points over 10 years is about 20 basis points a year. Now, looking at the last five years, it was a game of two halves. Obviously share gains were not our objective function at all during the pandemic, risk management was. In fact, we ceded a little bit of share during that highly volatile time. So the 90 basis points over five years is, in fact, 100 basis points over just the last two years, and we have the wind at our backs. Looking forward, we expect to deliver growth above that long run 10-year average, a function of investing in marketing, risk optimization, as well as in our segment and product strategies.

On the top right, our growth in priority segments is outpacing the total and we have room to run. As good as we are, we know we are not number one in affluent or small business. These segment strategies are supported by a marketing engine that is now delivering 30% more new accounts each year versus five years ago. And with capabilities that maximize the benefit of our own channels and “on us” data, including targeting qualified borrowers with enhanced line strategies. So this is a longer term ambition, but we did it before, and I think we'll do it again in less time.

So let's talk about segment strategies. Here too, growth is fueled by a comprehensive product set serving customer needs across all segments. We have award-winning cards and continue to innovate driving record top- of-wallet behavior up five points since 2019. We have been focused on growing the premium and small business segments, and are making progress with double-digit growth rates in each.

Marketing and account acquisition is to Card what branches and bankers are to Banking. We have been consistently acquiring 10 million new high-quality accounts a year over the last three years, and each vintage we're booking is larger and more valuable, outperforming the last in OS contribution, driving a more than 80% increase in vintage lifetime value, or more than 40% per account since 2019. In Card, we think of long-term performance like a stacking of pancakes, one vintage on top of the other. Acquisition costs, as you know, are amortized upfront over one year. Each vintage matures and peaks in performance by year three, by which time it's paid back. Then it stabilizes, consistently delivering annuity value thereafter. So it's the strength of each vintage and the cumulative effect of consistently stacking them that drives growth and outperformance. And our recent vintages are delivering a two times return on investment.

Moving on to Commerce. We've doubled both Travel and Offers volumes since launching Connected Commerce in 2021, and we will reach, or come close to reaching, our $30 billion volume target this year, and $2 billion revenue run rate target at the end of next year, obviously market dependent. Looking forward, we have a massive opportunity within our customer base. On the right, you can see that there is nearly $450 billion of addressable spend on our cards today, growing at a 10% CAGR, and we're only capturing a little over 5% of that share on our platform, although up 240 basis points, but we have ambitions to double that to 10% over time and achieve a $3 billion revenue run rate. We earn fees and commissions when we introduce brands to customers on our platform. These are merchant funded, but the value accrues to both merchants and customers.

We are proud of the progress and the results to date. Starting at the top, in Travel, 4.2 million customers booked travel with us last year, and we secured the number three spot as a consumer leisure travel provider in the U.S. We are looking to increase the share of Chase branded card spend on our platform, which has already increased by more than 200 basis points. And we have scaled our hotel collection, The Edit, now representing more than 1,000 premium hotels, offering our customers exclusive benefits and experiences. We're also expanding dining benefits, recently launching exclusive reservation access for Sapphire Reserve cardholders on OpenTable. A core part of the value proposition of the Commerce platform is also to drive value to merchants by connecting our premium customers to brands they love.

We launched Chase Media Solutions last year, driving strong growth with 16 million customers activating an offer and $12 billion of spend on the platform, growing at a close to 30% CAGR since launch. Payments – payments are core to everything we do because they are core to everything our customers do. Those who move the money have an outsized influence on where it's stored, invested and how it's borrowed. We moved $6.4 trillion in payments outflows last year, growing at an 11% CAGR, and today 80% of non-card payments are digital, up 16 percentage points over five years, reflecting an industry wide transition away from checks. We continue to invest in a wide suite of payment and lending options to give our customers flexibility in how they pay and borrow.

More than 6 million customers are now using our range of Pay Over Time solutions across credit and debit cards, originating nearly $11 billion last year, up 25%. Once again showing how quickly our products and innovation scale across our incumbent customer base. Wrapping up this page, no conversation on payments would be complete without a discussion on trust and security, which we believe is a competitive advantage. Notably, our fraud and scam claims rate on Zelle is down 26% year-on-year as we invest in customer education, protection and prevention capabilities. Let's move on to Wealth Management.

Wealth Management reached $1 trillion in client investment assets last year, outgrowing the competition. Yes, strong market performance and First Republic contributed, but the largest driver was net client acquisitions and flows. As we've doubled our assets, so we've doubled revenue. The secret sauce is in leveraging the branches and delivering a deep integration between Banking and Wealth. 90% of new advised clients were referred by bankers, and the significant investments we've made are paying off, ranking number one – and I'm going to say this, this is J.D. Power's words – in J.D. Power Wealth Management Digital Experience for Investor Satisfaction last year. We are sitting on a gold mine with material opportunity in our franchise and real momentum. On the right, we are drafting off the customer base in Consumer Banking with 5.5 million loyal, affluent banking households. Last year, nearly 19% of them invested with us, up 160 basis points over two years. We are also penetrating the broader customer base more deeply, up 60 basis points over two years.

This is great progress, but we're just getting started, and are setting a new long-term ambition to double the business again and reach $2 trillion in client investment assets. There's an opportunity in both advised and self-directed channels to realize this ambition. In advised, the branch referral model that I mentioned is strong, acquiring a record more than 150,000 first time advised relationships last year, and last quarter set yet another record. We now have 15 J.P. Morgan Financial Centers open to deliver an elevated banking and wealth experience. It's early, but using Columbus Circle as a proof point, we are seeing both stronger growth and great customer satisfaction. For clients who have a full-service relationship with us, we currently capture 55% of their investment wallet, which is good.

But opening a self-directed account is a strong, deepening moment, adding an incremental 5 percentage points of wallet share. We're enhancing the self-directed platform to capture more of this opportunity, but today we feel like we have a very well-positioned offering for the vast majority of our core clients. 2024 was a breakthrough year in that respect. We launched detailed performance reporting, trust accounts, fractional shares, leveraged ETFs and more. And while today only 5% of Wealth Management clients have a self-directed relationship with us, it is up 50 basis points year-on-year. And we know that half of them have an SDI relationship somewhere, and that's our opportunity. In addition to branch super powers and the significant investments we've been making in products and digital experiences, our growth is also a function of investing in human advice.

We've been consistently adding, training and supporting advisors year-on-year, up 37% since 2019. That means, about half of our advisors are tenured less than five years, which is a tailwind for investment growth just as our new branches are for deposits. But just adding advisors is not enough, we need to make them more and more productive. As you can see in the chart on the right, we're delivering on that with two times flows per advisor since 2019.

So a couple of minutes on Home Lending. Home Lending is critically important to our customers in key moments of their lives. It is a relationship product. When affluent customers get a home loan with us, we deepen relationships with them in deposits and investments. That said, scale matters, and we are not currently at scale in originations in the smallest mortgage market for decades, and in part a result of our risk appetite decision to not fully participate in large parts of the market, notably government mortgages and brokered loans. So it's tough right now, but we are controlling what we can control.

We have right-sized the business with production headcount down 35% in a market down 35%. Pound for pound, we've made each Home Lending advisor about 15% more productive in purchase originations in a market down 25%. We've invested in digital engagement, including the Chase MyHome platform, which now has over 9 million unique users driving leads and conversion. And we recently launched a home equity product this past quarter, which is ramping nicely.

Our improved digital capabilities and predictive modelling positions us to take advantage of refi opportunities as and when rates come down. In the meantime, we have plans to drive market share at the margin in key markets and within our risk appetite. On Servicing, we are the number one owned servicer, at least for now. We have reduced direct expenses meaningfully, also down 35%, and achieved scale through MSR acquisition. We have maintained best-in-class cost per performing loan and continue to deliver customer satisfaction at record high levels, up 10 points since 2019. On the far right, you can see the challenging macro environment, and of course, we can't defy gravity. The business, including First Republic, is delivering a 21% return on equity today, with our core business at 9% fully loaded, and 11% if you include the benefit of relationship value to deposits and investments. But on a marginal basis, those same returns are firmly in the teens, which is why we believe, we will achieve our target in a more normal market, and while it's tough right now, Sean, if there's one thing the Home Lending team has, it's grit.

Last but not least, the story for Auto is the same, insofar as it's an important part of the complete product set, with value propositions that serve the needs of consumers, dealers and manufacturer partners. Last year, our digital experiences were ranked number one by J.D. Power for customer satisfaction among non-captive lenders for Auto Finance consumers, and 13 million unique users engaged with our car shopping platform. Franchise dealers in the U.S. are the backbone of the industry, and we cater to all of their needs, including floorplan lending and treasury, and we're getting faster at decisioning and funding contracts increasingly using AI.

Finally, we are the private-label, captive finance provider of choice for industry-leading manufacturers. Our captive partners performed well last year. Jaguar Land Rover ranked number one in dealer satisfaction among premium captive lenders, and Subaru ranked number two among mass, according to J.D. Power. Last year we saw $40 billion in originations, up 19% since 2019, outperforming the markets where financed units were down 14% relative to our 8%. Importantly, lease originations are now rebounding, with origination mix now approaching 2019 levels. Of course, the portfolio will lag that recovery and so we expect lease mix to normalize up over time. As portfolio mix evolves, returns will improve towards the target, which brings us up to date.

The strength I described in Auto continued through the first quarter and in fact, as you know, March and April saw a pull-forward of car buying supported by current dealer inventory. The tariff situation is still fluid and pre-tariff inventory will be depleted in the next month or two. We're closely monitoring the whole ecosystem, but we remain committed to the auto market and being there for all of our stakeholders.

Okay, we are in the homestretch, how are you all doing? Back to this page. This is what success looks like. Realizing bold, long-term growth ambitions. We aspire to reach a 70 NPS across the business, and in fact, as I said, across every aspect, each business, channel, product and interaction with our customers. We are outpacing the competition and making steady progress towards 15% deposit share, and 20% share of Card outstandings.

We are setting goals to double again each of Connected Commerce and Wealth Management. For Connected Commerce to reach 10% of addressable spend on our platform, and to reach $2 trillion of client investment assets in Wealth Management. The environment is very challenging for Home Lending and uncertain for Auto right now. But we remain committed to these businesses through the cycle.

So closing for CCB. Ending where I started, we operate from a position of strength, we are a growth franchise and we're gaining share broadly across businesses. We're not big braggers, but we are proud of this performance. Don't let the rankings on the page fool you. We're also not complacent. There's always more to do and we are getting at it, consistently investing in bankers, advisors, branches, marketing, tech, AI and customer experience more broadly.

These investments and the discipline we bring to them will differentiate us in the years to come. And while the environment today is highly uncertain, we have a track record of proven capital, liquidity and risk management. We are excited and we are confident about the future and remain committed to a 25% return through-the-cycle. And with that, I'll take Q&A. And before I do, the CCB management team is sitting at a table here, and we have three new leaders, Sean Grzebin for Home Lending, Sean; Leslie Wims Morris for Auto; and Peter Muriungi for Connected Commerce, previously in Auto. They will be here for the rest of the morning. So anything you want to do or ask them, you can. But for that, we have questions now.

QUESTION AND ANSWER SECTION

Mikael Grubb
Head of Investor Relations, JPMorganChase

Right. We have about 10 minutes for questions here. Erika, why don't you go first?

Erika Najarian Q
Analyst, UBS Securities LLC

Hi, Marianne. So on Card now you have your two biggest competitors, American Express and Capital One, both own credit card networks, and of course, especially American Express have touted the advantage of having a network and having better data especially and how that gives them an edge in affluent, and you talked about getting bigger in affluent. I'm wondering as you think about the continued challenge of taking on these two competitors, how you're thinking about competing now that both these competitors have perhaps an advantage on having these credit card networks?

Marianne Lake A
Chief Executive Officer of Consumer & Community Banking

Okay. So a couple of things. First of all, as you know, American Express has had the network the whole time. We've been competing with them, notwithstanding the Capital One, Discover merger. I'll start just by saying that our network partners, Visa and MasterCard, have spent tens of billions of dollars year-after-year investing in, I think, the best networks that exist, that have extraordinary international coverage and holistic acceptance. And so we're very proud to partner with them. And I would also say that I think our data assets are equally powerful, because while it is true that we don't have a credit network that we own, we do have extraordinary partners. We do have an entire CCB franchise. We have the Consumer Bank, we have the Wealth Management complex. We have all the rest of our lending businesses. And so while they have a strategic asset that we don't have at this moment, we have plenty they don't have. We've been competing with American Express on that basis for a long time, and have done very, very well. It would be, of course, remiss of me not to point out that there are risks on the horizon. Credit Card Competition Act being one of them. We can't obviously talk about all of our plans. We don't believe that that should or will move forward. But we will obviously adapt and we've shown a pretty remarkable ability to adapt. So I like our hand. We don't have to be exactly the same to do just as well, if not, better.

Mikael Grubb
Head of Investor Relations, JPMorganChase

Ebrahim, go ahead.

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

Marianne, just a two-part question on deposit and your deposit customers. As you think about – as the interest rate cycle has matured, how have your view on the economics of the deposit franchise customer behavior evolved over the last few years? And second, tied to the Payments business, talk to us when you think about digitalization, stablecoin, blockchain, how do you think about the long-term sort of evolution of deposit franchise and deposit economics for consumer banks?

Marianne Lake A
Chief Executive Officer of Consumer & Community Banking

Okay. So I'll start with deposit economics moving forward. I feel like, when I was CFO, and we were doing this whole, before the 2017 through 2019 early increases in rates, we were pretty clear about the fact that we thought that the next rate cycle, rates paid would look different and behave different than it had in the past, because there are things that are equally, if not more important, to customers than just rate paid. And the investments that we have been making in brand, in convenience, in branches, in people, in products, in services, in engagement tactics. And I would say that looking back now over the last cycle, that's proven to be at least somewhat true. And so we did see, even though the environment was a rapid increase of rates, very significant, we did see rates paid lower than our modeled expectations would have been.

And so I think that there's no reason for us to believe that the deposit economics will not continue to be very strong as long as we continue to deliver superior products and services and experience, and a wide range of them and make it compelling for people to want to bring their financial lives to us, and we've done a good job of that. Obviously, if rates stay higher for longer, we could continue to see competition for deposits. We could continue to see reprice. We hedged that way. I talked about it. So I think we feel pretty confident in that looking forward. And of course, let's not forget that 50% of all new-to-Chase customers come in through the bank, the other 50% come in through Card, and then we deepen. So there's also lift that way.

Payments innovation, yes, second part, Payments innovation, look, we welcome innovation, we welcome competition. It is our job to provide flexibility and choice for our customers. I think we've done that. And so we're pretty excited about the potential for new payment form factors to participate in consumer payments over the longer term. But of course, we have two sort of premises, one is that, that there must and should be a value proposition for consumers; and two is that there should be adequate customer protections. And at the moment, that's not true. So it's not – we're not resisting change. We're all in. We're definitely building capabilities and technology that will allow us to leverage multiple methods of payment everywhere so that our customers can.

But right now, the existing payments, U.S. consumer payments infrastructure is the envy of the world. It works safely, securely, reliably, access to funding and credit 24/7 real time. And so there are not so many pain points that these things will solve right now if they don't have incremental value propositions, if they don't have adequate protections. The U.S. consumer has been habituated to believe that their service providers will have their back. As banks we do. It's incumbent on us to think about new methods of payment, new networks, to have all of those same things too. So we're advocating for our customer, no more than that, but I'm excited about Payments innovation and we're going to lean into it too. You'll hear I think more about that from Umar in a little bit.

Mikael Grubb
Head of Investor Relations, JPMorganChase

Saul Martinez, go ahead.

Saul Martinez
Analyst, HSBC Securities (USA), Inc.

Q

Hi, thank you. Slide 21 is showing 25% growth plus headcount reductions over a long period of time, granted, striking and this might be a question for future Investor Days, the future is coming pretty quickly. I wanted to ask you what you think the implications of that are. Does this lead to a step function change in profitability, or I mean, just how do you think about how the value gets distributed between shareholders, consumers via pricing or product design and further investments in growth of the business? Just kind of the broader implications of that trend.

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

A

Okay. So look, I'll say a few things. The first thing is that, as you know, we think that we're going to get efficiencies across the board, whether that's in risk management, whether that's in operations or in back office, but a lot in revenue productivity, getting more for the same. We have 51,000 ops specialists today. We hire 8,000 a year, and we're growing at 5%, 7%, 9% a year across various metrics. So we will continue to grow. And so that's going to be offsetting implications. It is part of why we believe we'll continue to outperform in terms of returns. Right now, our returns are through the cycle 25% plus. We're obviously going to just try and do better and better for our customers. But as we get more leverage out of every dollar we spend, then we think that we will grow profits, and as we grow profits, we'll grow capital, and as we grow capital, it will be available to deploy, as Jeremy said, in the hierarchy we normally do. But it will get more efficient for customers too. Betsy? Sorry, Mikael. Betsy.

Mikael Grubb
Head of Investor Relations, JPMorganChase

We'll take Betsy next.

Gerard Cassidy
Analyst, RBC Capital Markets LLC

Q

Hi, Marianne. Gerard Cassidy.

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

A

Oh, Gerard, where are you? Hi, Gerard.

Gerard Cassidy
Analyst, RBC Capital Markets LLC

Q

Over here. You gave us very good granularity on slide 28 about your deposit growth, and how it came about. Did you guys take a look at the impact of the COVID situation and the pandemic, and the Fed's balance sheet growing so dramatically as well as the government payments, and what that might mean for growth going forward for deposits?

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

A

Yes. So, that's one of the reasons why, and if you missed it, I'll repeat it, it's one of the reasons why I said that, during the pandemic, we actually assessed that we onboarded about $300 billion of excess deposits because of the relationships we have. We have seen those normalize out of the system, and we would say that cash sorting, while I know Jeremy said we're not going to call the end of it, is more behind us than in front of us based upon the range of outlooks that we're looking at and the excess liquidity that we had has been substantially depleted.

And so that's why you're now seeing that the growth trends we were on before adding about 2 million net new checking accounts a year across consumer business, are starting to plow back through to regain the momentum we had before. So obviously, there's nothing about the last five years that has been normal. In fact, you might argue there's not a lot about the last 10 years that has been normal. But we do think that deposit growth in the industry should grow, why not plus or minus nominal GDP and we're going to outgrow it.

Mikael Grubb
Head of Investor Relations, JPMorganChase

Okay, we'll take our last question from Betsy Graseck down there.

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

Okay. Thank you. Marianne, two questions. One on just the deposit discussion we've just been having. Open banking seems to come and go as a potential change to the system. And I'm sure you thought quite a bit about it. Could you give us your views on how you're preparing for the possibility that open banking comes through? And then on the Card, just wanted to understand, getting the 10% of spend, how much of that is fueled by loans? Thanks.

Marianne Lake A
Chief Executive Officer of Consumer & Community Banking

Okay. So on open banking, so I should start by saying, so we can talk about 1033 if you want, or maybe we can talk about it outside. But I'll start by saying that, for close to a decade now, we have been a leader in making it easy for our customers get access to their data through industry-leading agreements that we have with third parties, including aggregators. And so we completely think that customers should have the choice of moving their data, and for that matter, moving their accounts if that's what they choose to do, and we compete, because we think we have a better solution for them. And so far, despite the fact that we have made it easy to do that, and of course, there are some things that are moving in that direction, so far, we have been proved to be right. It is also the case, you should remember, that we think we will be in that beneficiaries of open banking too.

The ability to consolidate your information and your banking with us. And so we also are a recipient of data through those mechanisms. So for me, it's less about whether open banking will disrupt. I'm sure it will be a positive disruptor and also competitive. And we feel fine because of the quality of the services we're providing. For me, it's more about the way the rules are written and making sure that the playing field is level, that the liability follows the instigator of the activity. That risk management is not something that the banks have to do all the way through the ecosystem, multiple hops away, that we're able to get paid properly for the services we provide. And that more importantly and most importantly, that customers' data is only used for the thing that they want it to be used for in the moment that they want it to be used and not subsequently monetized by third parties in less secure ecosystems.

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

Thank you. And then on the Cards.

Marianne Lake A
Chief Executive Officer of Consumer & Community Banking

Oh, sugar. Sorry. The Card one, what was the Card one.

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

The Card spend goal you have. I just wanted to understand how much of that is driven by an increase in the lending that you're providing to your customers to hit that spend goal?

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

A

Yeah. We actually don't really have a spend goal. We actually currently have a lend goal, not because we usually set either of those two things as a goal, they're usually an outcome of best-in-class products and services, marketing to the right customers, great execution, et cetera. We only set ourselves a lending goal because we believe that we're actually structurally punching below our weight in lending, in particular, in affluent and small business, compared to our 23.5% sales share. And so in both cases, they are an outcome of acquiring these 10 million customers, making sure we're acquiring the right customers, making sure that we're focused on benefits and engagement that they want to use.

So we've never built our products to be profitable because of breakage in use of benefits. We've built them hoping you use 100% of every dollar of value we put in them, because that's the flywheel that continues to drive growth. And so our growth that has pretty consistently historically been plus or minus double-digits, we expect that to continue just because of the products that we have in market that are diversified across segments, cashback, premium T&E, and we have the best co-brand partners and we're the number one co-brand issuer. So we have scale.

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

Thank you.

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

Thank you.

MANAGEMENT DISCUSSION SECTION

Operator: Please welcome to the stage, Mary Callahan Erdoes.

Mary Callahan Erdoes
Chief Executive Officer of Asset & Wealth Management

Good morning, everybody. For those of you who I don't know, I'm Mary, I'm CEO of the Asset and Wealth Management business. Welcome to the last Investor Day in this building. We are super excited, thanks to the work of David Arena, and his amazing team, that next year we will be across the street in the first all-electric tower in New York City. So we are really looking forward to that. I always enjoy going through Asset and Wealth Management because for all of you, I think it's really like a microcosm of the whole company in many ways...

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

With the highest returns.

Mary Callahan Erdoes
Chief Executive Officer of Asset & Wealth Management

...and the highest returns. Thank you, Jamie. But in so many ways, it's just the center of so many things. We are every day investing in the companies that are taken public by the investment bank. We're helping the CFOs of those companies to invest their liquidity in J.D.'s money market fund business. We're helping the CEOs, including our board members and the like, to think about how they're running their companies and what we can do on their personal balance sheets, taking their 10b5-1 programs, sending them through Troy's trading desks, executing those, or we're taking all the great things in the commercial bank and the leads that they have, and just helping them with simple banking, and figuring that out and actually through Jen's beautiful, Jen Roberts, that is over here on the side, those beautiful branches, that last picture up there, which Marianne didn't mention, are all these new beautiful branches that they have developed.

There are 2,000 private banking clients that walk into those branches every day. So it's a pretty amazing thing for all of us, and we're really looking forward to going through all of this. One thing I just point out, one of you in the room nicely pointed out that asset management is really worth focusing on, because in fact, it can give you a 4 to 6 times multiple lift, and that is if you do it right. Why is that? Because it's a recurring revenue business that's very capital light. And so that is exactly what we have here today. The problem is, it's been very hard for many of our competitors to do that inside of a bank, but our story is very different. So let's take a look here. We are, first and foremost, a fiduciary. We are the fiduciary arm of the business. We now have over $6 trillion in assets that are entrusted with us from the sovereign wealth funds of the world to the first-time savers that we talked about in the Wealth Management spectrum, when they walk into a branch and they think about investing in the stock market or the bond market.

We are a reliable growth business and so no matter what we do, our North Star is generating alpha. That is all we do all day long. We obsess about every single basis point. And when you see these numbers of these 80% of our mutual funds beating peers over a 10-year time period, 10-year track records don't get made overnight, and every single moment of every single day is focused on that. But to keep that growth going, that third bullet there under investing for growth is the most important for us. We have to keep innovating, and we're going to talk about that through this presentation. There are seven areas that we think will make the difference for the future, and that's what will make up 2025's investment spend, which Jeremy referred to at the beginning. That will be our largest investment spend ever in the history of Asset and Wealth Management. So it's important to focus on.

Why can we have the largest investment spend in our history? Because the results speak for themselves here at the bottom. You can see just over the past two years, we've had $1 trillion in new clients giving assets to us, and we have a very healthy 34% margin and a 34% ROE, and that allows us to reinvest back in the business.

And so let's look at those four pillars that Marianne touched on. They are the same four pillars for us. We are complete. We have always been the best private banking business in the world, and arguably, we are now the most sought-after active manager in the world. There are more assets flowing to us than anyone else in this space.

We are global. It's not just 150 countries that we help clients in. It is also the on-the-ground research, which is more important today than ever. When you think about the portfolio managers that we have sitting on the ground in Shanghai, they're the ones driving how we think about auto stocks in the U.S. or European retail stocks. And so that becomes very important, particularly in the environment that we live in.

And we're very diversified. You know that we're firing on all cylinders in each region, in each sector, in each channel. But like we heard from Marianne, this is very much like her business, a recurring revenue business. Actually, 73% of our revenues come from recurring revenues. That means we're making money for shareholders 365 days a year.

And we are at scale. In fact, in Asset and Wealth Management, size is not our goal. That is not our primary driver. Our driver is to be the best. If, in fact, you are trying to be the best and you grow, that's the best equation you can have. And in fact now at that very bottom on the far right side, we do have three $1 trillion franchises, that I'm going to walk through.

It's also very important to note this little banner on the bottom, that's how it all happens. It's about talent management, and Robin Leopold, who's right here, who runs the greatest HR department around, along with Nelli Childs, who's our (sic) [in the] Asset and Wealth Management business, they're the ones that help us to retain 95% of our top talent. That is not an easy thing to do in today's competitive environment, and we do that.

So let's look at the metrics. Each year I show you this page, and these are really our KPIs. This is what makes up what we think are the growth drivers of what's going to happen in the future. And I really want you to think about it as two different businesses. On the left is the asset management business that's run by George Gatch, and on the right is the global private banking business.

On the left we are ranked number five as an overall asset manager, but the number that I focus on is the second one, which is the active management number. We are now number three. And we are closing the gap to number one because of our flows. If you look at these numbers of where we've doubled our assets, it's really come from the work, Andrea Lisher is right here up front. She runs the North America team across both the retail, the funds business there, and the institutional business along with Keith Cahill, who I saw standing right there in the very back. So that is super exciting. And in fact, that number on the bottom, AM client-facing, the 842, that makes us one of the largest sales forces in the industry.

On the right is the business that's run by Dave Frame, the U.S. Private Bank, as well as Adam Tejpaul, who runs our International Private Bank. And those numbers are really quite tremendous. AUS has nearly tripled (sic) [in the U.S.] and international pretty close by. If you just look at that, clients with $100 million plus, those are the centi-millionaires, that's up 2.6 times over this time period. But really importantly, the number that's most impressive on this page is the one that Marianne touched on, and that is Chase Wealth Management assets up 3.2 times. Kristin Lemkau, who is over here on the side, along with the great work that she does with her team, Eric Tepper and company, have driven that number to something we never would have imagined.

And that is a question that was actually asked by one of you in the pre-Investor Day questions that you put out in your notes, which was, tell me, how does this actually work, how does the Asset and Wealth Management investments work in the Chase branch, and this is a really important question. It is all run by this man right here, Martin Marron, who runs what we call Wealth Management Solutions. We think it is really important that no matter where you come into this institution, you get the best advice. We don't want anyone to get a different level of service (sic) [best thinking] because of your level of wealth. We want everyone to benefit from J.P. Morgan's 200 years of investing. And that's why Carla Hassan, who I saw here, who runs our global marketing, came up with that little picture on the right, which is now in every one of these branches that we are doing for these wealth centers that Stevie Baron runs, and it's said very simply, "Bank with Chase and Invest with J.P. Morgan."

And in fact that is the equation that is making all of this work. And if you look at the bottom here, you see that, while all of these numbers have been very strong, in the past five years there's been a real inflection in these CAGRs in terms of what we've done in AUS, revenue and pre-tax. And that's what we're going to talk about. And so there are many more opportunities for growth.

The only thing I would just want to say on this page is, this is about the industry. These bars are all about industry growth, and all of them are growing quite nicely. But in every single case, J.P. Morgan is growing faster than the industry in both revenues. You can see the 16 times for us versus the 10 times in the industry, 12 times for us versus the 6 times in the industry. That was assets and revenues in the middle. And if we just keep doing this, we will continue to gain share. This is a highly fragmented business that we are in, in the Asset and Wealth Management (sic) [business].

And so you can see over on the right, this is really our path to $10 trillion. I think, if we continue to invest the way that we have been, I don't see any reason, if our investment performance holds up, that we wouldn't be able to get those. But we're going to have to do some continuous investments. And that's what I'm going to walk you through here on this page. This is our expense walk, just like everybody else's. Five years ago, when we invested, our investment dollars were $1 billion, that was very large for us. Last year, that was $2.3 billion. And this year, like I said, will be our highest ever at $2.7 billion. And that's going to be very exciting. And thanks to Ben Hesse and his team, and also Julie Harris, who runs global operations for everyone around the world who's standing in the back of the room.

She drills into us every day, create and build something once and use it many, get rid of all these extra expenses where people are trying to do that in different areas. And so they are maniacally focused on getting rid of all of this waste so that we can reinvest, and that's even as we continue to grow volumes and efficiencies, we are able to plow back all of those dollars into here. And as we think about the seven investments that are on the right-hand side, we are also completely obsessed about every single measurement of an ROI to make sure that it is the next best marginal dollar of your money to be able to put back in this business. And so that's what Ben and his team relentlessly do. And on these next seven pages, I'm going to hit on those seven areas. So let's look.

The first and foremost important investment we make every single morning of every single day is investing in active management. So that's the heart of what we do. We generate alpha and we are not distracted by being in the commoditized, lower-yielding passive strategies. We can buy that beta, but we focus on the alpha. And thank God we have, because today's market environment is telling us that you're best off not being tethered to backward looking benchmarks. And in fact, that's why so many assets are actually flooding to us. And I'm very proud to say that now we have these 3 trillion-dollar operations, and actually all of them are sitting here. So Paul Quinsee's active equity management is right here, the fixed income, and of course, the money market fund business.

And if you look at what we are, we are not number one in AUM, but we are number one in flows. And for shareholders, that's the most exciting thing with tremendous upside here. How does it happen? There are three main ingredients. The first and foremost is on the bottom left, research. We believe that career analysts are treasured athletes, not want-to-be portfolio managers. That is a very important cultural difference of how we run this place. We have 500 career research analysts, we spend $500 million a year in annual spend, and that's one of the largest on Wall Street for the asset management business. We cover 5,000 companies; we have 11,000 company meetings every year. That's two every hour of every single 24-hour day, and most of them are held in our Shanghai office covering all of these new and exciting companies that are developing in other places in the world.

One of the points about being a career research analyst, Rob Bowman, who is our tech analyst, who Jensen Huang actually said, was the first person to get it back about 10 years ago, he said, "working at J.P. Morgan, our relationships with CEOs and CFOs are very different from the competition, especially in technology, where Lori Beer and her whole team start to use the products and technology, that gives us a front-line client view of the companies that we're investing in. That's priceless for us." And so in that research alpha, combined with what I call risk alpha, that's where Gregg Gunselman and Ashley Bacon run the independent risk management of this team, and give us those insights into asset management, and then, service alpha over on the right. Service alpha is what I call packaging the research. Many of you know Michael Cembalest, who runs the Eye on the Market piece, Guide to the Markets is something that Dr. David Kelly had created. Actually, it's in most use when markets are quite volatile. And in fact, just year-to-date, we've had 1.8 million (sic) [visits of our slides] by independent FAs. Those are FAs at some of your companies that you work for as well as independent RIAs around the world. So it's very impressive.

And then, the last is just events. It is not a small thing for us. Judy Miller, who's here, runs our Global Events team, and along with Alison Weiskopf, for Asset and Wealth Management. We run events every single day around the world. And those are our added benefit for our clients to come in, and really be trained on the things that we think about Asset and Wealth Management.

But in addition to this alpha, we have to package it. And that's one of the most exciting growth areas now today, which is in these active ETFs. There's a significant, significant growth area. It's not to say that the mutual funds business won't grow – that first chart there is the next five years of mutual fund growth looking at about 6%. But the active ETF business is where you're going to get this explosive growth, and J.P. Morgan is a top 5 active manager, both in net new flows for mutual funds and in ETFs.

And I think that's really important. One is not cannibalizing the other, which is a worry that the Street has. And that's really because Jed, who's right here in the front, you pushed very hard when you said, we are not going to run this separately. We're going to have the same PMs run a mutual fund and an ETF. It's going to be embedded in what we do. And with that, we are growing quite fast. You can see the numbers on the left. We are number two in AUM, in the active ETF space, but our flows are number one and clients will end up closing that gap for us quite quickly.

If you look at the bottom, this is just the extent of the reach here. Actually, you can see Travis Spence in the middle of all those pictures, it's a little bit like, Where's Waldo? He's Head of our Global ETF business, but he's in Toronto, in London, and very importantly, in Shanghai. You can see we have three of the five largest (sic) [active] ETFs in the world. But I think, more importantly, 24 that are over $1 billion, and most of these are very young, less than three-years-old. So you should expect those to have a really explosive growth, probably growing at about 5 times that in the coming years.

Alternatives, equally important for us run by Anton and Jed, who are here in this front table. This is going to define the next decade of the asset management business, I believe. And I don't think it's because alts will be off on the side, it's because alts will be part of everything we do in the traditional space.

Across our competitors, you see this very often. You see traditional players trying to buy alternative managers, and then, they find a way to deal with the cultural differences of the two. You also see traditional manager – sorry, alternative managers – trying to grow the traditional sales forces, breaking into those RIA coverage models, which as I said, Andrea and her team have been doing for years.

We do both of those, and we do them very well. And so it's really for us to take the legacy of what we've been doing – in the real estate business, we've actually brought back Chad Tredway, who had been here in the Commercial Bank for many years, in the real estate side from Soros, where he had gone. He has turned this business around. Just in the past year, we are number one in investment performance against all our peers and we are number one in flows.

So very exciting to reboot that business. We have 30-year track record coming very soon in the Alternative Solutions business, with Ashmi and Steve. We have dominance in the infrastructure space growing quite quickly with everything that Paul Ryan and Matt LeBlanc are doing. And then, at the bottom, we have a lot of the new areas. Patrick McGoldrick with Steve Squinto and others are giving us great opportunities to invest in the growth private equity business.

But I think the most important is the middle. And that's what we talked about. It's very hard to create these distribution areas. We have four of them. Together, the four are the killer for being able to get out there in the space. In the institutional side, obviously, we've been there for years, covering 60% of the world's largest clients. In the private bank, we already put $2 billion to work every single month. In alternatives – in the RIA space I mentioned, we cover 70% of them already. But look at this bottom one, Chase, you see the little bar, you can't see anything in the alts. They are so hungry for alternatives. And with these evergreen strategies, you see the green in the evergreen. That's really the retail side that's going to grow. That is just ripe to be able to offer to those clients. And we're really excited about that.

And I have no doubt the horsepower of all of this coming together will help us to move in those league tables on the bottom and everything that KK and Jed and Anton do every day is going to help us.

The fourth area is probably the most exciting from the M&A that we did. We got the question – Jeremy got the question – about M&A. This has been our best performing one. Just back in 2022, we got into the equity share plan business by buying Global Shares and Vince La Padula and Dan are standing right back there, they now run this really exciting part of what we do. And we've actually never gone from zero to fourth place that fast in anything. And it's really important to see the clients that we have onboarded here.

In fact, in the last two years, the number of clients we've onboarded has been larger than all of our – than our largest two competitors combined. But, in many ways, I mentioned Robin and her HR team, we onboarded workplace for J.P. Morgan employees, and that was no small feat. You can imagine what we put them through.

And when we did, it actually, all of the technology we plowed into it has led us to have so many more clients on the outside want to now be part of it, we have had twice the number of RFPs year-to-date that we've had in the last year and many more than years before. But the real growth is going to come from that right side.

This whole equation is to give us leads in the business, to give leads to the commercial bank, leads to the investment bank, and very importantly, leads to the whole wealth management continuum of clients. And in fact, when you look at all the cap tables in the world, 42% of them are in the innovation economy. That's something that Doug worked really hard to create post the SVB and FRC changes that occurred in the environment, and took John China and Melissa Smith and really had them lean into this. And I think that that's where we're going to get some pretty explosive growth here.

But we're going to need more people to do it. And so the talent is the fifth out of the seven areas that we invest in; very, very important as we continue to grow this. We have now 9,600 advisors when you take the whole wealth management equation of Kristin's world and Dave and others in the wealth management space. But the real cracking of the code is the middle. You can hire these people, or you can grow these people. And in fact, now, half of our new advisors come from growing them from within.

And if you look at that right hand side, you say, how is that possible that you made that productivity go up? And it is a combination of – one thing I'm going to show you here, which is training and the next thing I'm going to talk about in two slides, which is our technology investing and what AI is doing for this. That productivity up 3.4 times is got to be industry leading. I don't know how other people measure it.

Jeremy Geller, who's sitting in the front row, said, you can't just train them with outsourced training, okay? We need more training and we got to do it ourselves. And in fact, we take some of the best front-line advisors, and we say, you're going to go train them. You're going to dedicate your time to do it. This picture on the bottom is crazy. Okay. This is Nelle Miller's team, her investors, and the Minnesota team and the California team. They went over and volunteered their time to land in Hong Kong to teach Harshika's new – although those are new hires in Asia. They spent a week in Hong Kong, giving their time to be able to do that. And that's priceless.

And so today, we now have these 25-year-olds that are coming online that are just as productive as our 30- to 35-year-old mid-career hires. And I think this is really great both for them, but also for our shareholders. It's a formula that's now repeatable, scalable, and it works globally. And you can see that in these lines. The lines are getting thicker. There's more of them and then they're getting steeper. And I think that after the early years of the J-curve, the payoff is happening much faster, something that we measure on a daily basis.

And so, two more areas that are involved in technology, but this one is really important. These were two others of our acquisitions that we did. So Ted Dimig and Jed and Ben actually came and made the case that if you are going to get this flywheel going of personalization at scale, you need some fintechs. A lot of you debate whether fintechs can work inside of a bank. And in fact, 55ip and OpenInvest have done just that.

This whole equation, we had 1 million accounts just a couple of years ago. We're now at 2 million and we're on our way to explosive growth. 55ip, just one of those engines right there, brought in $25 billion in assets last year. And that takes that whole flywheel to about $380 billion, making us in the top three.

But like many of these acquisitions, we spent a lot of time future-proofing it and J.P. Morgan-izing it. And thank God, we did, because what's happened over these past couple of months in terms of volume explosion wouldn't have happened had we not fortified it. We were averaging about 14 million trades a day. We got to April, we're at 28 million trades on an average day. Three of the four highest trading days we've ever had were in the month of April.

And in fact, across all of our trading that we do in Asset and Wealth Management, that same is true that we have been fortifying and using actually AI on our trading desks for the past eight years. And so now we're up to roughly $260 billion that we trade every day across asset and wealth management. But as we headed into the month of April, that went up to $500 billion a day, with no stress on the system. So we're ready for more. And that's exactly where tech and AI take us, which is the last of the seven areas that we invest in.

You can see that we have gone from removing the no-joy work, everything that we talked about in Jeremy's opening to actually taking this into development, taking it into anticipatory help, and all of the work that Teresa and Lori are doing on the tech side is fantastic. Our Head of Tech, Mike Urciuoli, he said we have immersed ourselves in an AI-first mindset across all that we do. And AI is not just a tool, it's reimagining workflows and it's changing the loading capacities for thousands of people on the frontline and in the back.

And Smart Monitor is probably one of the ones that will resonate with you all most. It's the one that is used for our analysts and our portfolio managers. Honestly, I was totally wrong. I thought that you would be the last people to use this stuff, because you think I'm too smart for AI and I have to do it my way. It saves so much time. It takes millions of all of the call reports, the Q's, the K's, the stock moves on any given day. It spits it out in the ratio that you like versus the ratio that you like. And you think about how that lifts you. It also follows the stocks that are not within your universe that you might not have put into your portfolio and keeps an eye on those on any given day. And so it's really taking things that take days and weeks and turning them into seconds. It's super powerful.

But the one that's caught the most attention is Connect Coach. And this is the one that's been lifting those advisors and the productivity. Okay. Connect Coach basically anticipates next best action, but very personalized to any particular situation. So you take April. Stocks are gapping down on one day and they're going in the opposite direction in the next day. And what's happening? The best advisors we have are already knowing exactly what to do. It's intuitive to them. They know how to think about something that's down low, maybe you swap it out for tax purposes, et cetera. But actually, Connect Coach is saying, hang on a second, these stocks, 48 of them just hit an all-time high. And here, here are the clients that haven't donated to their local alma mater this year and a lot of them need some help this year.

So please push this button here and it'll tee up a DAF for you, and how to do that donation. These stocks have hit an all-time low the very – the day before. And what do you do? You want to capture the moment where it's in the low. You want to call the JPMorgan board members. You want to say JPMorgan stock just hit this low. Think about quickly putting it in a DAF (sic) [GRAT], because we know you're going to hold it, and that future appreciation will go to the next generation.

All of that stuff is automated. You walk away from a morning meeting. Michael Barakos has just covered International European Equities, and you say to yourself, who doesn't have European stocks? It's already up on your desktop. It shows you – who doesn't have it, it shows you the fund fact sheets and it gives you a sample e-mail or talking points to call clients.

So all of those things are super, super important. And that has only been with 4,600 private banking advisors. And Saturday, we launched it to Kristin Lemkau's 7,600 CWM employees, and now we will be at about 17,000 by the end of the year.

On the right-hand side is a case that was written about Lori and Teresa's work, but also, about how Ashley Bacon has wrapped this in risk management and Mike Urciuoli and his team, I see Vrinda in the back. Some of the investors went, some of the – the whole team went up to teach the case. It is now a required curriculum final case for your first year. We went up and saw it. I'm actually on the Harvard's AI Board up there, and they said, it was just one of the most exciting things. And the reason that they made it the final case for first years to be taught is because they just think what we're doing is so different.

There's a quote on the bottom, and it was basically said in almost every one of the 10 sections that we were teaching, it says, "we've looked at AI across many different industries and J.P. Morgan's playing an entirely different game." And so that takes us to a game. These are games. I just wanted to take a minute to talk about sports as just a way to crystallize the way this whole firm comes together. And I think there's no better way to do it than in the sports business.

Sports used to be an individual investment. So 60% of the major sports team owners around are private banking clients. We've been helping them for many, many years, but as it's grown in size, we've had to help them to think about how do you handle that size? How do you lend into that size? Both for monetizing the investments you have, so your family members can get some money, as well as getting new clients who can be able to afford these new teams.

And so Brian Kantarian and Omar created now what is the largest lending business on the private banking space. Actually, 10 of the last 15 major sports transactions that have happened in the world have been financed by J.P. Morgan. So that's really exciting.

We then moved into institutional buyers saying, wow, this is a really exciting asset class, maybe I should be investing in it. But it's hard for the U.S. leagues to allow some of these sovereign wealth funds to be able to that. J.P. Morgan advised on the very first sovereign wealth fund entering into one of the big four leagues, I'm actually getting off-stage, and going over to the Middle East to see that client right after this.

That combined with the fact we've already been investing in these private equity firms that are launching these sports funds and we give access to our clients to have this, we then realize that the whole institutional world needs institutionalization. And so the stadiums became a very big deal. Many of you know much about having to increase fan base participation across a much nicer stadium and the service et cetera. And so what we did was we took the investment bank's municipal finance expertise and the commercial bank's real estate expertise and we took a guy named Zach Effron, who's our Zach Effron, not Hollywood Zac Efron, and he oversees now what has become the largest practice. In fact, 65% of the major financing developments have come through that team.

You pull all of that together and you say, how do you how do you make the magic? You make the magic, because actually these sports teams are being valued based on media. J.P. Morgan's Investment Bank has had the number one media practice forever. We are now into the media sports practice. And, in fact, we landed and finished the largest completion of a controlled sports franchise ever in the history, which will hopefully change the face of the way sports are being dealt with.

And just importantly, that whole flywheel of people, they don't sit there and count the beans of, like, who gets credit for what. I just talked to you about everything across all of the different lines of business. We do not tolerate that here at J.P. Morgan. We do not have side accounting groups that think about where those revenues get counted for. We are trying to win for the client, and in fact, that's what we're doing every single day.

So, in conclusion, we have a business that is incredibly durable. It doesn't matter to us on any given day what is working and what is not. We don't need every single asset class and we don't need every single revenue driver to be working really well to have Asset and Wealth Management work really well. It's a periodic table just like asset allocation. And so that's what's taking us through.

And in fact, on the bottom, as Jeremy pointed out at the beginning, clients continue to vote with their feet in the Asset and Wealth Management business. That $1 trillion over the last two years is the equivalent of a top 25 asset management firm in and of its own right. And you can see over on the far side, we've expanded that list of who we can compare ourselves to across our competitors to include alternative managers and the like, and J.P. Morgan is proudly number two overall.

Which takes me to this final and exciting slide presented to you by Ben Hesse. He is so incredibly proud of this. Why? Because asset management firms are viewed on flows and banks are viewed on ROE, and we think we've created the equation that hits both. And so you see on the left, we were sort of mediocre on both of those sides just five years ago, and our PTI back then was about $3 billion. We have doubled it. The size of the bubble is $7 billion. We're the only asset management firm to have doubled PTI of our publicly traded peers.

And in fact, we are now really proud of where we stand on that chart. Which concludes me to say we are going to continue to reiterate our through-the-cycle medium-term targets. A lot of you ask, why do you have these really high numbers, and then, these targets that you keep beating every year? And the reason is, I don't want anyone on the management team to have anything else in their head except for growth for you as the shareholders, I don't want them to be constrained by raising higher targets. And with that, we are going to continue to do this.

The last point I want to make is when we went through our own red teaming, that's what we do across all of the different lines of business here as we're getting ready for you. This is a very important day for all of us. We talk to each other about what is the storyline and how do you think about it. And Matt Kane sat through our last final red teaming, and he said, just look at this business, he said, you take the benefits of the diversification that you already have, you take these new capabilities that I'm hearing about 55ip, customized portfolios, active ETFs, you take the leads you've got from Workplace, you take the new hires that you're ramping up and you take the AI innovation, and you will just continue to unleash the power that this business keeps delivering to our shareholders. And so we're going to do just that, Matt.

And with that, thank you. I'll turn it over to the Investment Bank.

MANAGEMENT DISCUSSION SECTION

Operator: Please welcome to the stage, Doug Petno.

Doug Petno
Co-CEO of Commercial & Investment Bank

Good morning, everyone. On behalf of the entire team in CIB, thank you so much for joining us today. Troy and I are honored to lead this incredible franchise and we're delighted to have you here.

Today, I'm going to speak to the newly formed Commercial & Investment Bank and our strategic priorities. Troy will update you on our efforts across Securities Services, Markets, and Global Banking, and Max and Umar will provide a deeper dive into our Payments solutions and their strategy for innovation and growth. Troy and I will then come back up and give you an outlook for CIB second quarter and we'd be happy to answer any questions that you may have.

So let's jump right in. So as a reminder, last year, we combined our two operating businesses, Commercial Banking and Corporate and Investment Banking, to form the new Commercial & Investment Bank. Our clients are growing, scaling and expanding globally at an accelerated pace, all while our competitive landscape continues to evolve.

The new CIB is designed to best serve our clients, creating a single wholesale operating entity, four business units tightly knit with a very clear strategy to be our clients' most important financial partner. In Global Banking, we've aligned our leading Investment Banking, Global Corporate Banking and Commercial Banking businesses to enhance our go-to-market approach and seamlessly serve our clients throughout their lifecycle. The result is a franchise with incredible global reach, scale and capability, and we're winning.

Our Investment Bank is a clear market leader in M&A, DCM and ECM, ranking number one in all three last year. Our Global Corporate Bank serves over 5,000 of the largest companies globally, with about one-third of our clients headquartered outside of the United States. And in Commercial Banking, we are the number one bank serving the Middle Market, and we've been number one in Multifamily lending over the last decade.

Working hand-in-hand with Global Banking is our Payments franchise, which serves clients in over 160 countries and over 120 currencies. We process over $10 trillion and nearly 60 million transactions in payments every day.

Our Markets business is a complete counterparty to clients, meeting their needs across a range of asset classes and through the entire trade lifecycle from Research, pre-trade analytics, from trading and financing, all the way to post-trade support. We cover nearly 90% of Institutional Investors and we're number one in market share in every region. And finally, in Securities Services, we are a leading custody and fund services provider with a blue-chip client franchise and industry-leading margins.

So looking forward, we're completely focused on the enormous potential we have in front of us and equally aware of the range of threats, including competitors across all of our businesses and in all of our markets. And so what is it that sets us apart? And this will look familiar. As you have heard from all of our partners today, we have real moats around our franchise. We are complete with a comprehensive offering and leadership positions in all of our businesses.

That said, we're not standing still and we're making strategic investments in our platform, capabilities and footprint. We have incredible global reach, while we serve our clients locally. We do this across 60 countries and in 74 of the top 75 MSAs in the United States, benefiting from a rich legacy around the world, with almost 80 years in Tokyo, over 200 years in London, and over 225 years right here in New York City. And we're deeply embedded in these communities, with strong local knowledge, expertise and connectivity.

We are diversified with $70 billion of total revenues across client size, industry, geography and business. Our diversified business model provides for more enduring, repeatable revenues and financial performance through-the-cycle. And this gives us stamina, especially in volatile markets, which lets us make sustained investments in the long term.

As a part of JPMorganChase, we operate with tremendous scale, with our iconic brand, exceptional client franchise, expansive footprint and market-leading capabilities, all setting the foundation for our continued growth and success.

On the right-hand side of the slide, you'll see just a few statistics that dimension the absolute scale of our businesses. This gives us real efficiency and operating leverage. And if you look just within our Markets business, there's several powerful examples. For instance, as our overall trading volumes have nearly tripled since 2019, we've seen significant reductions in our cost per trade. In Rates, it's come down 42%; in Cash Equities, it's come down 23%. But perhaps, the biggest differentiator for us is our exceptional team and strong culture. Our client-focused mindset and commitment to excellence is a common language across our business.

So while we're quite proud of our franchise, we take nothing for granted. Against both the opportunities and challenges, we've set out a deliberate, strategic agenda, focused on capturing the full potential of our now combined businesses, investing to extend our competitive advantages, and empowering what is the best team by any measure.

With whitespace across CIB, we are executing multiple growth initiatives, focused on expanding and deepening our client franchise. As we constantly face powerful new competitors, emerging technologies and evolving client expectations, we're innovating to extend our competitive advantages. Our opportunity to self-disrupt spreads across every single client journey in CIB – from how we onboard clients and conduct KYC to how clients trade with us and to how we deliver credit. And we've seen real improvements in our critical processes.

In KYC, for instance, we've seen a 40% reduction in unit cost since 2022 due to AI and technology enhancements. With our digital platforms, we're working to drive simpler, more efficient, more intuitive, digital-first experiences. And you'll hear more from Max and Umar and our work to optimize our digital channels.

We have incredibly rich data assets and we've made steady progress in building a truly data-driven business. CIB has over 175 AI use cases in production. And with so much potential, this work is quite exciting as we're leveraging our data at scale to provide our teams with predictive analytics and unique insights, optimize our operations, and protect both our clients and our firm with better risk decisioning and portfolio management.

We're also continuing to invest in our teams and we're expanding to support important growth and strategic initiatives with targeted hiring across the franchise.

In Global Banking, we've added nearly 600 senior bankers in the last two years. And we aren't just adding talent, we're delivering training, insights and technology to empower and enable our teams, focused on serving our clients in a highly differentiated manner. Importantly, maintaining fortress principles is a core tenet of our strategy. We benefit from a strong risk and control culture, rigorous client selection, and a through-the-cycle mindset. As such, complex markets play to our strengths as we continuously prepare for a range of economic scenarios.

Altogether, this consistent long-term strategy has underpinned CIB's strong financial and operating performance. As you can see on the slide, CIB has delivered substantial organic growth and we've done so through a range of market environments. In 2024, we generated total revenues of $70 billion, net income of $25 billion, and a return on equity of 18%. Over the last five years, we've seen steady growth in revenues and our earnings have grown at a compounded annual growth rate of 9%.

Importantly, these results are diversified, and they benefit from our market leadership positions and the stickiness and repeatability of our Treasury Services, Lending and Securities Services revenues. We consistently maintain risk discipline and efficiently deploy our capital to serve our clients through-the-cycle. And so looking forward, we would expect a return on equity of 16% over the medium-term. But obviously, this could be impacted by potential headwinds that Jeremy walked through earlier today.

The strong results I just highlighted were driven by the sustained investments we've made over the past decade or longer. And CIB's overhead ratio of 50% in 2024 is one of the best amongst our key peers, even while we've made significant investments in our franchise. This year, we expect our total expenses to increase 7%, in line with the guidance we gave at year-end. Our volume and revenue-related expenses should increase year-over-year in line with our continued growth and momentum we see across the business. And the biggest percentage increase in our expenses relates to the investments we are making in technology and a range of strategic initiatives. These investments will defend our franchise and best position us to capture the many opportunities ahead.

For this year, we expect total investments to increase 8% from $4.3 billion to $4.7 billion. Most of the spend is across two main categories. First is technology, where we're investing $3.7 billion, targeting $2.5 billion to our products, platforms, and experiences. We also continue to make the necessary long-term investments into modernizing our infrastructure. This includes investments for cybersecurity, resiliency and executing our cloud strategy.

The other major focus is funding the strategic expansion of our Banking and Sales teams. Troy will cover this in detail, but we have an outstanding track record of organic growth tied to deliberately putting more JPMorgan bankers in front of more clients and more prospects.

And before I hand the mic to Troy, let me end by saying that we're only beginning to see the full potential of our interconnected businesses. Our coverage and product teams are even more closely aligned, segmented and focused, delivering deep industry and market expertise. We're solutions-driven, serving our clients at every step in their journey from start-ups to large multinationals. And we are one face to sizable market ecosystems like private capital and the innovation economy. And with each of our businesses performing exceptionally well, what is exciting is we operate in large and growing addressable markets and there are substantial opportunities to build on our momentum.

And with that, let me now pass it over to Troy to tell you more.

Operator: Welcome to the stage, Troy Rohrbaugh.

Troy Rohrbaugh

Co-CEO of Commercial & Investment Bank

Thank you, Doug; and good morning, everyone. We believe the power of our combined CIB franchise is incredibly unique. We are now even better positioned to deliver comprehensive solutions to our clients and capture large and growing opportunities. So now I'll walk through our lines of business and cover their performance and key priorities.

Starting with Securities Services, where we have made immense progress. This is a business with a concentrated wallet across the largest institutional investors, and that trend has been accelerating. Our strategy has always been focused on partnering with long-term clients who are benefiting from these consolidation trends, and therefore, need and value our full offering as they become even more global and complex.

We operate in 100 markets. And as a result, our client base is well-diversified across geographies, with over 60% of our revenue generated outside the U.S. From Securities Services to Markets, we offer front-to-back solutions. 80% of our clients are also Markets clients, including our top 200. We have over $35 trillion in Assets Under Custody and generated over $5 billion in revenue in 2024, marking our fifth straight year of record revenue, driven by steady fee growth as well as the stable and growing deposit base.

Since 2019, we've improved our share by 50 basis points and are in the top three with 10.7% share. While it's important for us to close the gap to number one, we are focused on doing so profitably. We continue to drive efficiency at scale across our complete product set. As you can see on the right, in Trading Services, we've increased our balances by 80% and reduced unit costs by 72%. And in ETFs, we've increased Assets under Custody by over 300%.

Importantly, we've continued to deliver the best-in-class operating margin of 32%, which is the outcome of years of investing in our platforms and thoughtfully partnering and growing with our clients. This space continues to evolve, including factors like competition and price compression, clients investing in more complex markets and strategies and the increasing need for data and analytics.

As our clients navigate a changing landscape, they rely on us as their long-term partner. Our technology and scale are critical to being an endgame winner in this business. Not to mention the data in our Fusion platform, which opens up incredible potential for AI to further drive value for our clients and better enable productivity.

Moving on to Markets. We are proud to be the top franchise. In any market environment, we are committed to being a complete and global counterparty with strong risk management and the ability to allocate capital dynamically. Our intense client-centric focus allows us to meet our clients' needs through the trade lifecycle.

Our number one ranked Research organization delivers best-in-class content and insights to clients, with over 90,000 active users on our J.P. Morgan Markets portal. In Trading, we ranked top two in 11 of the 13 sub-products. And Financing is a significant and expanding portion of our revenue in both FICC and Equities, growing by 75% since 2019. And here, we have the top market share among our peer group at 17%. Supporting all of this is our resilient infrastructure and digital platforms, enabling us to handle massive spikes in volume like we saw last month. For example, we executed $340 billion of FX notional in one single day.

Turning to financial performance, we generated a record $30 billion of revenue last year, maintaining our number one rank, even as the significant wallet continues to attract competition from both banks and non-banks. In the middle of the slide is our product market share. In Equities, our multi-year investment strategy has led to growth across all three key areas: Cash, Prime and Derivatives.

In FICC, we have been the leading franchise for over a decade. However, our market share is lower relative to pre-COVID, due to a change in the wallet mix, plus certain areas of underperformance, such as Rates, which we are addressing. Perhaps, even more important is our client market share on the right, which is the cornerstone of our franchise. Similar to Securities Services, we are focused on growing alongside our largest institutional clients where we've seen the consolidation of the wallet there as well over the past few years.

Here we have the leading market share, increasing by 230 basis points since 2019. As we discussed last year, we continue to see opportunities to deepen relationships with Corporates, which we are well-positioned to do through our combined organization. For example, our TSFX revenues from international corporate clients have grown by over 40% in the last two years.

So while the market environment remains uncertain, we operate from a position of strength, which should allow us to capitalize on a potentially larger wallet, while still investing in our clients, products, technology and innovation. We also continue to deploy capital in a disciplined way, pursuing opportunities dynamically across key products and client segments.

Okay. So now turning to Global Banking, where, as Doug said, we are fully integrated yet intentionally segmented to serve our clients at every stage of their lifecycle. With our comprehensive set of solutions across Payments, Lending, Advisory and Capital Markets, all delivered with excellence, we are creating client-for-life relationships. The breadth and expertise of our model is what truly sets us apart, including fit-for-purpose solutions delivered to our 80,000 clients, global scale with local presence in 220 cities and nearly 4,000 senior bankers with deep industry knowledge, serving as trusted advisors to our clients. And the interconnectedness across our businesses allows us to deliver a unified client experience.

The power of Global Banking is demonstrated in our financial results, with strong growth in revenue delivered in close collaboration with our Payments team. Max and Umar will tell you more about that in a minute.

For the past 15 years, we've been number one in Global Investment Banking fees. And last year, for the first time, we took a full sweep of number one across M&A, DCM and ECM. However, the race at the top is tight, which is why we continue to focus diligently, product-by-product, sub-sector by -sub-sector. And we remain incredibly disciplined in our loan growth, while still growing our deposits through-the-cycle.

We're in a challenging environment with potential downward pressures on the Investment Banking wallet, acute competition, and the increasing war for talent. But we will continue to expand our client franchise through our targeted growth initiatives. For example, we are using our data to better target 60,000 Middle Market prospects to become their primary bank.

In Investment Banking, we're making inroads in the sub-sector opportunities we shared with you last year, and we've prioritized 16 of those, which are growing and benefiting from secular trends. And as Doug mentioned, the sponsor and innovation economy ecosystems present large market opportunities, where we believe we are uniquely positioned to gain outsized wallet share.

For example, we grew our Innovation Economy client base by 30% last year. Finally, we continue to invest in our talent, adding over 2,000 client-facing and supporting team members in the last five years, while enabling them with real-time insights and analytics to increase sales productivity.

Okay. Turning to our Lending exposure. Jeremy already covered some of this, so I won't add much further other than to say we're comfortable with our overall exposure, but we are closely monitoring both Middle Market companies and certain sectors that may be more significantly impacted by tariffs, as well as other areas where credit has broadly grown during this cycle.

In Commercial Real Estate, our portfolio remains consistent at $200 billion, which is predominantly multifamily, mainly in Classes B and C where we've seen limited losses. And as Doug shared, our primary objective is to be the most important financial partner to our clients and to be a stable port in the storm.

Okay. So I'm going to finish with a powerful example of how our combined franchise across Commercial Banking, Investment Banking and Markets is even better positioned to deliver comprehensive solutions to our clients. As we said earlier, we are one face to large market ecosystems. And Private Credit is no exception. We talked about this last year and we've made real progress since then.

We believe that we are uniquely positioned to sit at the center of this ecosystem. And our public commitment to Direct Lending speaks for itself, $50 billion from our own balance sheet, alongside nearly $15 billion from our co-lending partners. This will be deployed thoughtfully and over time, applying our consistent and disciplined approach to risk management. We do not do this for the purpose of gathering assets. We do this to meet our clients needs.

Core to our strategy is that we partner with both our borrower and investor clients. When it comes to our borrower clients, we are committed to meeting their capital needs by delivering the most appropriate solution, whether it's public, private, hybrid, or any variation thereof. As for our investor clients, we do not see this as being at odds with those who provide these solutions as well. We see it as an opportunity to partner with them and promote a healthy, functioning market.

And all of this creates flywheel benefits, helping us capture revenues across Trading, Financing, Payments, Advisory, among others. And we will continue to evolve our approach as needed to ensure we are best positioned to drive value for our clients.

So with that, I'll hand it over to Max and Umar who will give you an update on our Payments business.

Operator: Welcome to the stage, Max Neukirchen.

Max Neukirchen
Co-Head of J.P. Morgan Global Payments

Thank you, Troy and Doug, and welcome to our deep dive on Payments. In Payments, we serve an incredible breadth of clients across sizes and industries all around the world. But we do not pursue a “one-size fits all” approach. We offer comprehensive solutions tailored to their specific needs – from digital-first products to support start-ups, to complex global solutions for multi-national companies.

Our business is world-leading. Last year, we generated more than $18 billion dollars of revenues. And our scale is unmatched. We serve 20 of the largest 20 companies on the planet. We cover 80% of the Fortune 500 and we are number one in U.S. Middle Market. And central to all of this is our goal of being the primary operating bank to each of our clients.

In addition to serving our clients, we're also a critical partner to the rest of the Firm. For example, we hold $760 billion dollars of deposits, which is almost one-third of the Firm's deposit funding. Most of them are operating deposits. And we are also critical to the success of other businesses within JPMC as the examples on the bottom show.

Payments unlocks incremental revenues. For example, we have a successful collaboration with Markets around seamless FX that has added hundreds of millions of incremental revenues over the last few years. Payments also generates significant cost savings. As you can see in the middle at the bottom, both Securities Services and CCB leverage our infrastructure to process trillions of dollars of savings (sic) [payments] every year.

And Payments powers alternative solutions for our clients. For example, we enable them to sweep funds into AWM, at the moment about $175 billion dollars of balances. All these synergies create value for the Firm, but they also really solidify our role as a leader in financial services.

Now, let me talk a little bit more about the sub-businesses we have in Payments. Treasury Services is a business that offers liquidity management and money movement to clients. We are number one and we continue to grow. On an average day, we process more than $10 trillion of volume and that goes up to $14 trillion on peak days.

In Merchant Services, we allow companies to accept payments from their customers, both online and in-store. We are the number one acquirer in the U.S., and we are also the number one e-commerce acquirer in EMEA. Last year, we processed more than $2.6 trillion dollars of volume, and at peak, more than 6,000 transactions per second.

Our Trade business is focused on being a leader in key sub-segments, such as structured trade. And as you can see on the page, the number 7 ranking has opportunities to grow. These first three businesses are well-established and generate more than 90% of our Payments revenues. However, the next two are areas of key investment and also show high growth. Embedded Finance & Solutions encompasses vertical and horizontal value-added services, as well as software solutions. Our Embedded Payments platform is number one ranked.

And then, finally, we offer a best-in-class Digital Solutions, including our number one ranked client portals, J.P. Morgan Access and Connect as well as Kinexys, one of the largest blockchain networks in payments.

Now, what makes us unique in all of this? Our solutions create tangible value by combining the power of a large, trusted bank with the innovation of a tech company. And no other payments business has our unique set of assets, having a number one Treasury Services organization and the world-leading acquirer all under one roof. And we also differentiate by how we deliver this to our clients. We have a single coverage organization. We have a unified, high-touch approach to clients service. And we operate at scale 24/7 all around the world.

Let me bring this alive to you with two client examples, Booking Holdings and TotalEnergies. Booking Holdings on the left is an online travel agency that has household brands such as Booking.com and KAYAK. We've been with them since the beginning. We were their first bank. We gave them their first ever loan through the Commercial Bank. And of course, we have had a deep Payments relationship.

Our Payments relationship has evolved over the last 30 years to become Booking's pre-eminent partner by offering them the specific solutions that you see on the left-hand side of the page. TotalEnergies is a global energy company, headquartered in France. We've enjoyed a longstanding relationship with them across Investment Banking, Markets, and of course, Payments. TotalEnergies leverages us for liquidity management and cash management, but most importantly, to power their global growth.

And beyond the day-to-day, we support TotalEnergies in defining modern day Treasury Management. We allow them to have real-time settlement, 24/7, leveraging our blockchain solutions, and they benefit from our AI-powered fraud prevention tools. Both examples show that we are a trusted partner to companies at every growth stage, earned by delivering solutions to their specific needs.

Now, let's turn to some key financials. We have seen incredible top line growth over the last few years, adding more than $8 billion of revenue at a 12% CAGR. But it's not only the absolute growth, it's also relative growth. Our Treasury Services market share has increased by more than 350 basis points over that timeframe. And it's the quality of these revenues that also matters. Payments is essential to our clients. Our relationships are deep and long-lasting, and those revenues are therefore consistent and recurring.

Two metrics we monitor very closely to judge the health of our franchise, actually are growth in fees and growth in deposits as you can see in the middle of the page. Fees have grown at a 9% CAGR, driven by our investment in modern platforms as well as in expanded coverage, as you heard earlier from Doug. And over the same time period, as you can see at the middle in the bottom, our deposits are up more than 50%, mostly high-quality operating deposits.

Last year offered a clear demonstration of the strong earnings profile of this franchise. While revenue growth was nearly flat, it was a very successful year, because we were able to absorb significant rate-related headwinds through our deposit and our fee growth. And it's performance like that that will help us weather future rate cycles.

Now, let's look ahead – looking ahead, we see significant tailwinds that will position us well for continued growth. First of all, payments continue to digitize all around the world, with electronic solutions replacing cash. That grows the wallet for us, but, of course, also for the whole industry.

In addition to wallet growth, there continues to be a consolidation towards the largest players, reflecting an industry trend towards scale and security. JPMorgan is very well-positioned for that trend. And thirdly, Payments is becoming more and more strategic, evolving from a back-office function to a key revenue driver for many of our clients. That means clients are willing to pay a premium for differentiated solutions.

Now, how will we capture all of these opportunities going forward? For that, I'll hand it over to my partner, Umar, who will take you through our five growth levers.

Operator: Welcome to the stage, Umar Farooq.

Umar Farooq
Co-Head of J.P. Morgan Global Payments

Thanks, Max; and good morning, everyone. As you heard, our business has tremendous momentum and natural tailwinds. We want to ensure that we capture this opportunity and have a five-pronged strategy to do so. Working closely with our partners in Banking, we will continue to expand coverage across industries and geographies.

We will combine this expanded coverage with the strength of our balance sheet to deploy capital and meet the needs of our clients. We have been on a modernization journey for many years now. And given the centrality of technology to our business and the constant innovation in our space, we will continue to invest in platforms that are innovative, scalable and resilient. Last, but definitely not least, we are doubling down in our existing footprint and looking to expand to new markets.

Let me cover a few of these points in a bit more detail. Our partnership with Commercial Banking and Corporate Banking is a key asset for the Payments business. We see significant opportunities across segments and geographies to deepen existing relationships and to capture new clients. Our focus on expanding coverage is actually nothing new. Since 2022, we have expanded our banker headcount by more than 1,000, and we intend to continue growing. Most importantly, as mentioned earlier, this shows the power of bringing the Commercial and Investment Bank together last year. Many of the segments we are focused on take our existing expertise from Commercial Banking in the United States and rolls it out across our international footprint.

Now you've heard quite a bit about our modernization journey in past investor days and can now say – see multiple years of investments paying off in our performance. Our double-digit growth in fee revenue is a testament to building a modern, highly scalable and resilient platform. In fact, we build all of our new applications for maximum flexibility, utilizing micro services and a cloud-ready architecture. Down the middle of this page, you can see many examples of completed and ongoing work across our entire product suite, including very importantly, the completion of our target state global platforms for Treasury Services and Merchant Services. We believe this gives us a sustainable advantage versus our peers. And I'd be remiss if I didn't say that in our business, you're never really done with modernization. And we will continue to invest in our platforms on an ongoing basis.

These state-of-the-art platforms enable industry-leading digital experiences and innovation. We are laser focused on providing the absolute best digital experience to every single client segment. We already have, as you heard, award winning, at-scale platforms like J.P. Morgan Access and Chase Connect that serve more than 400,000 users on a regular basis. But we are building new ones. We are really focused on building digital experiences that are targeted to specific segments like technology startups.

On the right of this page, you can see an area that makes us really proud, Kinexys, our blockchain business, formerly known as Onyx by J.P. Morgan. Kinexys is one of the largest and leading institutional blockchain platforms and has delivered many industry firsts, from programmable payments for our corporate clients to instant settlement between U.S. dollars and euros.

Our pedigree in this space is unique. We started investing in blockchain many years ago before our peers, fintechs included, and have stuck with this investment through all intervening cycles. Our world-class team has spent years building a platform that's scaled and fully compliant. And this platform, since launch, has processed nearly $2 trillion, putting it in a category by itself. And we are very excited about recent developments in areas like tokenized assets. With our platform, we are ready to capture these opportunities. And we intend to continue innovation in this space with the quality and the compliance expected of J.P. Morgan. Needless to say, we have some exciting products lined up, so stay tuned.

We are also very proud of our best-in-class data platform. As one of the largest players in payments, we have a data asset that is second to none. To harness the power of this data, we have been building and have completed building a cloud-native data infrastructure and are utilizing AI and machine learning models for everything, from prospect qualification to transaction screening and operations. The operational efficiencies our data platform has allowed us to capture with AI models are truly impressive.

In the last few years, our transaction volumes have gone up by more than 50%. At the same time, our AI models have allowed us to cut manual exceptions by more than 50%, delivering significant operating leverage. And that's not it. We also have been able to cut down the turnaround times for these exceptions by nearly 75%, which has allowed us to deliver exceptional client experience. Frankly, this is just a small example of how key our data asset will be to the future of our business as we expand and lean ever more so into technologies like generative AI.

Finally, we are excited about expanding our global footprint, something that's very important to many of our clients. We are already well positioned. We are the number one player in financial institution payments globally. Our SWIFT market share is significantly higher than any of our peers. However, as we mentioned earlier, we continue to invest in expanding corporate coverage across all segments from startups to multi-nationals. This goes hand in hand with expanding capabilities in our existing markets.

Take Mexico for an example. Mexico is the second largest economy in Latin America and has a large untapped Payments opportunity. To capture this, we've been investing and expanding our product capabilities within Mexico. And since 2021, this has allowed us to double our client count and increase transaction counts by nearly 10 times. And Mexico is just one example. We have similar product expansion and modernization work going across many of the countries in our footprint. We are also expanding into new markets to capture new opportunities.

One exciting announcement is that we have launched an ADGM, UAE's free trade zone earlier this year. We plan to continue adding new geographies in a disciplined manner in the years to come. For example, the Shanghai Free Trade Zone, coming soon. Now, I'd love to share other countries on our roadmap, but you, as investors, are not the only ones listening.

Let me recap what Max and I covered over the last few minutes. We have an incredibly powerful franchise that we deliver to our clients, large and small, across the globe. They choose us as their primary operating bank because of the safety, the scale and innovation we deliver every single day. We continue to deliver strong performance, driven by double-digit organic growth and recurring revenue streams. And we believe that our targeted investments in state-of-the-art platforms and innovation set us up for high quality growth in the long term.

We have a great hand, and even with moderate rate headwinds, we believe our business is well positioned to add several billion dollars of incremental annual revenue in the coming years. We truly hope you're as excited about our business as Max and I are.

And with that, I'll turn it back to Doug and Troy.

Operator: Please welcome back Doug Petno and Troy Rohrbaugh.

Doug Petno
Co-CEO of Commercial & Investment Bank

Max, Umar, thank you both. So let us just close today by saying that we are immensely grateful for the trust that our clients place in us every day. It's something we never take for granted. So to add even more value to our clients and to best compete in the future, we're going to continue to invest in our franchise and we're going to continue to evolve our business. We believe the strategic reorganization that we completed last year positions the new CIB to capitalize on our strengths and to continue to deliver strong results. Our talent, our culture, our proven track record, give us confidence in the future.

And so before we turn it over to Q&A, Troy is going to give us some more detail on our outlook for the second quarter.

Troy Rohrbaugh
Co-CEO of Commercial & Investment Bank

So, now, I think the part many of you have been waiting for all morning: guidance. So in Investment Banking, we expect the second quarter IB fees to be down mid-teens, plus or minus, year-on-year, depending on how the remainder of the quarter plays out. And in Markets, we had a strong start to the quarter. However, volatility has moderated. As of today, we expect growth in the mid to high-single digits year-on-year, but keep in mind, for both Markets and Investment Banking, we're operating in a very uncertain market (sic) [environment], which makes forecasting quite difficult.

So with that, thank you and we'll take any questions.

QUESTION AND ANSWER SECTION

Mikael Grubb
Head of Investor Relations, JPMorganChase

Okay, we're running a little behind, but we'll take five minutes of questions here. Scott Siefers.

R. Scott Siefers
Analyst, Piper Sandler & Co.

Q

Good morning. I guess so much production in volatility. Unclear how much uncertainty we've really reduced over the past several weeks. Maybe if you could provide just sort of little color on kind of where your clients are at? Has this last few weeks emboldened them or given them enough visibility to move forward or are we still in that kind of pause where we were several weeks ago?

Doug Petno
Co-CEO of Commercial & Investment Bank

A

Yeah. I mean, look, it's hard to make general comments about client sentiment just because the facts and circumstances are unique to every one of our clients. But I think in a general way, clients entered the year very bullish, expecting pro-growth, pro-business, deregulatory environment, maybe some more big M&A. And when they started to see some flashing yellows, flashing red signs and a slowdown in the economy, many tapped the brakes.

And then with the events of April, everybody put everything on hold. If you think – I'm talking about our corporate clients now, not our trading clients per se. If you think about what's open and in the air right now, every – almost every input variable and capital budgeting or valuing a company, interest rates, discount rates, currencies, taxes, all of that stuff's yet to be determined. So, I think all those puzzle pieces have to come together. So, the typical clients kind of got their foot on the brake at the moment. Wait and see attitude, waiting to sort of more clarity on. And tariffs are only one part of it. It's what kind of landing we're going to have in the U.S. and globally.

Troy Rohrbaugh
Co-CEO of Commercial & Investment Bank

A

I think even investor clients are right where Doug described, I mean, we saw volumes at multiples of what we normally saw, and I think a lot of them now are in wait-and-see mode as well, and you see that in volumes and volatility.

Mikael Grubb
Head of Investor Relations, JPMorganChase

Okay. Ken Usdin

Ken Usdin
Analyst, Autonomous Research

Is that good?

Mikael Grubb
Head of Investor Relations, JPMorganChase

You're good.

Ken Usdin
Analyst, Autonomous Research

Q

Hi. Ken Usdin. Thanks. Just Troy, you made some comments in your remarks just about the fee pool in Markets, and I'm just wondering about where you think market share can go to and your points about especially the Markets fee pool. Do you continue to see that potentially growing over time? It's continued to upside surprise us since the post-pandemic time.

Troy Rohrbaugh
Co-CEO of Commercial & Investment Bank

A

Yeah, sure. A couple questions in that I'll try to answer. So I think post-pandemic, people asked every year, ourselves included, like when's the pool going to normalize? And I think we thought it would, everyone in this room probably thought it would. And I think in the beginning, it was

Troy Rohrbaugh
Co-CEO of Commercial & Investment Bank

A

more of a surprise. But now, I think it's not going to normalize anywhere near those levels because you're in a totally different environment. I mean, if you think about that pre-COVID period, you had rates at zero, lots of monetary stimulus, volatility near all-time lows. Like we're just not there and unlikely to go back there. So I think the broad fee pool in Markets won't go back to those pre-COVID levels.

And then when you have moments like this where volatility is higher, you can see it, the volumes explode across the market. The opportunity, and what I was specifically referring to is, if you continue to have volatility like we've seen in like in the last month or the first part of the year, this year alone could be better than we expected in Markets. And then the third thing is just generally, I think we can gain market share in Markets. We continue to see the benefits of our investment in Equities. We're growing our – and deepening our client franchise across the whole space. There's real opportunity in Corporates. So in Fixed Income it won't be easy, but I think we can gain share. And in Equities, I think we'll continue to benefit from our investments.

Mikael Grubb
Head of Investor Relations, JPMorganChase

Okay, we'll take our last question from Glenn Schorr.

Glenn Schorr
Analyst, Evercore Group LLC

Q

Hi. Thanks very much. I guess I want to get the right perspective on your thoughts on the growth opportunities across private markets. I think JPMorgan has done more than just about any bank in terms of positioning and adapting to what a client needs. But your success story of $13 billion compares to like a direct lending market of close to $1 trillion, a private credit market of $2 trillion. How much can you address in terms of clients' needs? What is the perspective on the wallet you're going after? I know you partner with those same competitors on many fronts, whether in terms of you as a lender and facilitator, I'm curious how much you can get of the private markets wallet. Thanks.

Troy Rohrbaugh
Co-CEO of Commercial & Investment Bank

A

Yeah. I mean, look, I think we hit it hard because it's an important part of how Doug and I are thinking about the business. We're not doing it to grow assets. Like we're not trying to compete in asset gathering with any of the major direct lenders out there.

What we're trying to do is stay in the middle of the ecosystem and stay connected to our clients. I think personally, the capital available in the Street is becoming a commodity. It's the origination that has real value. And I don't think anyone can compete with our origination. The power of this franchise, the investment in bankers, like no one will be able to match that. And so we're just uniquely positioned to A, help our borrowing clients, but then partner with that entire side in many ways to help them raise assets.

The reason we're putting our own balance sheet to work is you need to have skin in the game to be in the ecosystem. And there are some interesting opportunities, particularly when you think about things like hybrid structures et cetera, where again, we're uniquely positioned. So I think between our origination and our ability to structure we are just uniquely positioned, where I think some of the more specific direct lending competitors will really value what we bring to the table. So that's how we're thinking about it. Not to mention, unlike everyone else in the space, we have ancillary products for them. We have payments. We have regular banking services. We do lots of other things. So being in the middle of the ecosystem is really important.

Mikael Grubb
Head of Investor Relations, JPMorganChase

All right. We'll take a short break now and then we'll come back.

QUESTION AND ANSWER SECTION

Operator: Please welcome to the stage, Jamie Dimon.

Mikael Grubb
Head of Investor Relations, JPMorganChase

All right. Jamie is going to go pretty much straight into Q&A, so get your questions ready. We'll do Betsy down there.

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

Thank you and thank you for the very detailed outlook for how we can expect that JPMorgan is going to be growing revenues and all the whitespace opportunities each of the business units has to lean into growth.

One of the areas that was not yet discussed is crypto. And I wanted to understand, and I thought, Jamie, you were the right person to ask this question of since it touches so many different parts of JPMorgan business in the fact that we have this GENIUS Act that is in process, could be passed. And as we go through the next six months and we see some potential regulatory changes coming through on crypto, and we've already seen some that have enabled banks, giving them the opportunity to do more; for example, fund accounting, fund administration in crypto. What is the plan that you have for incorporating, or not incorporating crypto into the JPMorgan wheelhouse? Thank you.

Jamie Dimon A
Chairman & Chief Executive Officer, JPMorganChase

Good one. And when you ask questions, feel free to ask anything that's on your mind. When you asked about succession, we cover that all at once, and not go back to it five different times. So we already do what – you saw Kinexys. We use blockchain for repo. We're using it for data sharing. We're going to use it for correspondent banking. It will probably be deployed eventually in anything we do where blockchain is an appropriate technology to use. We have been talking about blockchain for 12 to 15 years. We spent too much on it. It doesn't matter as much as you all think. There will be stablecoins. Central banks will look at it. It's going to be used for a bunch of things, some might compete, some might not compete. We're going to be fine either way. But the technology we can use, we're going to use, so.

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

And crypto meaning Bitcoin, right? Would you...

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

I'm – I...

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

Would you offer that as a payment vehicle?

Jamie Dimon A
Chairman & Chief Executive Officer, JPMorganChase

We are – we – I personally, when I look at the Bitcoin universe, the leverage in the system, the misuse of the system, the AML, the BSA, the KYC, the sex trafficking, the terrorism, I am not a fan of it. We are going to allow you to buy it and we are going to – we are not going to custody it. We're going to put it on statements for clients. So I don't think you should smoke, but I defend your right to smoke. I defend your right to buy Bitcoin. Go at it. And I – nor do I think it matters that much, to tell you the truth, so. Let's see.

Mikael Grubb
Head of Investor Relations, JPMorganChase

Okay. Steven Alexopoulos?

Steven Alexopoulos
Analyst, TD Securities

Hey, Jamie.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

Welcome back. I read the whole thing, like all 240 pages or…

Steven Alexopoulos
Analyst, TD Securities

Thank you.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

So, welcome back.

Steven Alexopoulos Q
Analyst, TD Securities

So I asked ChatGPT, I said, which pop culture figure is most similar to Jamie Dimon? Do you want to guess what the answer was?

Jamie Dimon A
Chairman & Chief Executive Officer, JPMorganChase

I have no idea.

Steven Alexopoulos Q
Analyst, TD Securities

So the answer was Tony Stark, Iron Man. That's actually what it says if you actually plugged it in.

Jamie Dimon A
Chairman & Chief Executive Officer, JPMorganChase

Never saw the movie.

Steven Alexopoulos Q
Analyst, TD Securities

Now, what's interesting about Iron Man is Iron Man never retired. Assuming you stay healthy, why can't we get another 10 years as you as CEO? Why are we even talking about this?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

Okay. So let me just do this slowly, okay, because it's important. The most important (sic) [thing] about the future of the company, in my view, is the disciplines and the culture of the place, which we don't speak a lot about. Though discipline and culture you kind of see up here a little bit, detailed analysis, a little bit of humility, of going on the road all the time, acknowledging there's always competition coming from places you don't know, that – I wish I could thank everyone from JPMorganChase in the room who works with a lot of people. But that – those – that is the most important thing at a detailed level. There are basically 50 major businesses here, and a lot of people mentioned those businesses, and we're going to maintain that discipline.

I also think in the room, you have the operating committee members. I don't want to miss anyone – Sanoke, Chase UK; Jenn Piepszak, Chief Operating Officer; Robin Leopold, HR; Lori Beer, Tech; Teresa Heitsenrether, AI. Did I miss anyone? Ashley. I didn't happen to see Ashley here by the way. Tim Berry, Stacey Friedman, Law. But the important thing is all the people you see, not just the ones you saw up here, but the whole next layer down, they're in constant education with those folks.

So, when we talk about return to the office or home or policies or almost every one of the folks in this room is going to Washington all the time. A lot of us – those events you saw, I mean, a lot of us go to hundreds of those events where we partner with client dinners and client meeting and client lunches. So we have built a very deep bench.

What we've told you is that the Board has intent. It's not a promise, it's not a commitment, it's intent to be, and prudent to be thinking about succession, and we should be doing that. Obviously, it's up to the Board. If I'm here for four more years and maybe two more, three executive chair or chairs, I mean, that's a long time. That's like a lot of the present value of the world. Okay, so – but to me, the most important thing when it gets handed over, you have real teams, real cultures, and hopefully they keep on building it. If you look at the best companies in the world, that's what they had. Okay. They continue going forward regardless of necessarily who the CEO was.

Any other questions on succession? Let's get them all out so we can move on to other stuff. Yeah. Michael Mayo. I hope you're right about that $1 trillion, first $1 trillion bank, so.

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

Well, why don't you retire after you get to $1 trillion, then? What was your answer to that last question?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

What was the question?

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

How many more years are you going to be CEO?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

It's – the intent is the same as we said last year. Nothing's changed at all.

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

Okay. If you want to dream the dream with perhaps some shackles getting released and you can do whatever you want, deal wise, what would you do in terms of buying outside the U.S., whether it's a Canadian bank or a bank in Asia or a private equity firm and you have a lot of excess capital, you're going to have a lot more excess capital, Jeremy mentioned. Maybe doing deals. What would you...

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

Yeah.

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

...if you dream the dream?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

So we should always, always be looking at acquisitions. So I'm telling the management team today, you should always be thinking about it because acquisitions make you think clearly about the world. We have a lot of adjacencies. If you said you could do something, maybe would do something overseas or something like that. Would you do a major merger if you're allowed to? I don't know. Maybe you would. I don't think it'll ever happen. So I'm not going to waste time thinking about what is not legal today. But there are adjacencies. You've seen in every business. Mary showed you some that were great for us. Consumer did some that were great for us. The Investment Bank's done some that were great for us. I want them to think about it.

That does not mean I want to overpay. It does not mean that we're pushing people to do it. My experience in life with the first acquisition I ever did was looked at 10, but looking at all 10 made us smarter. And that's what I hope we can do – and deploying capital. That's one way to deploy capital. The other way to deploy capital is in our own businesses. And you have to be very careful about how you deploy capital. I did write this down because organic growth, somebody asked the question. Organic growth could be building technology, it could be adding bankers, it could be adding balance sheet. We can add balance sheet tomorrow. We can make a few phone calls. I've got Charles right down here. Put on $100 billion at risk, take the risk, revenues go up. May have been a mistake.

In our business, I have to say this, revenues and expenses are artificial concepts that can lead you to the wrong place. Those branches and bankers that you hire are expenses, but they are long-term investments. Technology you build are expenses, and a lot of revenues are bad. If you make loans with the wrong people at the wrong time at the wrong price, it's bad. You could add revenues and you're adding a lot of risk. Lot of banks have done that with loans. They've done it with HTM secured. They've done – it is a bad idea. So growing revenues is sometimes bad. Growing revenues is sometimes good. Growing expenses is sometimes bad.

I think, either way, Jeremy did a great job today, by the way. He's maturing really nicely. I don't know if you all – but those expenses and the risk we take in a very thoughtful kind of way, we think we have organic growth opportunities. The world is a very complex place. We are in the middle of it in payment systems and Chase, Chase Wealth Management.

I also want to point out also the competition. We have to stay humble here, okay. Like, Jeremy showed you that chart about how many people have earned over 17% (sic) [ROTCE]. And if you look at that chart over the last 10 years, it's – of those 120 – of the 12 competitors, in the 10-year period, only eight or nine times did people earn over 17%. And it was us, five or six of them, Capital One, et cetera, a couple of times Goldman Sachs and Morgan Stanley, a couple of times. If you go back to the 10 years before that, okay, a lot of people earned over 17%. Almost every single one went bankrupt. Did you hear what I just said?

So I'm not standing in front of you arrogant about JPMorgan. So I hope you're right about our superior position and stuff like that. Almost every single major financial company in the world almost didn't make it. It's a rough world out there. You had the global financial crisis. I started working in 1982, it was the worst recession since 1974. You had the 1987 market crash. 1990 took Citi to its knees, it took Travelers to its knees. So we're conscious. Our competition is all back. Wells Fargo is back, Bank of America is back, Goldman Sachs, Morgan Stanley. But we also have Citadel, FinTech, Revolut, and that – so we are conscious of that. We've got all – Stripe has done a great job, PayPal's done a great job. Bank of America, believe it not, does a few things better than us, which always pisses me off.

Yeah, so we are quite conscious. There's a lot of competition and you have to be prepared every day to make the investment you need to do in your people, your systems, your ops, your culture and stuff like that to actually win. And we're – so I'm convinced we can do it, but we will not do it resting on our laurels.

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

So you just described reversion to the mean. So why would you be different than these other...

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

I don't think we're going revert to the means. I think we're – I think you saw why: discipline, detailed, cultural, we fight every day, we don't assume we're going to win. We know the competition is coming at us a lot of different ways.

Mikael Grubb
Head of Investor Relations, JPMorganChase

Steven Chubak in the back there.

Steven Chubak
Analyst, Wolfe Research LLC

Q

Hi, Jamie. You had that great slide showing where in detail the ROTCE simulation under different macro scenarios. And one scenario that didn't appear is a severe stagflation scenario, which is somewhat ironic given how much you've spoken about that potential risk...

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

We have that one, too, by the way.

Steven Chubak
Analyst, Wolfe Research LLC

Q

Okay. Well, how do you...

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

We look at lots of scenarios. He just put up some, but yeah

Steven Chubak
Analyst, Wolfe Research LLC

Q

So in that scenario, though, how would the returns fare and how are you risk managing the entire franchise to ensure you're adequately protected against that risk?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

So let me just talk about risk for just one – roughly. I'm not going to talk a lot about geopolitical risk. I would not take it off the table. I think there's an operating assumption inside the room that it's not a big deal, it's not going to cause a problem. I don't know. I think the geopolitical risk is very, very, very high. How it plays out over the next several years, we don't know, but it will clearly, if it does play out worse than what we have today, it'd clearly affect all the scenarios. So we do look at the range of potential outcomes. I think the worst one for a bank and for most companies is stagflation which is basically a recession with inflation. I think the odds of that are probably two times of what the market thinks. I don't know what's going to happen. We will be fine, okay.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

What happens in that is credit losses go up. They will not be like the global financial crisis. I think credit losses in a recession will be worse than other people think. I think there have been 15 years of pretty happy-go-lucky credit, a lot of new credit players, different covenants, different leverage ratios, there's leverage on top of leverage in some of these things. So I think – I would expect that credit would be worse than people think when you have a recession. But what happens in a stagflation is revenues drop, credit losses go up, and then how you manage your balance sheet. But we'll be fine. The one – the worst case there, it would probably stimulate closer to stagflation.

Mikael Grubb
Head of Investor Relations, JPMorganChase

Glenn Schorr.

Glenn Schorr
Analyst, Evercore Group LLC

Q

Thanks very much. As we look – as we listened to all those presentations, there's a lot of global expansion across everything, Payments, Cards, Markets, Trading, everything. So, the question is – or my question is, is the question about the potential for nationalism and non-U.S. clients keeping some business that used to go to great banks like JPMorgan more internally with local? Like is this a real conversation? I know some of the tariff talk has cooled, but now that it's opened the door, you're seeing more spending locally in Europe, things like that. Do we have a risk that, through no fault of your own, some business that a U.S. bank used to get just doesn't get it anymore?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

Yeah, no, I –further we have specific examples we've lost business because of that. Not because the clients were mad at us, but because they said we have a choice to pick you. We're going to not use you, whether it's a Canadian bank or a European bank or something. It's not that big. It's not that significant. I wouldn't change our plans at all fearing what you just said. The plans are exactly the same. I do expect there'll be some of that if this trade war gets worse, but it's not going to change our plans.

Mikael Grubb
Head of Investor Relations, JPMorganChase

Okay, we have a question way back there.

Brett Erensel
Analyst, Portales Partners

Q

Hi. Brent Erensel, Portales Partners. With all the talk about deregulation and capital relief, could you tell us what's the appropriate level of capital for JPMorgan and for the industry? Give us some talking points on what you see as capital coming down the way.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

Well, I think the best way for you to think about it, as Jeremy showed you that the cap – we're already $60 billion more. If all things sort out, that should be at least – it should be at least $60 billion. I can give you a lot of arguments why it should be more than $60 billion. I don't think the regulators have ever told you about how they really think about capital. I mean, when I look at – and what disappoints me the most, and you saw that chart that Jeremy put up there, GSIFI, SLR, eSLR, TLAC, NSFS. A lot of that was never well thought through. You, not us, were entitled to a cost benefit study. You never really got it. You were entitled to understand what the goal was.

There should have been statements about – if I was the bank regulator – we want mortgages outside the banking system, it's 80% today. We want private credit outside. We want leverage lending outside. We don't want payments inside. There's huge arbitrage taking place today. That arbitrage isn't all a disadvantage to us. We do it too. So these guys are always making arbitrage. We're lending money to people where you can

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

have higher returns on regulatory capital, which I will tell you is no – is artificial. We look at the real risk related to that. So, yeah, and it – nothing was a capital – Silicon Valley Bank wasn't a capital issue. First Republic wasn't a capital (sic) [issue]. They were more like liquidity and how they managed their balance sheet type of issue, staring regulators in the face.

The biggest disappoint to me is that I think we can make the system far safer, more fail safe, give clients better options, lower mortgages, lower cost et cetera, and make the system safer. We have had no real conversation with regulators for a decade over that, okay. And that's what they should do. And Jeremy said, they should take a step back, think about what they did, why they did it, how the interface plays. He mentioned GSIFI. They were supposed to fix GSIFI 10 years ago; Basel III, 10 years in the making. Okay, a lot of these – and a lot of these calculations, which I've mentioned before, are completely asinine. And if they ever were able to get out of their own echo chamber and look at it, we could do a better job in the financial system.

In the meantime, JPMorgan will do fine. It doesn't affect what these guys – what we all do every day up here: serving clients, doing a good job, we'll be able to navigate whatever the regulatory rules are. I think Marianne said something like, if the rules apply to them and they apply to us, we're probably always fine. I don't like the arbitrage by that. I think that causes other problems down the road. Nor do I think they've done a full study about what risk they've created elsewhere in the system. And Jeremy mentioned, he said, they shouldn't de facto – not de facto – ad-hoc intervene in the marketplace.

So, SLR for example, only one or two banks today are constrained by SLR; no one else is. Therefore, today, SLR isn't a reason that people would go in and intermediate more in the marketplace. However, that may change when rules change and collateral changes and asset prices change, where people become constrained by SLR. The – if I was the Fed, I would not want to run a financial system every time there is a kerfuffle in the marketplace they have to intervene. And they are kerfuffles.

The other thing that's very important and sort of pressing the room, the reason they should do it right isn't to benefit when people say, they are trying to – reducing regulation to banks. Whether they fix SLR or not will not affect JPMorgan's results for its shareholders. JPMorgan can easily handle volatile markets. The reason you don't want volatile markets is because volatile markets scare the shit out of you and make it harder for companies to raise money. It's not to benefit JPMorgan. So, if I was the regulators, I'd be thinking long and hard about why they need to fix these things. I've mentioned over and over, the cost of mortgages is like 50 or 75 basis points higher because of regulations that don't need to be there, that have no benefit for safety and soundness.

And you know who it hurts the most? Lower income Americans. That's who hurts the most. People buying a small home, their first starter home. And I think they should fix it, and I have a huge disappointment that we have not gone around doing that in the last 10 years.

Mikael Grubb
Head of Investor Relations, JPMorganChase

Any questions? Buy siders are allowed to ask questions, too, by the way. All right Steven, go ahead.

Steven Alexopoulos
Analyst, TD Securities

For 20 years, I came to this and couldn't ask questions, so I've got to get my questions in...

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

That's correct. Yes. But you're always helpful to us in those 20 years.

Steven Alexopoulos
Analyst, TD Securities

Q

That's right. Jamie, on the tariffs, so the initial rollout was a little haphazard, but if you look how it's playing out and you're getting all these investments, what just happened last week, coming into the U.S. from countries and companies, how do you put this together? Now, are these good talking points or do you see somewhat of a new industrial revolution really which would help the bank immensely over the next call it two decades?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

I never finished my risk things. So geopolitics, we have the largest peacetime deficit we've ever had, almost 7% of GDP. If you go around the world, the other major countries, around 3.5% of GDP. Our debt to GDP is 100%. With Paul Volcker, we had inflation last time around it was 35%, and the inflation was 3.5%. The last time we put in 10% tariffs was 1971. Nixon was President. Things were booming. He was winning a landslide in 1972, almost 60% of the popular vote. And he resigned. And 18 months later, inflation had ticked up to 3.5%. They put in price controls. It didn't work. They got rid of gold convertibility. The market had gone – went from 1,000 to 540, down 40% plus in an 18-month period. Okay. Things happen out there.

We have huge deficits. We have, what I consider, complacent central – almost complacent that central banks think they're omnipotent, and you all think they can manage through all this. I don't think they manage all that. Okay. They set short-term rates, right? They can simply plug a short-term rate. I would just say, they set short-term rates. They don't set the 10-year rate. Who sets the 10-year rate?

You do. Foreigners own $35 trillion of U.S. public securities as debt, corporate credit, money market funds and U.S. debt. They're there to help set that rate. And I look at the things being up, including trade, trade in general, because not just tariffs, it's creating a lot of risk out there and that you – we should be prepared for it.

My own view is we're – people feel pretty good because you haven't seen an effect of tariffs. The market came down 10%. It's back up 10%. I think that's an extraordinary amount of complacency. That's my own view that when I've seen all these things adding up that are on the fringes of extreme kind of thing, I don't think we can predict the outcome, and I think there is a chance of inflation going up and stagflation a little bit higher than other people think. There's – there are too many things out there. And I think you are going to see the effect even if they – even if these low levels, they stay where they are today, that's pretty extreme tariffs. And you also don't know how every country is going to respond. And they are responding. I mean, they're already starting to cut trade deals with other people, et cetera. And even if you want to bring all that manufacturing back, it takes three to four, at minimum, to build a real manufacturing plant, years.

Mikael Grubb
Head of Investor Relations, JPMorganChase

Yeah. Richard Ramsden, go ahead.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

There's been a lot of discussion about changes to the regulatory environment, but can you talk about if you're expecting changes to the supervisory environment, what you'd like to see change on the supervisory front and what that could mean for JPMorgan and the industry if you get those changes? Thanks.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

I think the – I mean, they almost merged at one point because supervisors have put in rules and rules and rules and MRIAs and stuff, which were regulations. Okay, so – and you probably are aware of some of them. I think it's already changed a lot, that people realize that there was a lot of supervision. It was duplicated.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

I mean, I'll give you one example. Dodd-Frank asked the Federal Reserve to do a stress test. They didn't ask them to build a CCAR regulatory system which would take us, I mean, 6,000 people working six months a year, 30,000, 40,000 pages of documentation, models, rules, regulation, including climate, a reputation around clients. That was never the intent. And I actually think it put the Federal Reserve in the middle of regulatory supervisory, which they should have stayed away from. They should have stuck to monetary policy and managing the whole financial system kind of according to Kevin Warsh's speech.

So, yeah, I think you're going to see a lot of changes in supervision, and I think you're going to – and as a matter of fact, there's an act out there that says that we will have an ability to dispute publically, legally supervisory activity, which I think will be very good. I think they went way – I think they went so far beyond what was reasonable that they should be embarrassed. That's my own personal view. It's been 15 years of this stuff. And I think they should fire a lot of them too, by the way.

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

For that last answer, can you put some numbers around it? If you were king of regulation and you don't want to sacrifice one iota of safety and soundness and then eliminate as much bureaucracy and red tape as possible, where would your capital ratios be and how much better could your efficiency ratio be?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

I mean, I think the efficiency – I don't know, Mike. So $60 billion of excess capital. Might be $20 billion more that's possible, okay. My view about the costs, as the costs come down, if we all had to do, it'd be passed down to customers. It isn't like we just add endlessly to our own margins, because as Jeff Bezos says, your margin is my opportunity. So if they reduce their cost, you will see it in lower cost of mortgages and auto and commercial real estate credits, et cetera. Won't be "aha, banks are back again."

I want banks to be safe. I would limit interest rate exposure more. I would limit HTM more. I would make sure that deposits are spread out a certain way. I would make sure people had assets that were deliverable to the discount window. I would make the discount window usable. I would make FHLB usable. You may not know this. In resolution recovery, the discount window doesn't count. I mean, I can go on and on through the inconsistencies of stuff like that which drives business out of the banking system. It creates arbitrage opportunity. It creates additional risk. But I don't think it's going to be – I don't think we're going to be sitting here in four years and saying, we have higher returns because of all this.

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

And your CEO letter...

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

I think the system would be better because of all this.

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

Your CEO letter talks a lot about having a more level playing field. And has it gotten worse, better? Where do you stand on that? Thank you.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

It will get better. I think it will get better over time, but I don't know. I think, again, JPMorgan will perform for shareholders, whether it gets better or not. Again, if everyone gets – if we all had the same rules and regulations, we'd all benefit the same. So my competition gets it the same way I get it. So I'm not sitting here saying this is going to be great. I think it's a mistake for you all to think that somehow the margins in the business will go up. No. When people compete with each other, those margins will be competed away. The people who would perform the best are people who run the best businesses.

Mikael Grubb
Head of Investor Relations, JPMorganChase

All right. Go ahead in the back.

Unidentified Participant

Q

So, I think there has been an ongoing discussion around whether American exceptionalism is going to triumph in a changing world of geopolitical dynamics. If you look at equity market performance, I think European equity market and emerging market has outperformed the U.S. year-to-date. I'd be curious to hear your thoughts whether you still have this belief in terms of the attractiveness of the financial market in U.S. versus the rest of the world.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

Yeah. Well, it's a little more of a complex question. So, I do believe in American exceptionalism. I am a patriot. America has the gifts of God, food, water, energy, the Atlantic, the Pacific, peace, peace with our neighbors, Canada and Mexico, which we treat very respectfully. We are quite lucky. Then we have the gifts of our founding fathers, which is freedom of speech, freedom of religion, freedom of enterprise. Those freedoms are enormous. They drive the most prosperous economy the world has ever seen, the best military the world has ever seen. I think that's all still true.

I never believed we were as exceptional as people were saying. I never believed that Europe was as bad as people were saying. I think those got blown out of proportion. Part of our exceptionalism – is my belief; I don't know if it's true – is that we borrowed and spent $10 trillion, and that – and that's a lot of money. We borrowed and spent since 2000, $10 trillion. If we borrowed another $1 trillion and gave it to you – and we gave it to people, we gave it through PPP, EIDL, unemployment insurance, we gave it to states, cities, we gave it to unions, $10 trillion, and that fuels both inflation, but it fuels growth. Had Europe borrowed and spent another $1 trillion, they would probably have another $1 trillion of GDP too.

So, there's a part of that – we haven't seen the other side of that mountain yet. And also, we have to remember, in the back of my mind, it also drives corporate profits. That trillion ends up in the pockets of restauranteurs and corporations and healthcare companies, and it drives a lot of things that maybe we don't understand and inflates asset prices. So, America's asset price, I still think they are kind of high; I'd put that in the risk category too. And credit spreads are kind of low; I'd put that in the risk category too. I think both of those things may change and that will change your psyche a little bit and so.

But the asset – our P/E ratios are, what, 21% or something like that today, forward looking? And if tariffs affect that, which I think they might a little bit, the E will come down. Right now the forecast for earnings, we started the year S&P up 12%, now it's up 6% or 7%. My guess is in six month, it'll be zero because people will be working through, and you've heard a lot of companies talk about guidance, I can't give you, I don't have the costs. I know I can pass them on, I don't know – I didn't even know what they're going to be. But I think earnings estimates will come down, which also means probably the P/E will come down. If P/E comes down one turn, that's another 5%. So now you're talking about 10% between earnings and the P/E. And I think that's probably a likely outcome in my own personal opinion. I don't like to forecast the stock market.

I think the P/Es in Europe – is Michael Cembalest here? He is the one you should always read about this. I think the P/Es in Europe are a lot lower. I mean a lot lower, like 30% or 40% lower. Meaning there could be some very good values there on a company. I don't think in general, they've got a stronger economy than the United States. I think that Europe has to do a lot of things which they know. And you finally see Keir Starmer, President Macron, Chancellor Merz, President Tusk all talking about we've got to fix Europe. They should fix it for themselves, the

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

regulatory environment, the innovative environment. And they've got to strengthen their military relationships in NATO, which I hope America stands by them side by side, which I think we will, by the way, even though it gets questioned more and more. Does that answer your question?

Mikael Grubb
Head of Investor Relations, JPMorganChase

Down there.

Timothy Piechowski
Analyst, ACR Alpine Research LLC

Q

Hello, Jamie. Tim Piechowski from ACR from St. Louis. Kind of was interested in maybe some more commentary from you on private credit. Warren Buffett has spoken about private credit ripping into life insurance and causing liquidity mismatch going forward. Could you maybe talk about any concern you have on that and just the general, I don't know, perhaps credit spreads or terms being too laxed?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

So, I mean, I wrote about this in my Chairman's letter. I did it last year. I always look at things from a being honest assessments, so I'm not trying to say it's good or bad. It is good for – you've got to look at the world from the point of view of the consumer. So if you're a consumer or a middle market company, and there's mostly leverage. So it's $1.7 trillion of leverage lending that are now going to investment grade, which I'll talk about separately. If you can get a unitranche deal, that's pretty good. Flexible covenants, that's not so bad. Maybe a lender will work with you if things are tough. That's okay too. It lacks – it's more expensive, like 200 basis points more expensive, and you've seen when rates went up, a lot – people went from direct lending back into the syndicated lending markets, all right. It lacks transparency. That could be good or bad. People don't have lot of liquidity against it. That could be one thing or the other.

I think the people, if they were up here about the insurance credit, they'd say, we're doing five-year annuities and we're actually matching the terms, the maturity of the loans with the maturity of liabilities. But there's less liquidity, huge arbitrage. If I have to take a private credit loan in my balance sheet, I have to hold somewhere between 20% more capital to 80%. When it goes in insurance companies, you may not know this, they tranche it. So it's not just they do a BB loan, but they tranche it between AAA, AA that – and the total credit they owe – capital they owe might be 20% what JPMorgan has to hold, because we do it differently.

I'm not sure that I'll survive the next downturn because I think NAIC will look at that and say, my God, these loans, we should never have allowed that kind of thing inside an insurance company. So because the insurance companies rate them differently, that may not survive the next downturn, and I think people assume that it does.

We are agnostic. And Troy already mentioned it. We want to offer our clients direct loans, syndicated loans. As long as we're underwriting the risk properly, we're doing it properly, we can do them too. That's why we have the $50 billion we're willing to do on balance sheet. We could do $100 billion, we could do $200 billion, if we thought we're getting very good returns, because that's just deploying the capital which you all said we have excess capital. Even $200 billion, we only deploy $20 billion of excess capital, and if we're earning a good return on the loan, and Troy already mentioned this, we can get payments business, custody business, other banking services, maybe markets business et cetera.

So we can compete in all these things, and so I'm not worried about it. They're going into investment grade and now you're starting to see private – and by the way, the direct lending is all being syndicated out now too. So a lot of these bigger deals you see, it's kind of a bridge. They underwrite it, but they immediately syndicate it, like we will on some of our co-lending terms and stuff like that. So this will develop over time.

The only other view is personally, there's – and I don't like making forecasts, stuff like that, I am not a buyer of credit today. I think credit today is a bad risk. I think that people who haven't been through major downturns are missing the point about what can happen in credit. And then there will be a huge opportunity for this company, too. That's the other thing about downturns. In a downturn, my experience has always been, the good companies benefit from a downturn. Not your short-term profits, but your long-term company, and you earn your stripes with your clients in a downturn.

Mikael Grubb
Head of Investor Relations, JPMorganChase

Okay. Any last questions before we break for lunch?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

Yeah, Mike, there's one way back there. Go ahead.

Mikael Grubb
Head of Investor Relations, JPMorganChase

Okay.

Unidentified Participant Q

Thank you. The comments on the technology infrastructure transition being mostly done and past its peak were very interesting. Over the next...

Jamie Dimon A
Chairman & Chief Executive Officer, JPMorganChase

I don't think it's mostly done, but keep on. Yeah.

Unidentified Participant Q

Okay. Well, then that might be answering the question. So over the next few years, do you see the JPMorgan tech spend becoming more variable with growth or is it still a table stakes type characteristic?

Jamie Dimon A
Chairman & Chief Executive Officer, JPMorganChase

It's table stakes. It will be for the rest of eternity. So our tech spend, I think, is, call it, 10% of revenues which is probably less than most other companies by the way. But in my experience, I think people make a mistake like somehow you're in one transformation and when you get through it, you're done. I've been doing this for a while and I've been through transformation after transformation after transformation, and we're learning.

So when they – when we say we're a lot done, that's moving applications to public or private cloud, you could question where it's better off. Remember, we said compute power would be cheap here. Well, that burst compute power we talked about years ago, you've got to pay for capacity. That's very different than burst compute power where data goes, belongs. And so the rest of the journey is getting data – the hardest part is getting data into the form where it can be used properly and where these things belong.

So we're doing everything. We're building our own cloud-based data centers. We have our virtual servers. We are using all these other folks. We're going to be quite cautious on software-as-a-service, how we deal with cloud providers. I don't mind doing anything ourselves. And we have regulations. We've got international laws. All around the world, countries write different rules about what we have to do in the country and outside the country, et cetera. So I think it's a permanent thing and I think the mindset should be that whenever management teams meet, you're talking about what you need to do in technology writ large to do a good job for your client. It should not be a surprise that you have to use technology to do a better job for clients.

And AI is another one. I think AI is real by the way, right, but part of that's the mindset. And we talk about AI all the time at every different level.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

Can I just end? I just want to say a few things. For all the JPMorganChase people in the room, what you do for your clients, I get the biggest kick working with all of them. We all know each other quite well. So inside this company, I wish you could see how people do function, talk and debate in an open way, how we do things. And obviously, I want to thank all the operating committee members and those unfortunate 11 or 12 have to deal with me every Monday morning, having read all the things over the weekend that kind of get me irritated. But they help build a great company and they disseminate this culture. We all travel around the world, we meet clients, we deal with each other, we write notes about what we can do better, we take bus trips and road trips. They all go to Washington DC and see regulators around the world.

I want to thank the Board. The Board's here, by the way. I thought it was – thank you for coming. I think it's a great – probably – this is probably better than actually going to a board meeting, we'd probably bore you guys at a board meeting. But to just see our folks in action. And the Board, you should rest assured, talks every time. They are told everything by everybody. All the senior leader people, they all present. I have never – I don't think I've ever made a presentation to the Board, at least not in the last 10 or 15 years.

Our people do. They have an open conversation, they know them personally and professionally, I think is very important. They talk about governance rules. I think there's – there are two important governance rules which the regulators completely missed, by the way. Totally. Absolutely, because they're not stuck in the real world. They're stuck in some academic world, that the Board knows all the senior people, openly getting feedback and everything all the time on their own. There's not – not every board meeting is scripted and they get to see those people at lunch, dinner or take them to golf if they want, et cetera.

And the second, which I think is maybe the most important, is for – since I've been at Bank One, they meet without me. We have an executive session and I leave the room. They meet without me every single meeting to talk about what they're thinking about. And the Lead Director, Steve Burke today, but usually he calls me up afterwards. David Novak used to give me handwritten lists, what they'd like more. They'd like to know this person better, they're a little worried about this. Can you give us more detail on that? Nothing to report, whatever it is. But I think it allows them to have a very open conversation. So I just want to thank the Board for the effort they make for this company.

And Daniel Pinto, what a great partner he's been all these years. It's Daniel – that world-class investment bank and world-class risk management systems, because of Daniel. Thank you. Folks, we'll see you at lunch. Thank you.