
2023 INVESTOR DAY – ASSET & WEALTH MANAGEMENT

TRANSCRIPT

May 22, 2023

MANAGEMENT DISCUSSION SECTION

Operator: Please welcome to the stage, Mary Callahan Erdoes, CEO of Asset & Wealth Management.

Mary Callahan Erdoes

Chief Executive Officer of Asset & Wealth Management

I definitely didn't pick it. Whoever did, there's probably some deeper meaning to it. And he's requesting Rocky before he comes up. So, we can work on that. So, how did I get so lucky to get the last slot of the day. If you're sitting in a room full of stock pickers and people who do deep research, you would of course save the Asset & Wealth Management business for the last part of the day, a business that's near and dear to everyone of your hearts. Since that's where we do this for the firm.

I'm Mary Erdoes for those of you who I have not met. And I'm so proud to be up here. I'm so thankful that you've all given us your entire day to be with us. It is just as special for us as hopefully it is for you. We spent an inordinate amount of time preparing for this and hopefully each and every slide and statistic and sound bite is meaningful so you get the whole sense of JPMorgan. But in this business, it's really a microcosm of the whole firm, I think. It's the place where we give the investment advice for all of the wholesale CEOs and CFOs that everybody talked about, all the way through to the person that walks first time into the branch and to think about their first investment.

So, with that as our role, we've been very busy as you can imagine at the beginning of this year, and we want to talk about what has happened and where we're headed. And so, I'm going to take you to the first slide.

So, who are we? We are the \$4.3 trillion fiduciary business of the firm. We have a very healthy and market-leading 25% ROE and 25% margin. Not all of our competitors have both. And the basis of every single thing we do is that last number on the left side, which is that we deliver alpha, each and every day. And the 90% of what we do has outperformed our peer competitors and that's a result of decades of continuous investment in this business. That number is captured in the top of the second column. That \$400 million in research, we believe, is also industry leading. We invest in our research analysts, that's just on the analysts, in good times and in bad; and very importantly, when the markets are rewarding it, and even when the markets aren't. And that is an ecosystem that we have with our research analysts. They know we have their back, and it makes it a very, very important culture for them to work in.

We also differ in the comments about risk and controls that Doug had made. Ashley Bacon and Stacey Friedman run our legal, risk, and controls operations and compliance. And they are not something that sits off on the side. They sit side by side with every single front office person, trader, research analyst in Asset & Wealth Management. They are challenging them, they are prodding them, and they are saying are you applying the same fortress principles that we use for the JPMorgan balance sheet to our clients' balance sheet. And I believe that makes all the difference.

And we never stop innovating. If you look on that third column, you've talked – we've talked a lot about the M&A that we've done and we've successfully completed five transactions, we've been very innovative on the active ETF front. I'm very proud to say we now manage the top two active ETFs in the entire industry. And thankfully, one of them is in equities and one of them is in fixed income, so we are covered in any scenario that will face us. But maybe the most important is this last column and this is about the talent. I believe I work with some of the best and most diverse people in the industry. Many of them are here, I can see them in the back of the room. And it makes it a very, very special place to work. Most of them, over 95% don't leave, they stay here until they retire. We invest in them, and they invest in us, and that's what makes it such a special equation. And the same thing is true with our clients. Those 73% of our recurring revenues that comes from us investing constantly in what to do better for our clients. And because of that they stay, and that's what makes this whole thing very hard to replicate.

So, let's look at the financials. Daniel talked about, at the beginning of the day, laying out the fact that we want to be complete, global, diversified, and at scale, and that's exactly what Asset & Wealth management is. This is a very consistent and growth part of our business. We have diversified sources of revenues and we do have a few red circles. We don't like to have them, but thankfully they're relatively small in the scheme of things. And we have a relentless focus on our expense controls to get operating leverage in this business. You see 6% revenue growth compounded over the last decade, but 8% operating income growth. And that's what we want to deliver to you and the shareholders of this firm.

And with that north star focused on alpha generation, which I talked about, you see that clients continue to vote with their feet and with their assets. And so, I'm happy to say that the red \$4 trillion is now back over \$4.3 trillion as of today (sic) [the end of the first quarter]. And thankfully, it's not coming from any one product or region, it's coming from a very diversified business, and so let's look at this. Our business is split pretty evenly between the left-hand side, which is the Global Private Bank and that's run by Dave Frame and Martin Marron who runs our international business. As well as the Asset Management on the right – it's the fifth largest asset manager in the world, but it is the third largest active asset manager run by George Gatch here in the front row.

In the middle section, you can see just a smattering of everything, from loans and deposits to on the right-hand side equities et cetera, every area and every region is a driver of growth for us. And that diversification is what makes this power of this business work in good times and in bad. I want to just point out one number on the left side. It says clients with a \$100 million. Last year in the Private Bank we were running at about one a day in new clients that were \$100 million and up with us in Assets. And that generally accelerates during times of crisis, but at this point year to date that's running at 4, \$100 million clients a day into the Global Private Bank. I don't think it'll last but it shows you the amount of money in motion that's happening in the private banking space.

And maybe what's even more impressive are those two bottom lines that talk about advisor productivity, whether it's on the private banking side at the \$3 million in revenue per producer or the \$13 million near number on the Asset Management side, those are some of the highest numbers in the industry and that's with very significant hiring. So, we're quite impressed with those numbers, and we continue to hold those as a focus for us.

But with all this growth, comes the need to make sure that we are also just as focused and religious about waste cutting and expenses. So, I want to go through our expense walk in this business. And there's three things I want to point out on this page. Number one, we did better than we told you we were going to do last May. We said it was going to be \$11.9 billion in the 2022 column. And it ended up six months later being at a \$11.8 billion in no small part to Craig Sullivan and his team who work religiously on each and every dollar spent, and the ROI associated with it and making sure that we bring that to the bottom line.

The second is we told you that the rate of growth is of expenses was not going to accelerate; and in fact, it's slowing. And the third thing that's very important to note is you see that \$10 billion which is volume and structural related, it's relatively flat. And that's in spite of enormous volume increases. I credit that to both Mike Urciuoli and Julie Harris who run our technology and operations, and they're focused on operational excellence at every turn, the modernization of our platform, and as Lori talked about the decommissioning of a bunch of these legacy platforms, which is really helping give us a lift. And all of that allows us to take that top number, that \$2.2 billion and invest exactly where you would want us investing – technology, advisors for new growth and capabilities.

So, first, let's just look at tech. It is the underlying of everything that we do. This is Lori's page. I took Lori's page and I tried to make it with an example of a line of business, so I could bring it to life for you a little bit. In the first column, we talk about how we're delivering better customer experience. There is a great example of what just happened in the first quarter. We had been building something called Morgan Money. It's a portal for trading money market funds, not just ours everyone's in the industry. And we were creating a UI that we thought was going to be better for the Street basically to use and for people, not knowing we were going to hit a crisis. And in fact during those several weeks of lot of fearfulness in the market, we became the actual go-to place for everyone in the industry. We traded more than \$1 trillion, double the volume of what we were ever going to expect (sic) [double the volume of what we did in the same time period a year ago].

The second column, Lori talked about all of the DNA of the technology people. And I just want to bring this to life in a different way. For us, the technologists are already doing a great job. We need the rest of the business to think like technologists, and you will see that number 5,400 Python-trained people, non-technologists trained. Why? We don't want them to be technologists. We want them to be thinking like technologists, and as a matter of fact that 5,400 is going to go to 6,000 pretty soon, because every single new analyst and associate, of which we have 400 of them starting this summer, are going to be trained in Python. So, when you come to JPMorgan, we are going to ensure that you are trained for work that will exist over the next 50 years and the way you need to think. Whether you like it or not, you are going to understand technology, so that someday you can run the technologists if you aren't going to be one.

And all of that we talked about is going to be unlocked with this third column, which is AI. The proprietary systems – Lori mentioned we have some that run off of GPT. We have our own inside of the Asset Management business and it's run on our Spectrum portfolio management system. We have loaded up 30 years of our own proprietary data on all of the companies that we follow. We then match that with the millions of data points we get every single day. And what we have already seen is such a tremendous uplift. We have only begun to scratch the surface just on that as well as the other (sic) [over] 50 pilots that we have in place. So, I think it is going to do – Mike asked the question about how do you measure some of these technology numbers, they are really immeasurable. We are only beginning this journey with what AI can do in a business like ours.

And, of course, the last one, there is a dark side to all of this AI, and that's that the fraudsters will grow just as fast. And that's happening. We had a record year of cyberattacks on our business where we move high amounts of money around and that has already grown in the first quarter. And so, what we do, and Lori had mentioned in hers, we spend a lot of time educating family offices, individuals around the world, 11,000 people turned to us last year to get those teach-ins. Those same growth drivers that we've talked about for the last several years, they're right here, they don't change, this is exactly what we want to continue to invest in.

One, scaling asset management, that's what George does every day. We are only number three in the active (sic) [assets under] management space, but we are number one in flows. We are gaining market share and we're going to keep going to scale that business. Two, alts, it's everyone's new focus, it happens to be our focus for the last 60 years. We'll talk about a little bit of that. And then, three, the M&A that we have talked about for the last couple of years. Ben Hesse has really been the driver of that, not just for Asset & Wealth Management, but really helping all of us think about it across the firm. I'm proud to say, we've also added CFO responsibilities to Ben across the Asset & Wealth Management business, so we're really excited about that.

But four and five are what we've talked about a number of times today across Jenn and Marianne's business, and that's the Wealth Management continuum. So that's a \$50 trillion marketplace, okay? And that space is covered both by Kristin Lemkau, who's here also in the front row, who runs this wonderful business across the Chase platform and then in the U.S. her partner Dave Frame, who runs it across the Global Private Banking business. Together, those are 8,000 advisors. Those 8,000 advisors' asset and wealth management powers all of the investments and opportunities that they invest in. And you know what that has delivered already? Each and every day there are 500 new people in the branches who start to invest with JPMorgan Chase. And every single day, the Private Bank brings in \$1 billion in net new money into the investment space. So, this is something that – those numbers may not last, it may be the zone that we're in right now where people are reassessing their European banking situation or their U.S. regional banking situation, but we're certainly the beneficiary of those. So, let's look a little bit into a couple of these.

First, scaling Asset Management, just very quickly. 95% of equities are outperforming peer median. That is like not a normal number. Paul Quinsee is in the back of this room. He has been doing this for 31 years and he never relents on investing in these people to make sure that they know when the markets aren't flooded with liquidity and actual alpha shows, he will shine. Bob Michael if he is not on TV, he is usually out talking to a sovereign wealth fund about the fact that bonds are back, and his portfolio of fixed income has done just that, and it's been tremendous.

Each one of those asset classes, in the dark blue bubble, are growing faster than the market (sic) [industry]. That just means they're gaining market share and that's exactly what we want to continue to do. We need that alpha generation because the right-hand side is where the future growth is going to come from in the Asset Management business. Those are active ETFs as well as SMAs and model portfolios. Jed Laskowitz is overseeing those two areas for us, and they are of tremendous growth, our formula is working on the active ETF business. You see rapid growth there and we continue to gain market share. And SMA and models, we were like number 16th, I don't know only a couple of years ago, we are now in the top 5 and we continue to gain market share, we already have 200,000 external financial advisors being able to access those models. So, as that continues to grow, that will be tremendous for us. And with our sales force across George's business, run across the Americas, EMEA, Asia, they are already one of the largest salesforces, but they also happen to be one of the most aggressive, and I think you would expect those numbers to continue to grow.

Two, alts. Anton Pil overseas this. We've had a very longstanding core of real estate infrastructure, fund of funds, but the exciting places that we're growing, are places where JPMorgan is growing. So, think about what JPMorgan is doing on the fintech side, JPMorgan should also allow investors to co-invest in areas of companies that we see the companies, we use the technology and wouldn't it be great for them to also be investing at an early stage. So, we have a number of those funds and opportunities that I think that 50% growth that you have seen on the right-hand side there over the past three years should be readily repeatable.

Page 3 (sic) [Three], executing M&A. I will not go through each of these. You know about the five that we have completed. 55ip, nine times the assets that we have expected since acquisition. Campbell Global, it might be the most requested management team to come to meet to talk about how you can own your own forest. And then, OpenInvest. OpenInvest, just one second on this. OpenInvest is to be able to choose your values or your preferences in your portfolio. I personally don't believe it's up to an asset management firm to tell you or me how we should care about our assets and what asset classes we should like or not or what thing we should divest from our portfolio or not. I think it's an individual's choice and OpenInvest allows us to have individuals making those decisions, not an asset manager telling you what sector or industry you should exclude.

On the well – sorry, let me just make one point on CIFM. That's the last one, because it is new in this quarter. We just closed this transaction. We've been in China for 100 years. It's taken us eight years to close this transaction and we couldn't be more excited. George took the whole team over there to do the rebranding a couple of weeks ago. Desiree Wang is actually one of the leaders responsible for the Shanghai business. She's in the back if you want to ask questions about what's happening in China. But this 100% ownership gives us two things that are really important. 64 million brand new clients of JPMorgan where now they're ours, we get that data, we get the insights. And very importantly, researchers on the ground who cover a – have had (sic) [over] 1,000 client meetings last year. When you take that research and infuse it into all of the analysts that we have around the world, it's priceless. And so, having that on the ground research, whether you're investing in China or not, doesn't matter. You need to infuse that in your models to think about what's happening with the companies that you're investing in around the world. And so, it's those acquisitions that I think are what power the future of this business.

So, before I talk about the powering, let me just reground this one more time. We're the part of the company that powers all the great things that Kristin does, that Dave Frame, Martin et cetera. And they are run by Mike Camacho, who is also here in the front row. And he runs this full continuum of whether you want to do brokerage investments, mortgages, et cetera. When we just acquired First Republic, you see these last three boxes, insurance and annuities, trusts and estates, and fund finance, they are excellent in this space, and it will drastically help how we do those businesses. So, there's some very exciting things that we're adding to the capabilities here. But I think it's those acquisitions when you make them and you combine them with what JPMorgan does is where the real power comes, not just in an ROI, but in what you're delivering to clients. And I would tell you that there's two really big game changers coming for our business. The first is on the left. It's called JPMorgan ConnectWealth. It's our old SMA platform, which we do quite well for all the clients that want individually managed accounts. But we put two pieces with it, 55ip, which helps us to do the tax optimization in a much more efficient way. OpenInvest, I told you; you can now personalize your values. I'm not going to tell you whether you should like oil or not. And then, you add to it the AI of being able to tell you your

stock went up, forget about the selling. Why don't you think about doing a GRAT or CRAT or taking it and putting in your DAF to be able to get it out into the philanthropic space? All of these things, not just on an S&P 500 portfolio, on your entire wealth, including assets held away. It will be the Holy Grail of how people think about managing their assets. And we're well on our way.

The second is workplace. Finally, we can compete in this space. We bought Global Shares and we are going to win in this workplace space. Why? Because we also have branches. Okay? We also have some of the pieces that we talked about in the Investment Bank, Capital Connect which Sanoke is overseeing for us. And Michael Elanjan has just been tremendous in thinking about that plus the Aumni transaction, we have the branches that Jenn runs so fabulously, we have the 401(k), Ben mentioned the Everyday 401(k) product for retirement products and then we happen to also ourselves manage 300,000 employees. We know what it takes to provide financial wellness to employees. So, when we can package that for other people, you put all of that together and we have JPMorgan Workplace, which I think is just going to be a game changer. And Vince La Padula, who couldn't be here with us today, is going to help lead us. And that feeds leads not just in the Asset & Wealth Management business, but to the Commercial Bank, the Investment Bank, CCB, all day long is really exciting.

And so, what I want to then talk about is how do we do that? You need talent to be able to deal with this. And we have to continue to grow. I would just make one note here. There's a lot of people – we are very fortunate in the company that we work for. There's a lot of people that want to work for JPMorgan. We had 47,000 resumes for those 400 slots for the analysts and associates to come in this summer. So, it's harder than college. But that's because Lauren Tyler and her team do a really good job of not just going out to the regular colleges, but to a very diverse group of schools all across the country and the world to be able to get us that excellent talent and to do what we need to do it's an apprenticeship model. It's not a cookie cutter training. We have a woman named Anne Devlin, who we took off the frontlines, who runs our entire training system, (sic) [designing it] as if (sic) [how] she would like to learn. And then, we have people like Jeremy Geller and others who come off the frontlines and sit in those rooms and train and teach and coach until they're JPMorganized. That's our goal. We want you JPMorganized and that's our secret sauce, and then we will allow you to go on the frontlines and it's working, and those productivity numbers on the right-hand side show just that. So, if you have any first-class talent or graduates in your family or coming, please send them our way. And so that's the exciting part about training.

Now, what do you think the most important thing is that we teach them on the first day of training after they've been Python trained, of course. Banking is not a commodity. That's what we teach them. And their eyes gaze over as they don't live in crisis. And then when they hit a crisis, they pay attention to this. And so, this is the basis of everything we do. We talk about the fact it is not a commodity, it is part of everything we do, the holistic advice that we give to clients, and it's the most important basis of what we talk about. And so, there are two things to note on this page. One, those lending numbers, all that net charge-offs at the bottom, they look very strong. They should. Why? Because we never changed our lending standards. Everybody else had different rates, covenants, relaxed terms, and still we stuck with what we know how to do best. 97% of what we do is fully collateralized. And our goal, when we deal with very big, large, sophisticated clients, is we want two ways out. Why? For them and for the bank. Because when you hit an air pocket, you don't want to be the person who's forcing them out of something. And so, we spend a lot of time making sure that we are going to be a lender through cycles for those clients.

And the second, which was just touched upon by Doug in the presentation, I also think one of the reasons that we become a net gainer in almost every one of these crisis is that JPMorgan Chase is both a fabulous place to put your deposits, but it is an equally great place to put your money market funds. And every crisis is different, and you never know where people want to put their money. And so, once we get it in-house and it has to move around, if we can keep it in-house, all the better.

And John Donohue, who is here somewhere, he runs the world's largest institutional money market fund business. He could teach a Ph.D. course in how to deal with these crises. He's been working with me on this since what I call the first Lehman crisis back in the 1990s, for those of you who remember that, all the way through the Great Financial Crisis, the European crisis, and now, of course, our regional crisis. And you can see that in each one of these, we tend to gain market share, we become the flight to quality beneficiary. We get institutionally smarter with each one of these and we know what to do. We know what to do when we run our war rooms inside. We know how to stay in front of clients. And the only thing I want to show you on this page is there's a staggering number here in the middle. It's 3.8 million. That's the number of times financial advisors at other firms chose to use a Guide to the Market page that's created by JPMorgan to help their clients, irrespective of the firm they work for. It's pretty astonishing. And all of that resulted in the second – sorry last number I want to show you. This is the 40,000. Okay. So, on Friday at 7:25 PM, that was the timestamp of the 40,000th account being opened since March 10. And I had to get Mikael – where did Mikael just go, he was sitting right there. You moved – to approve to be able to print the document after I changed the number, because we made it to 40,000. And that was because we spent so much time figuring out how are we doing to deal properly with this crisis. Of course, we had war rooms and the like. But we took people from the mortgage business, we took people from the first-year analyst classes. We didn't – it didn't matter where you were from. If you are smart, and you are driven, we flew you to another city, we put you up in a hotel for the last 4, 6 weeks and you helped us to get through this and we hit that 40,000 number, that's just in Asset & Wealth Management. So, we're quite proud of it and we're very thankful for all the people that helped us with it. And we basically, just on the institutional side, we did two years' worth of account opening in basically two months. So, it was quite stunning. And that's really the example of the firm.

I just have two more pages really to go through here. You've seen the wheel many times. I don't need to take you through it again, except for to tell you, you know that 800 people that were working on the thing (sic) [FRC deal]. What you probably don't know is that that happens all the time. They're the MLTs. These are the local leadership team. The San Francisco local leadership team, they oversee 3,500 people in the Bay Area. Okay? They had to pull themselves together during the early days of March 10 to figure out what to do and then Doug and I sent teams,

John Simmons I saw, Melissa, we sent the teams of – of the Commercial Bank out with Madhu and Noah and others from the Investment Bank, along with our Private Banking teams. We went, we educated CFOs, we helped venture capital firms, and we really pulled the firm together as one firm. And that's why those numbers are what they are. And, of course, all the other pieces, whether it's the 23 Wall group that sits between the Investment Bank and the Private Bank run by Andy Cohen. I said last year, there aren't any investment bankers that want to take a private banker to a meeting except for inside JPMorgan Chase. And every one of our new hires says, you know, this is like not normal. This is not really how it happens. And the reason that it happens here is we don't allow people to say, my client. It's our client. And that is just a really important part of the ecosystem here inside of this firm. Which leads me to how does this happen? We continue to grow assets. I can't actually tell you what's going to be the green bubble versus the red bubble next year, which is why I have to invest in each and every one of those areas. And I am going to tell you that that's why we were able to deliver 19 years of consecutive net new inflows into this business. And so that gives me the confidence to tell you. And we were number three, by the way, in asset flows over the last five years amongst a number of very strong competitors.

We continue to gain market share and we have great growth ahead of us. I'm going to reiterate my targets on the last page here, which I have laid out for you in the past. The first is long-term flows at 4% of our base, revenue growth of 5%, margin and ROE both at 25% and above. And while all of those we consider through the cycle targets, we want to deliver those and aspire to do them each and every day. And so that's very important to me.

Now, I know you want to ask lots of questions and answers about the Asset (sic) [and Wealth] Management business, but we're going to bring Jamie up instead, who can incorporate them all in there now. And before I do, I just want to end with one page, which is basically exactly where Daniel started, and that is, this business has unparalleled strength across these four lines of business. And I hope you got a sense of that today.

Everyone in this room and on the line work so hard for clients all around the world, each and every day. And we are enormously proud of the fact that we finally made it onto the Fortune Top 5 list of Admired Companies in the World. The only small problem is that those companies all have a higher multiple than us, and three of those companies are in the trillion dollar and up club. So, with any luck, both Mike and Betsy's predictions will come true and number 5 on the list will also end up in that trillion-dollar club. Jamie, why don't you come up and close this up?

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