

# COMMERCIAL BANKING

February 25, 2020

FIRM OVERVIEW

CORPORATE & INVESTMENT BANK

CONSUMER & COMMUNITY BANKING

ASSET & WEALTH MANAGEMENT

▶ COMMERCIAL BANKING

JPMORGAN CHASE & Co.

# Commercial Banking – executing a proven strategy

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## Client focus

- **Clients at the center** of everything we do
- Coverage **strategically aligned** to best serve our clients
- **Local delivery** and decision-making, with **deep sector expertise**



## Strong franchise

- **Industry-leading**, broad-based capabilities
- Operating efficiencies and **scale advantage** as part of JPMorgan Chase
- **Consultative teams** delivering comprehensive solutions



## Targeted investment

- Adding **talented bankers** and **expanding local coverage**
- Investing in **integrated solutions** and **digital channels**
- Enhancing **client experience** through innovation and streamlining processes



## Fortress principles

- **Rigorous client selection** with a long-term, through-the-cycle orientation
- **Strong credit and control culture**, focusing on markets and sectors we know best
- Expense and capital **discipline**

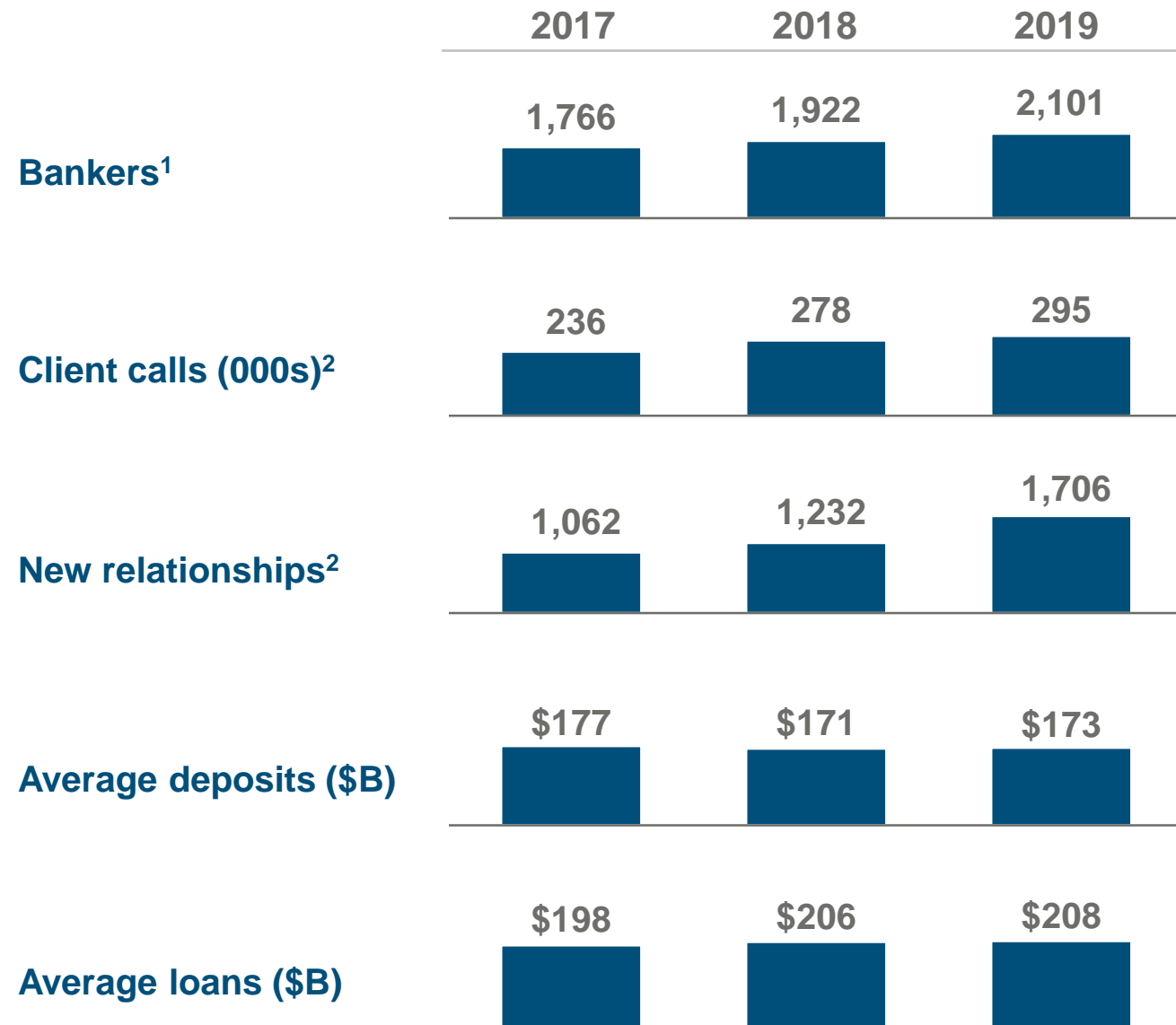


## Strong financial performance

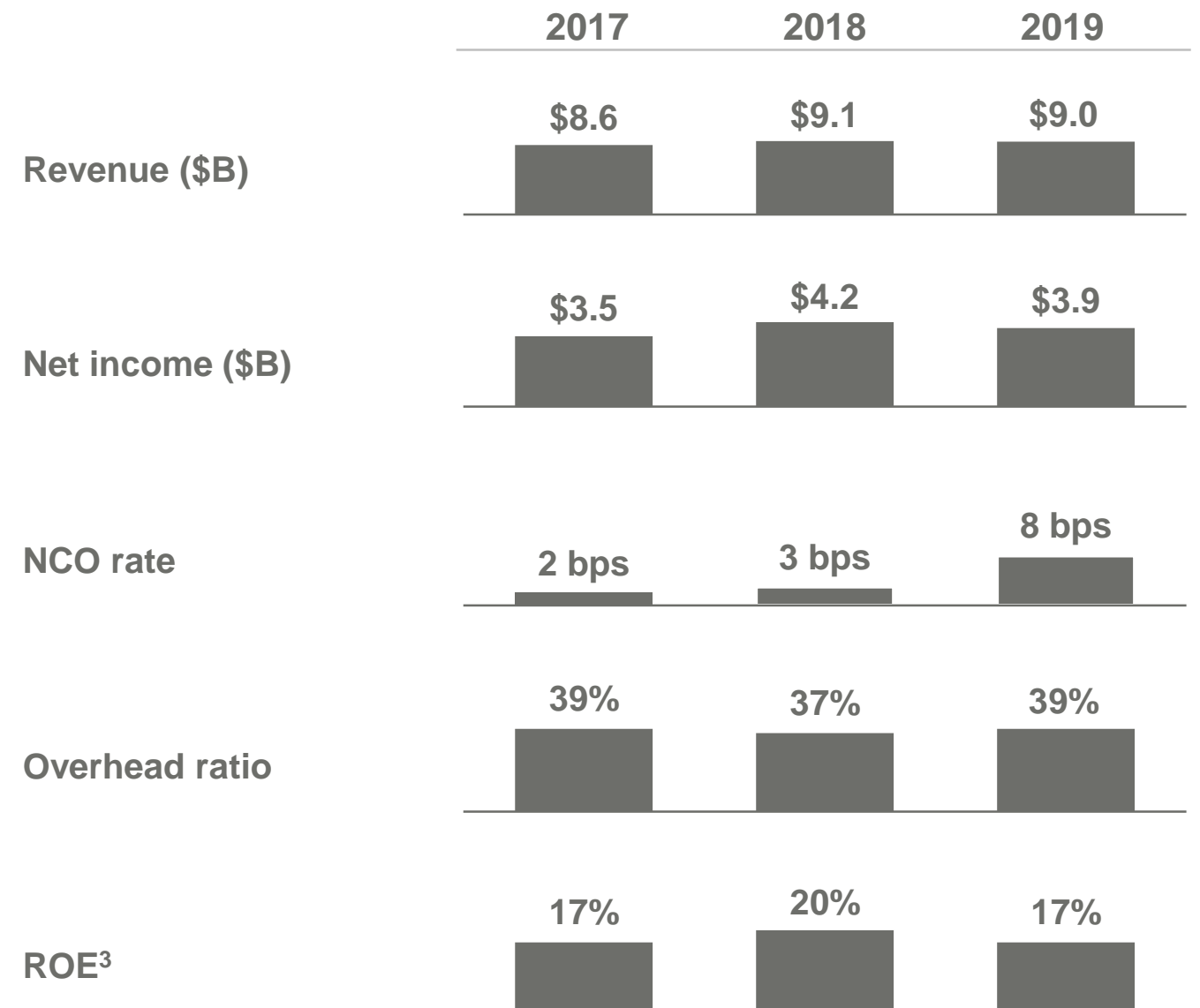
- **High quality, resilient**, diversified earnings
- Strong returns while **investing for the long-term**
- Disciplined growth with **significant remaining opportunity**

# Strong results in 2019 driven by consistent client focus

## Client focus



## Financial performance



<sup>1</sup> Based on total revenue-producing employees  
<sup>2</sup> Excludes Commercial Term Lending; prior year figures have been revised to conform to current presentation  
<sup>3</sup> Allocated capital was \$20B in 2017, \$20B in 2018 and \$22B in 2019

# Tremendous opportunity to grow across our C&I franchise

Continuing to expand and invest in our capabilities to **acquire new great clients...**

**39k** C&I prospects



## Innovation Economy

Targeting 5,400 prospects across high-growth industries<sup>1</sup>



## Government

Pursuing 600 government entities across the U.S.

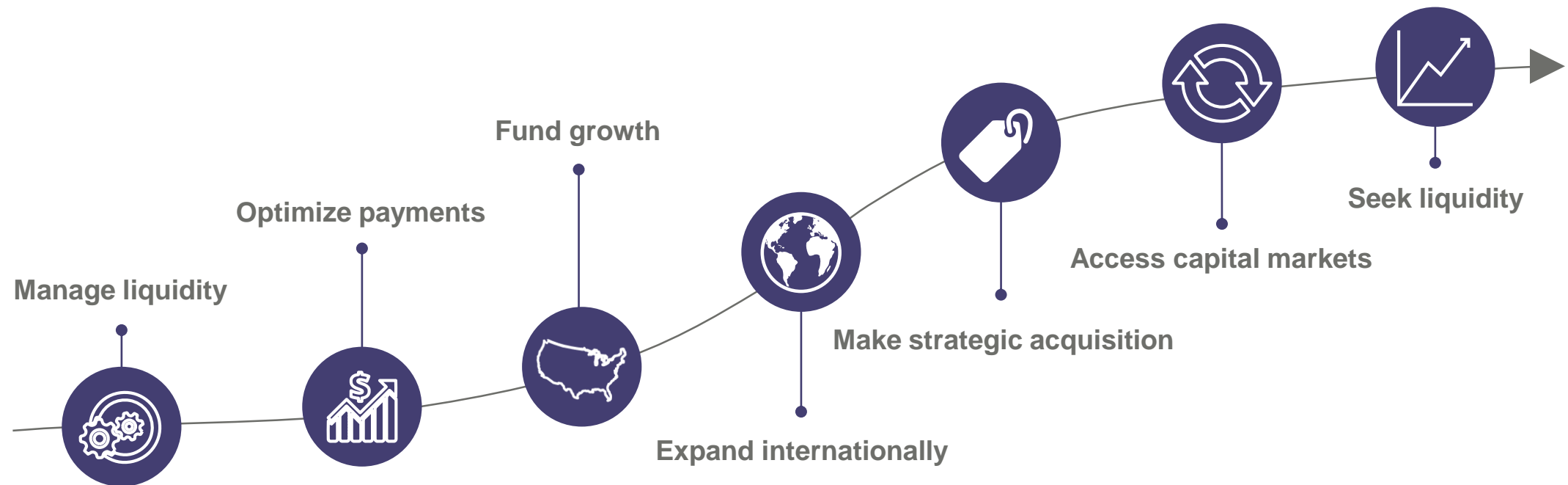


## International

Focusing on ~1,200 non-U.S. headquartered companies

...while **deepening existing relationships over time** by delivering differentiated solutions and leveraging the power of firm

**18k** C&I clients

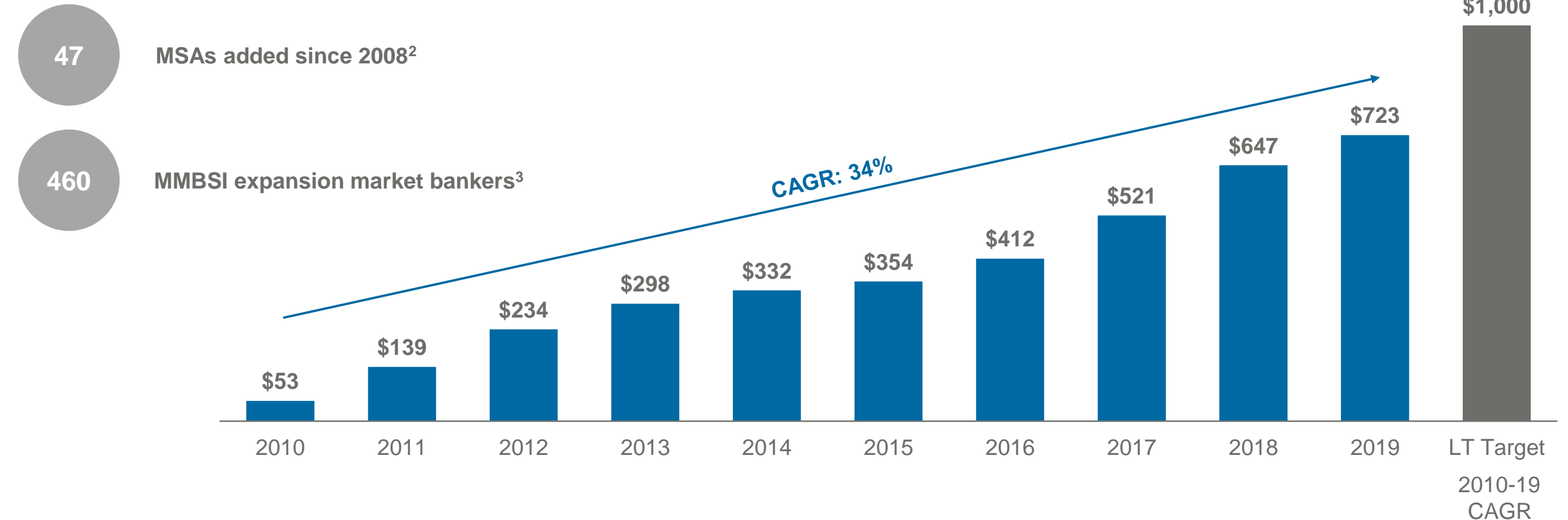


<sup>1</sup> Innovation economy includes Technology & Disruptive Commerce and Life Sciences companies

Note: Commercial and Industrial (C&I) and Commercial Real Estate (CRE) groupings used herein are generally based on client segments and do not align with regulatory definitions

# Executing middle market expansion strategy

## Expansion market revenue (\$mm)<sup>1</sup>



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	LT Target 2010-19 CAGR
Clients (#)	820	1,100	1,360	1,470	1,670	1,970	2,220	2,360	2,750	3,280	17%
Loans (\$B, avg.)	\$0.9	\$2.7	\$5.6	\$7.5	\$8.6	\$9.9	\$11.7	\$13.6	\$15.1	\$15.6	37%
Deposits <sup>1</sup> (\$B, avg.)	\$1.3	\$3.0	\$4.7	\$6.1	\$7.9	\$8.3	\$8.2	\$8.8	\$11.2	\$13.1	29%

<sup>1</sup> Prior year deposit and revenue figures have been revised to conform to current presentation

<sup>2</sup> Based on year-end Middle Market Banking & Specialized Industries (MMBSI) banker presence; number of MSAs is for U.S. only

<sup>3</sup> Based on total revenue-producing employees

# Substantial, visible opportunity across new markets

## Los Angeles – new market



2<sup>nd</sup>

Largest MSA

9

Years in market

3k

Clients & prospects

## Chicago – legacy market



3<sup>rd</sup>

Largest MSA

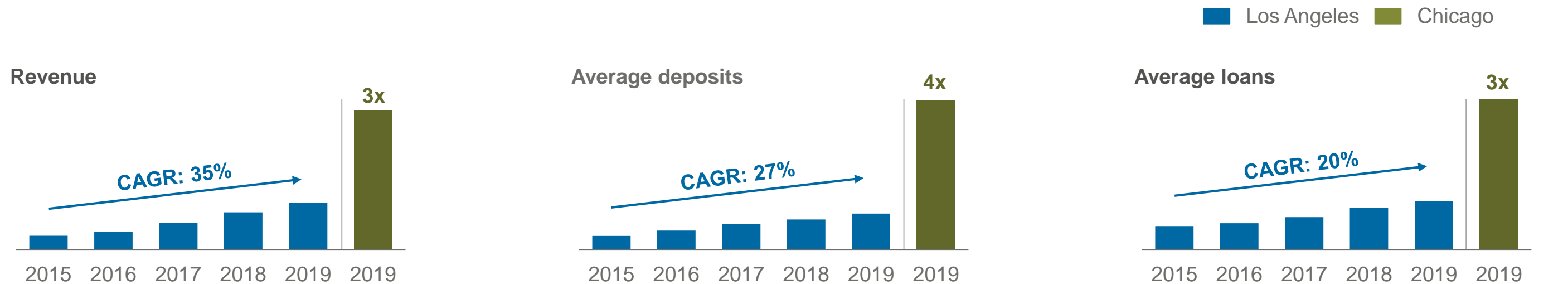
150+

Years in market

3k

Clients & prospects

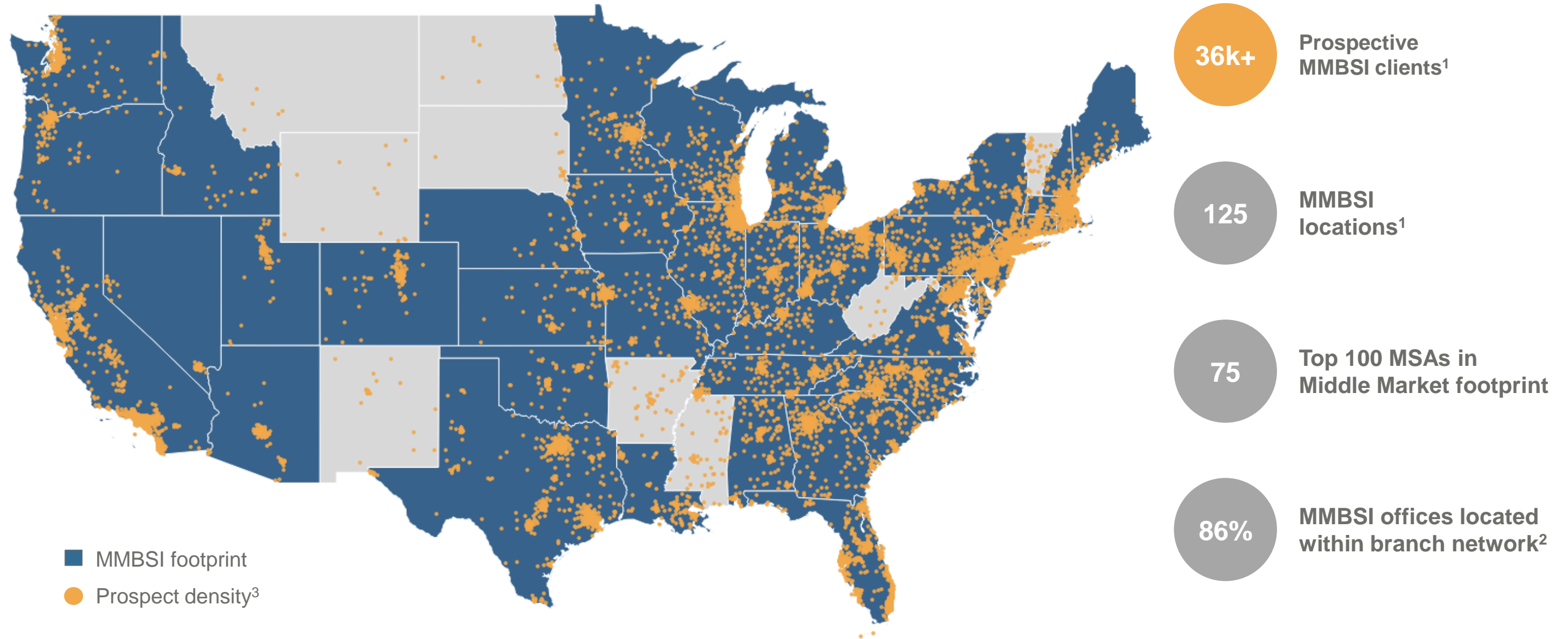
## Strong performance to date in Los Angeles, with significant market opportunity



Note: Excludes specialized industries

# Well positioned to build upon our strong middle market franchise

## Middle Market Banking & Specialized Industries market opportunity



<sup>1</sup> Includes Canadian presence

<sup>2</sup> Based on branch count as of January 2020

<sup>3</sup> Circles indicate number of prospects in a given city



# Replicating our proven strategy internationally

## Targeting non-U.S. headquartered global companies

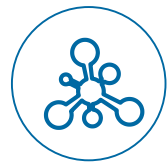
- Foreign companies focused on global growth, driving demand for international banking solutions
- Providing differentiated value for multi-national companies with cross-border needs
- Focusing on established companies with a presence in the U.S. and other geographies

## Starting from a position of strength



### Brand recognition and local presence

Well-established Private Bank and CIB coverage in 50+ global markets



### Extensive global solutions

Comprehensive investment banking, treasury services, trade and liquidity capabilities



### Disciplined risk management

Maintaining fortress principles and leveraging deep local market knowledge

## Building with discipline

- Established new teams across 10 countries in EMEA, APAC and LATAM



- Targeting companies across the globe



Countries in scope<sup>1</sup>



Targeted prospects



CCBSI international bankers<sup>2</sup>

<sup>1</sup> As of year-end December 31, 2019; Bankers located in 11 international countries (including Canada) with ability to support clients in an additional seven countries (Ireland, Portugal, Austria, Belgium, Luxembourg, Switzerland and New Zealand)

<sup>2</sup> Based on total revenue-producing employees



# Specialized industries model drives superior value and risk management

- ✓ Prudent industry and client selection
- ✓ Deep industry expertise in underwriting
- ✓ Sector-specific advice and content to support clients
- ✓ Industry-tailored client solutions

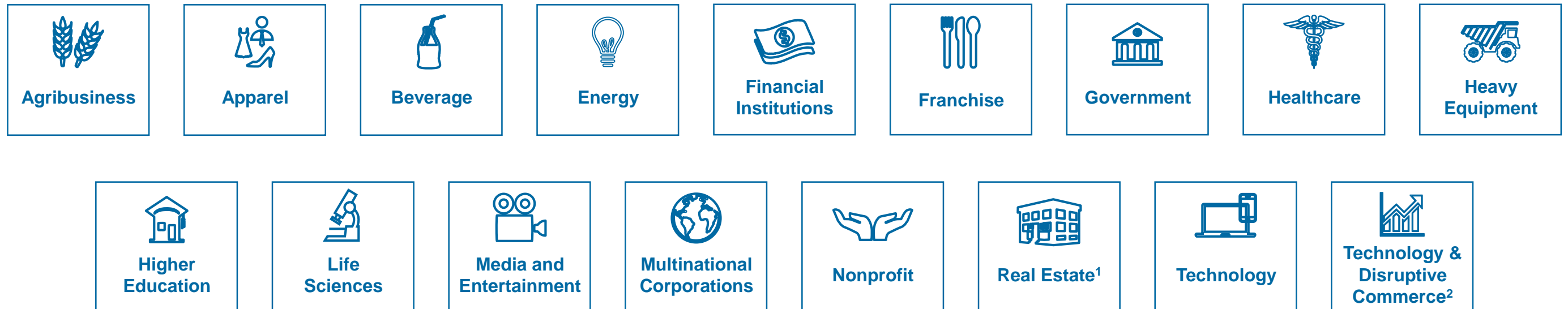
>50%

Clients with specialized industry coverage

17

Specific industry coverage teams

## Diverse range of covered industries



<sup>1</sup> Reflects coverage of CCBSI clients in the Real Estate industry

<sup>2</sup> Technology & Disruptive Commerce group covers MMBSI technology and high-growth consumer companies

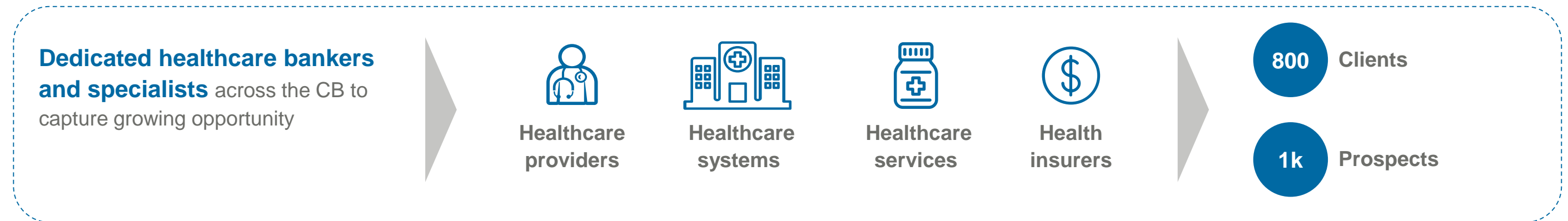
# Substantial opportunity to address the needs of the healthcare ecosystem

## Well-positioned to capture the large and growing opportunity

~\$4T healthcare expenditure in the U.S.<sup>1</sup>

Growing **faster than U.S. GDP<sup>1</sup>**

On pace to represent **~20% of U.S. GDP<sup>1</sup>**



### Understanding the specific needs of the segment...

- Heavily regulated
- Largely paper-based
- Complex transactions
- Unique payments needs

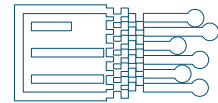
### ...and investing in capabilities and solutions

- Foundational capabilities**    Enhancing healthcare core cash management platform
- Enhanced product offerings**    Further integrating platforms to streamline offerings
- Beyond banking solutions**    Leveraging **InstaMed** solutions to deepen relationships

<sup>1</sup> Source: Centers for Medicare & Medicaid Services, Office of the Actuary; U.S. Department of Commerce, Bureau of Economic Analysis; and U.S. Bureau of the Census

# Differentiated treasury capabilities provide substantial value to clients

Leveraging benefits of scale and breadth of market leading solutions...



## Integrated payments

Payment capabilities to realize efficiency and drive economic value



## Liquidity management

Sophisticated tools to manage liquidity across the globe



## Merchant services

End-to-end solutions through the #1 wholly-owned merchant acquirer



## Cross-border solutions

Broad set of foreign exchange and trade finance solutions

...with client-centered delivery to optimize the way clients do business

### Solution-oriented team



### Reporting & insights



### Digital delivery



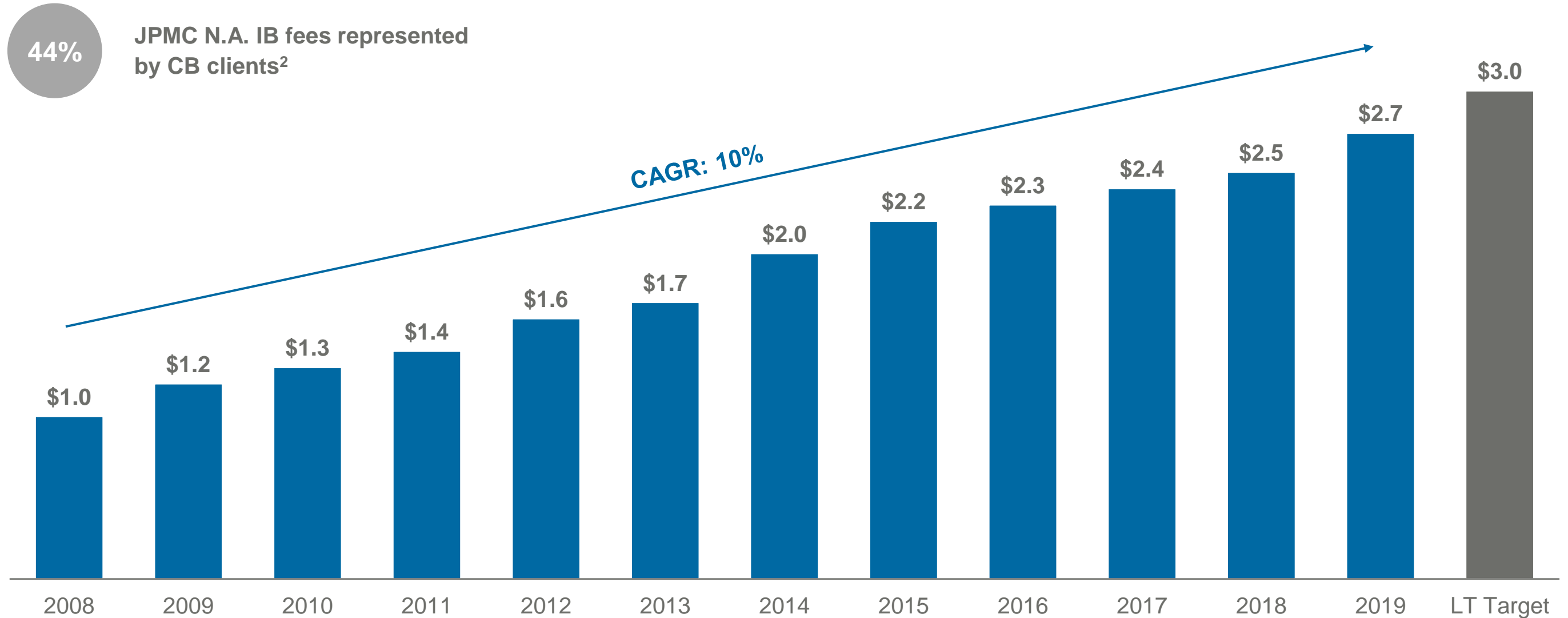
### Fraud protection



- ✓ Improving working capital
- ✓ Reducing operating costs
- ✓ Providing insights to drive results
- ✓ Streamlining payment channels
- ✓ Safeguarding the business

# Delivering the best investment bank to CB clients

## Commercial Banking gross investment banking revenue<sup>1</sup> (\$B)

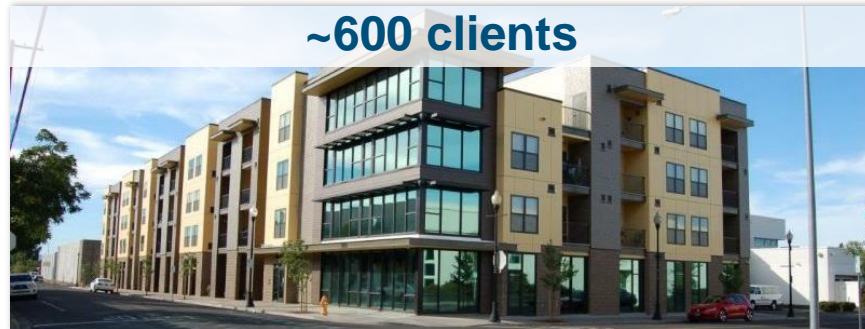


<sup>1</sup> Represents total JPMorgan Chase revenue from investment banking products provided to CB clients

<sup>2</sup> Represents the percentage of CIB's North America IB fees generated by Commercial Banking clients in 2019, excluding fees from fixed income and equity markets which are included in Commercial Banking gross investment banking revenue

# Positioned for continued long-term success in CRE

## Community Development Banking



- Capital to support affordable housing development projects
- Commitment to improve communities through lending and investment
- Building long-term relationships and community partnerships

## Real Estate Banking



- Banking top-tier clients in major markets across the U.S.
- Targeted markets with focus on lower volatility assets
- Deep, broad-based client relationships built over time

## Commercial Term Lending



- Term financing on stabilized properties in supply-constrained markets
- Industry-leading loan process delivered with speed and certainty of execution
- Targeted investment in digital lending

#1

**Multifamily lender in the U.S.<sup>1</sup>**

300+

**Highly-skilled bankers across CRE segments**

>80%

**CTL originations on apartments with rents deemed affordable<sup>2</sup>**

\$2B

**Financing to Affordable housing projects in 2019**

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<sup>1</sup> Based on S&P Global Market Intelligence, as of year-end December 31, 2019

<sup>2</sup> Based on 2019 average underwritten nonrestricted rents

# Strong risk focus and smart growth across our portfolio



## Rigorous client selection

Limiting exposure to riskier industries and asset classes across C&I and CRE



## Market and industry expertise

Benefiting from market knowledge and specialized industry coverage



## Underwriting built on experience and analytics

Continuing to invest in people, processes, technology and analytics



## Through-the-cycle discipline

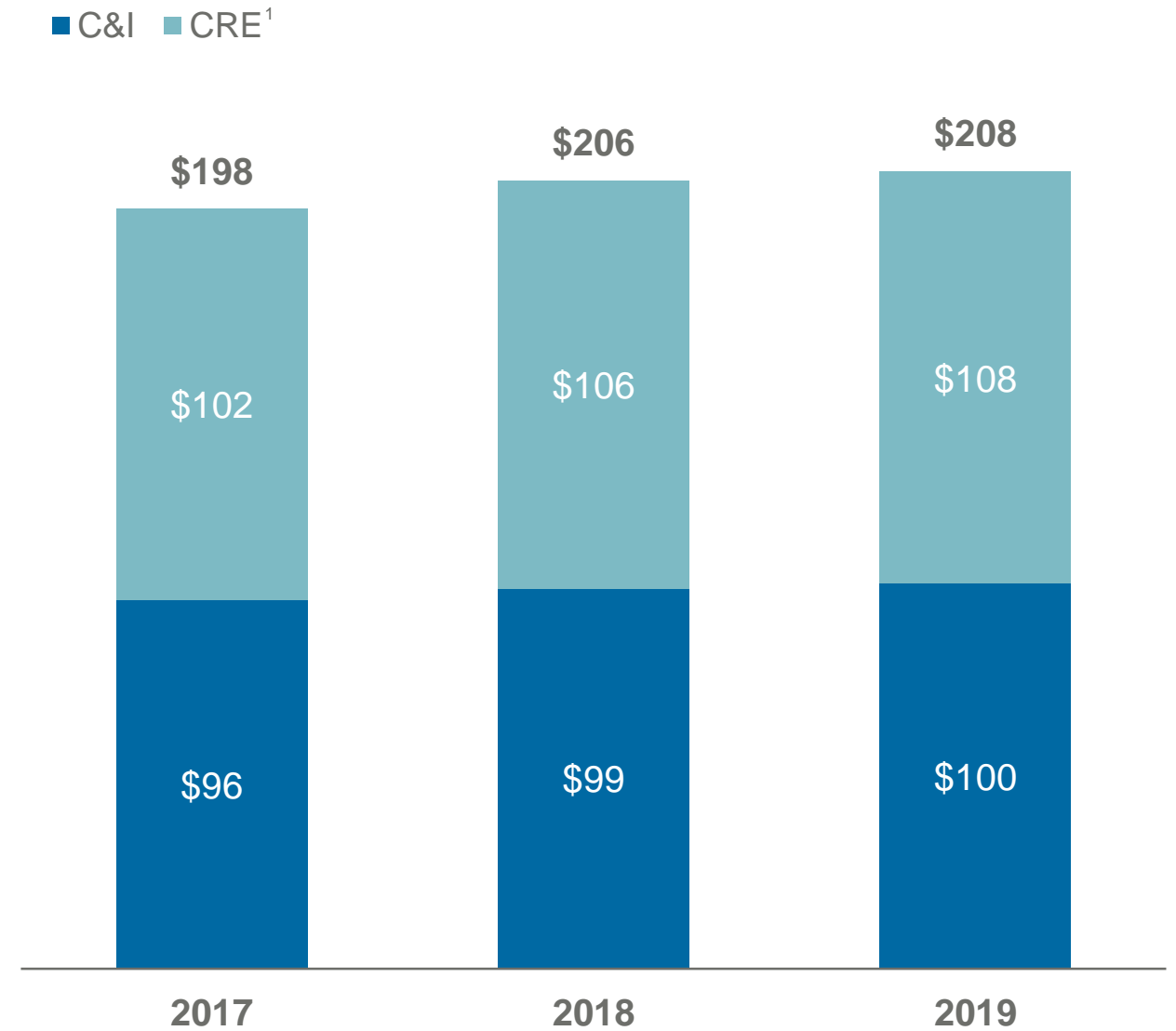
Independent, experienced underwriting team with proven track record



## Downturn preparedness

Maintaining readiness across the organization using enhanced tools and data assets

Average loans by client segment (\$B)



<sup>1</sup> Includes CCBSI Real Estate

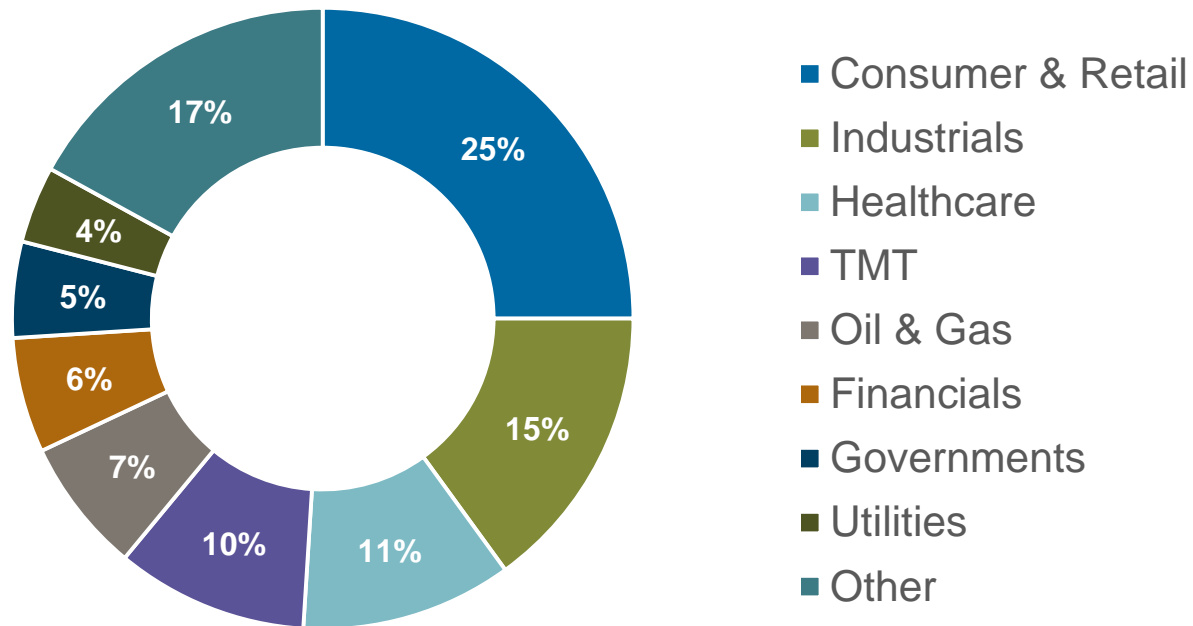
Note: Commercial and Industrial (C&I) and Commercial Real Estate (CRE) groupings used herein are generally based on client segments and do not align with regulatory definitions; totals may not sum due to rounding

# Maintaining risk discipline – C&I

## Portfolio summary

- Strong credit performance through the cycle
- 87% of non-investment grade exposure is secured<sup>1</sup>
- Diversified across industries and regions
- Dedicated underwriters for select industries

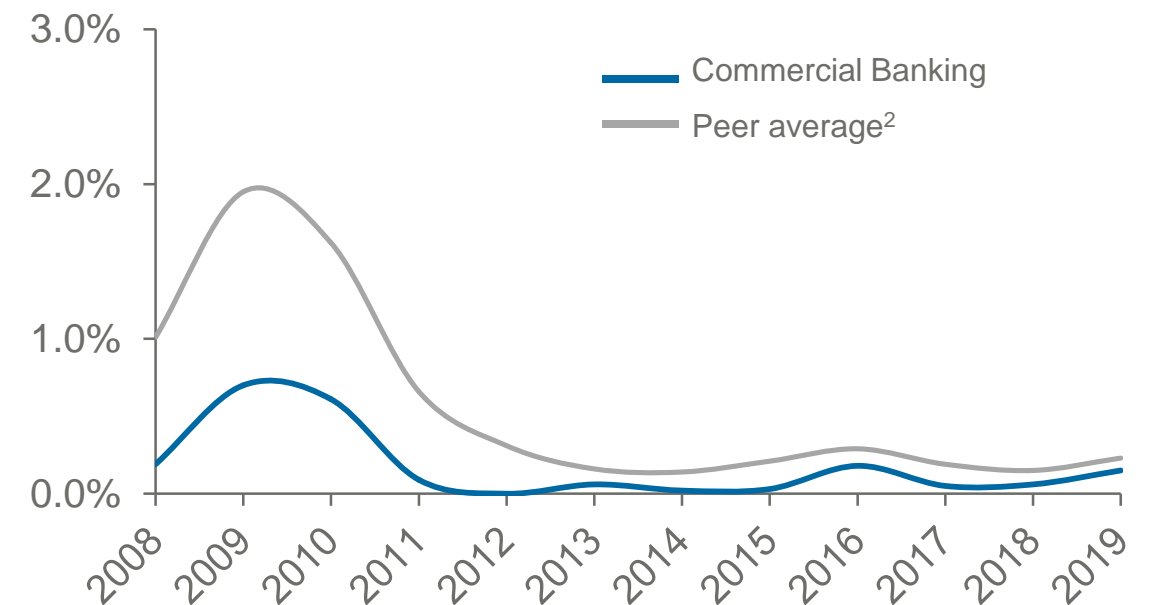
## Portfolio by industry



## Market commentary

- Credit quality remains strong, with no material, broad-based signs of deterioration in the market
- Continue to closely watch certain sectors and monitor new originations
- Revolver utilization generally flat
- Loan spreads in the market have stabilized

## Net charge-off performance



<sup>1</sup> The Firm considers internal ratings equivalent to BB+/Ba1 or lower as non-investment grade

<sup>2</sup> Peer average based on CB-equivalent C&I segments or wholesale portfolios at BAC, CMA, FITB, KEY, PNC, USB, WFC, which may not fully align with CB segmentation



# Maintaining risk discipline – CRE

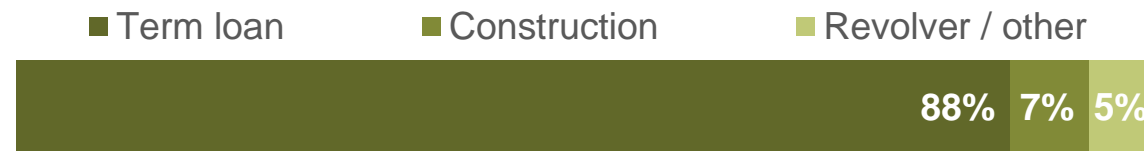
## Portfolio summary

- \$80B of loans in Commercial Term Lending, with \$2mm average loan size
  - LTV ratio of 51%, DSC ratio of 1.5x for 2019 originations<sup>1</sup>
- \$16B of loans in Real Estate Banking
  - Focus on least volatile asset classes; highly-selective construction portfolio
- \$6B of loans in Community Development Banking<sup>2</sup>
  - Financing the creation and rehabilitation of affordable properties

### Portfolio by asset class



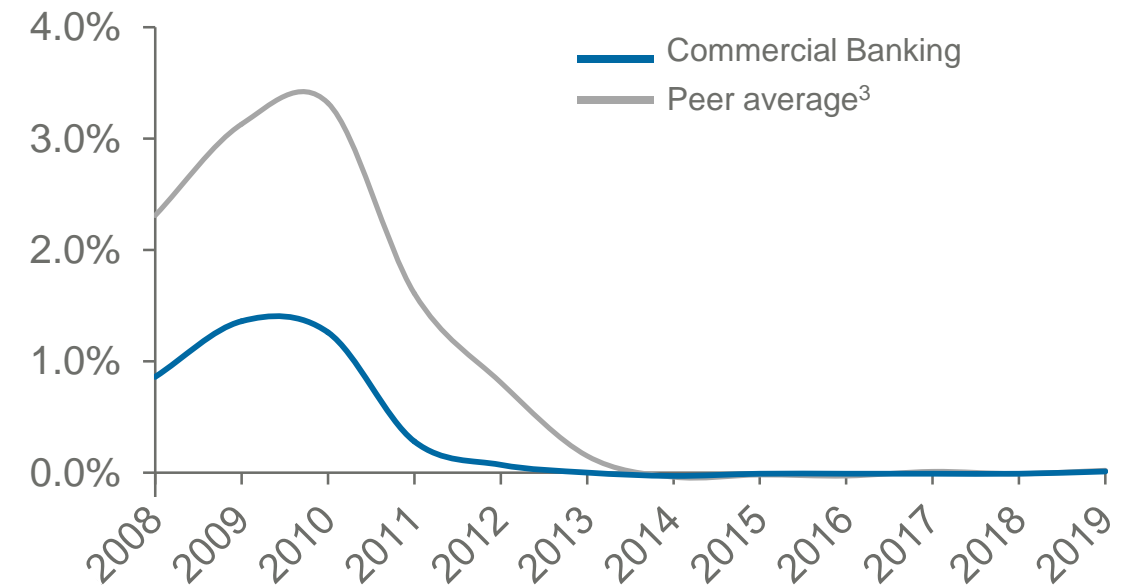
### Portfolio by loan type



## Market commentary

- Competition remains elevated with late-cycle characteristics, particularly from non-bank lenders
- Maintaining underwriting discipline and limiting exposure to riskier asset classes
- Spreads increased in 2019 but expect stabilization in 2020

## Net charge-off performance



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<sup>1</sup> Loan to value (LTV) and debt service coverage (DSC) are weighted average calculations

<sup>2</sup> Includes ~\$3B of loans from consolidated equity investments

<sup>3</sup> Peer average based on CB-equivalent CRE segments or wholesale portfolios at BAC, CMA, FITB, KEY, PNC, USB, WFC, which may not fully align with CB segmentation

Note: Portfolios based on sub-LOB are not regulatory definitions; totals may not sum due to rounding

# Driving efficiency while continuing to invest in the franchise

## Growth



### Market expansion

Entering new markets domestically and internationally

### People

Investing in talent through hiring, training and development

### Empowering front office

Implemented new CRM<sup>1</sup> system; onboarded 3k+ users

## Client value



### Digital platforms

Enhanced digital client solutions; 9k+ active Chase Connect clients

### Data & analytics

Leveraging new tools to provide specialized client insights

### Treasury solutions

Expanding breadth, functionality and connectivity to deepen relationships

## Efficiency



### Modernizing workplace

Enhancing employee experience and efficiency through technology

### Middle office transformation

Improving end-to-end processes; reduced U.S. account opening time ~25%

### Credit underwriting

Developing systems and processes to enhance precision, efficiency and delivery

<sup>1</sup> Customer relationship management (CRM)

# Financial targets

		2019	2014-2019	Target
<b>Execute growth initiatives</b> (long-term revenue targets)	Middle Market expansion	\$723mm	17% CAGR	\$1.0B
	Investment banking <sup>1</sup>	\$2.7B	7% CAGR	\$3.0B
	International <sup>2</sup>	\$465mm	8% CAGR	\$1.0B
<b>Maintain expense discipline</b> (medium-term)	Overhead ratio	39%	39% avg.	40% +/-
<b>Optimize returns</b> (medium-term)	Return on equity	17%	17% avg.	~18%

<sup>1</sup> Represents total JPMorgan Chase revenue from investment banking products provided to CB clients

<sup>2</sup> Denotes non-U.S. revenue from U.S. multinational clients and CCBSI expansion efforts to serve non-U.S. headquartered companies internationally

# Positioned for continued success over the long-term

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## Complete, global & diversified

- **Unmatched ability** to support clients' needs as they grow
- **Local delivery and expertise** across domestic and international locations
- **Differentiated platform**, delivering the Investment Bank and Asset & Wealth Management to our clients

## Investment capacity to drive growth & innovation

- **Scale advantage** of JPMorgan Chase, enabling **strategic long-term investments**
- **Technical expertise** to improve processes and deliver advanced banking solutions
- Leveraging **advanced data and analytics** to drive value for clients and our business

## Risk & control discipline

- **Rigorous underwriting** and client selection
- **Strong credit discipline**, with NCOs under 10 bps for the last eight years
- **Robust compliance and control culture** with end-to-end management focus

## People

- **Consultative, solutions-oriented** client coverage teams
- Strong focus on **growing top-tier talent** through focused hiring and training
- **Actively shaping workforce** to build even greater technology, digital and data expertise

## Strong financial results & organic growth potential

- Well-positioned to **succeed through-the-cycle**, with high-quality, diversified revenue streams
- Business model built to optimize **efficiency, operating leverage and earnings potential**
- Significant **organic growth opportunity** across the entire business