2024 INVESTOR DAY –
COMMERCIAL & INVESTMENT BANK

TRANSCRIPT

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JPMorgan Chase & Co.

MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the stage, Jenn Piepszak.

Jennifer Piepszak
Co-CEO of Commercial & Investment Bank

Good morning, everyone. I was thinking it's a really good thing that Mary didn't hand off – have to hand off to the CIB, because she would not have been able to say it is a higher or even higher ROE business. So, anyway, it's nice to be back with you all, again, this time with another terrific partner, representing another extraordinary franchise in our company.

Troy and I are humbled to be here as Co-Heads of the Commercial & Investment Bank, and this year, we're joined by our partners, Doug and Filippo, the Co-Heads of our new Global Banking franchise. You all know Doug well from his leadership of the Commercial Bank, but many of you may be meeting Filippo for the first time. Filippo has been at the Firm for nearly 25 years, serving in senior roles in both Banking and Markets. Most recently, he was the APAC CEO, and now, in addition to his role as Co-Head of Global Banking, he is the CEO for EMEA, and we are all really excited for you to meet him.

So, first, I'll share an overview of the new CIB, and then Troy will provide updates on three of our businesses: Markets, Securities Services, and Payments. Then, Doug and Filippo will do a deep dive on Global Banking, and after that, Troy and I will come back up for Q&A.

The Commercial & Investment Bank combines two of our leading businesses into one wholesale franchise. As Daniel mentioned, combining these businesses made a lot of sense. We serve a diverse client base ranging from corporates to financial institutions of all sizes across sectors and regions. With our complete product set, we meet the full spectrum of needs from daily trading and transaction processing to strategic events and actions. Our clients don't just want products, they want solutions for their challenges. We can now offer a more seamless client experience across coverage, product, and servicing.

We can better serve certain segments as ecosystems rather than individual companies. For example, infrastructure firms and their operating entities, as well as sponsors and their portfolio companies. We can deepen our relationships with clients in all stages of their lifecycle. For example, a typical Middle Market client relationship often begins with Payments and Working Capital Solutions, then extends to broader financing and hedging needs, as well as early-stage fundraising. And as they grow in size and complexity, that can lead to an IPO and beyond, and we can do all of it. And finally, we can bring the best of our people, our ideas, and product expertise to all of our clients, regardless of size.

In practice, we have taken two heritage organizations, which you can see on the left, and now we are organized around both products and clients. You, our investor community, will see the new CIB from the product lens in Investment Banking, Lending, Payments, Markets, and Securities Services. On the other hand, our clients will experience a more unified front in the way we deliver our solutions by segment, as you can see on the right, and Doug and Filippo will talk through this view when they cover the new Global Banking structure. By eliminating organizational lines, we can spend less energy on internal coordination and focus more on serving clients.

This combination reinforces our strategy of being – I'll say it one more time, it's worth repeating – complete, global, diversified, and at scale. We have leading offerings in Investment Banking, Lending, Payments, Markets, and Securities Services. We have a broad international presence, serving clients in over 100 markets and we've strengthened our domestic offering, too, because we're now in 85 of the top 100 MSAs. Our combined revenue of $64 billion in 2023 underscores the benefits of our diversified model, where cyclical headwinds in one business are often offset by growth in others. And lastly, we operate at scale, which we all know in these businesses is an imperative to being an end game winner.

The competitive landscape for our businesses continues to intensify from traditional peers in areas like Middle Market and Investment Banking, as well as non-banks in areas like Private Credit. You can see this in our market share trends over time. In Investment Banking, from 2019 to 2023, we lost share in ECM, but that was partially offset by gains in M&A. In Markets, our share has been relatively flat in a wallet that is materially elevated from pre-pandemic levels. And in Securities Services, we've gained some ground in a business that is a game of inches.

Payments clearly stands out from the rest and Daniel touched on this. Our share growth of over 300 basis points is primarily driven by wallet consolidation to the largest banks, but also importantly, due to our impressive share growth in Middle Market, which is an output of our unwavering focus on this segment over the last decade, and thanks to John Simmons and the team.

Like the product split, there are also regional differences which you can see here at the bottom. In the Americas, we've gained 90 basis points with improved performance in Payments, Investment Banking, and Securities Services. In EMEA, we lost share as competition there has intensified, and in APAC, we gained share primarily driven by Equities. Overall, we're at 9.9%, representing a significant lead over our peers. It would be easy to be complacent with our market share and business model, but we're never satisfied knowing the opportunities that exist when we double-click on these numbers.

So, to do that, we're constantly looking at sub-products, client types, regions, and industries to defend areas of strength and to identify pockets where we can continue to grow. On the left, you can see our product ranks relative to our peers, which we're incredibly proud of, but we still have plenty of opportunities to gain share, particularly in areas where we're not number one, like Securities Services, Cash Equities or M&A, and you can also see opportunity on the right by region.

Okay. So, now, let's look at the financial performance of the CIB. 2023 revenue of $64 billion and net income of $21 billion have grown meaningfully since 2019, and while there are always puts and takes in any moment of the cycle, we have been able to maintain an ROE of 15% as we've absorbed significantly higher regulatory capital. In the medium term, using the illustrative Basel III Endgame scenario that Jeremy laid out and some mitigating actions, our ROE is likely to be around 16%, but I would reinforce Jeremy's earlier caveats on the uncertainty of the final outcome. And as a reference, because you're all familiar with previous guidance from the heritage CIB and heritage CB, the outlook for the combined business under existing rules would be about 100 basis points higher than the 16% that we're showing you here.

Moving on to expenses. This year, we expect expenses increase to roughly $35 billion, market-dependent, which is up about 5% year-on-year and in line with our guidance at fourth quarter earnings. The vast majority of this increase comes from two categories. First, technology, which is roughly split between $400 million run-the-bank, largely driven by business volumes, increased demand, and inflationary headwinds. And then, the remaining $200 million is change-the-bank, which you can see on the right in our investments, going from $3.4 billion to $3.6 billion. And the second largest driver is revenue-producer compensation and volume-related expenses, which reflect both business growth and inflation.

On the right, you can see our total investment spend of $4.7 billion, that's up roughly $400 million year-on-year. Half of this is from revenue producers and acquisitions, and the other half is in technology, which I'll spend a few minutes on before I hand it over to Troy.

You can see here on the page, we expect technology investments to increase to $3.6 billion in 2024. Our spend is across three broad categories. First, regulatory, risk, and controls to protect the Firm and our clients. A portion of our investment will always go towards this, and of course, we'll always spend whatever it takes.

Second, infrastructure modernization, which includes migration to new data centers, public and private cloud enablement, as well as things like cybersecurity and resiliency. And as you can see on the top right, we've made progress here. We expect to largely complete our data center migration by the end of this year, and around 40% of our applications are now running in the cloud against a target of closer to 60%.

Third, approximately $2 billion of investments in products, platforms and experiences, which you can see, broken out on the bottom right. This includes several areas you've heard us discuss in the past, such as our Markets pricing, risk and trade management engine, our Payments transactions engines, as well as investments to enhance our value proposition such as data solutions in Securities Services and the Digital Commercial Bank. So, as we think about this $3.6 billion going forward, we would expect the growth to be closer to flat on an inflation-adjusted basis. However, the mix between the categories and lines of business will naturally change over time as investments roll off and our strategic priorities evolve.

So, with that, I'll pass it over to Troy.

Operator: Welcome to the stage, Troy Rohrbaugh.

Troy Rohrbaugh
Co-CEO of Commercial & Investment Bank

Thank you, Jenn, and good morning, everyone. So, I'm going to start with Markets, where in 2023, we generated $28 billion of revenue with $19 billion in FICC and $9 billion in Equities. As an at-scale and complete player, we are a top counterparty to both institutional and corporate clients in every major region. We serve our clients' multiproduct needs with 60% of our top institutional clients trading four or more products with us. 75% of our clients are engaged with us throughout the entire trade lifecycle from both pre- to post-trade. And the completeness of our offering also results in a consistent halo effect, which I mentioned two years ago and still remains true. Clients for every dollar of ROE – lower ROE business they do with us, they reward us with a multiple of that in higher ROE business. We are also omni-channel, providing clients choice in connectivity, growing in both electronic and voice revenues. And our analysts keep us top-of-mind with our clients, providing differentiated and top ranked research.

Moving on to performance. We are the top global franchise with a consistent market share of 11.4% in a wallet that remains elevated. However, this higher wallet has intensified competition from both banks and nonbanks. In FICC, despite being number one, our share is lower than pre-pandemic levels due to both renewed focus from our peer banks and changes in the overall wallet mix. From 2022 to 2023, we did regain some share here from improved performance in SPG and Rates, and wallet normalization in Commodities. In Equities, it's a tight race at the top. And in 2023, we slipped to number two, due to relative underperformance in both Derivatives and Cash. However, here we've been on a multiyear journey investing in our capabilities and growing our share by 120 basis points since 2019. While total revenues are what we're measured against, equally important to us is client market share, because regardless of macro conditions, clients underpin our long-term strategy. From this lens, we've gained in all segments as shown on the right.

Looking ahead, in spite of stiff competition, we are well positioned to pick up share in a wallet that we believe will remain elevated above pre-pandemic levels. So, how are we going to do that? So, despite being a leading Markets franchise, there are many opportunities for growth in individual client segments and products, and we're focusing on all of these. For example, with clients, our partnerships across Markets, Payments, and our new Global Banking business will help us further penetrate the growing corporate wallet. And in products, we are strengthening our position with enhancements in Private Credit, Financing, Energy, e-Trading and Digital Channels.
So, I'm going to pause here for a second on Private Credit. As Daniel mentioned, it's a very important and growing space, and we believe we have an advanced strategy across the entire CIB. We believe we are uniquely positioned to be an important part of all aspects of the ecosystem. Firstly, we are already the largest financier of Private Credit portfolios, and we will remain a significant player in this space. Second, we already have dedicated capital on our balance sheet that we put to work in direct loan format for our corporate borrowers. We are also developing a co-lending program to enhance the amount of capital we can put to work in the space.

So, whether it's a direct or broadly syndicated loan, we can be truly (sic) [product-] agnostic to our corporate clients' borrowing needs. And finally, we believe the end games solution will involve us participating on both sides of the market, lending and borrowing, and we believe this will not only benefit our clients, but certainly be beneficial to our business. Against all these growth opportunities in Markets, we will have capital headwinds, given the Basel III Endgame. And as both Jenn and Jeremy mentioned, we are anticipating a more measured and manageable rule outcome versus the original proposal, but however it lands, we have proven we can deploy resources with both discipline and dynamically.

So, moving on to Securities Services, where we are a leading custody and fund services provider with over $30 trillion in assets under custody. In 2023, we delivered a fourth straight year of record revenue and we are the only top-tier player with an operating margin of 30% through the cycle. Also like Markets, this is a game of scale, and with consolidation trends across the industry, we are well positioned to serve the largest clients as they become increasingly global and complex. Our client franchise is diversified across segments and geographies, with more than half of our revenue generated outside the U.S.. We also have the unique advantage of being the only global custodian with a leading markets franchise, enabling us to have front-to-back relationships with our clients.

Looking at our financial performance. We've grown revenue by over $600 million to $4.8 billion, benefiting not only from rising rates, but also from a higher and stable deposit base. Despite significant margin and fee compression across the industry, we've managed to deliver fee growth of 4% since 2019. While we remain the number three player, we've improved our market share by 40 basis points and continue to profitably close the gap to number one through many of our product offerings, outlined on the right.

With our more mature products, we focus on growing assets and volumes efficiently. Since 2019, we've reduced our cost per trade in custody by 7% by investments in automation. And our scalable solutions in trading services has delivered a 74% reduction in cost per trade there. At the same time, we're investing in newer products such as ETFs, with assets under custody there up nearly 200% and alternatives up close to 100%. And we're beginning to roll out our Data Solutions platform, Fusion. Overall, we are focused on not just delivering a complete and differentiated suite of products to our clients, but doing so in a scalable way that enhances our ability to invest and innovate.

Now, turning to Payments, which – there we go – that will teach me not to have the clicker in my hand. Now, turning to Payments, which continued its strong performance in 2023, generating over $18 billion in revenue. About 90% of that comes from Securities – Treasury Services, where we're tied for number one. And the remainder is Merchant Services and Trade. From a client perspective, roughly two-thirds of our revenue comes from corporates and about a third comes from financial institutions and a small fraction from SMBs.

And we support these clients in over 160 countries in over 120 currencies. And as you can see on the right, we are unique in our ability to combine the safety, scale and resiliency of a global and regulated bank, along with the agility and innovation of a fintech.

Taking a look at our year-on-year performance, Payments grew revenue by over $4 billion. While this was primarily driven by rates, it's worth noting that we generated strong fee (sic) [fee-related] growth of around $800 million, which offset the decline in deposits. The majority of these deposit outflows were due to a purposeful repositioning of our book and market conditions. We are pleased with our performance in our core business, and our multiyear investments have led to significant share gains and fee growth.

On the right, you can see that we are growing across client segments as well. We extended our lead with financial institutions supported by our extensive network, best-in-class (sic) [U.S.] dollar clearing and our robust risk and compliance framework. We are also winning more mandates with corporates because of our scale and completeness. Beyond our core TS offering, on the bottom right, we highlight a few of the products with double-digit fee growth, such as Merchant Services, Digital Channels and Cross-border FX.

Clients are becoming more complex, global and tech savvy. To continue supporting them, we are delivering a unique set of capabilities such as an end-to-end Payments offering that addresses opportunities in key client segments and quarters (sic) [corridors], and Filippo will expand on that shortly; omnichannel and embedded finance for the largest e-commerce clients; compelling data and analytical tools; and finally, modern, scalable and cloud native infrastructure. All of this will enhance our scale and value proposition in Payments, leading to further share gains over time.

And now, you're going to hear about our Global Banking business from Doug and Filippo. With that, I'll turn it over to you, Filippo.

Operator: Welcome to the stage, Filippo Gori.

Filippo Gori

Co-Head of Global Banking & Chief Executive Officer of Europe, Middle East and Africa

Thank you, Jenn and Troy. It's great to be here today to my first Investor Day, and I'm looking forward to meeting many of you this afternoon. Also, Doug and I are really excited to have the opportunity to share with all of you our vision for Global Banking. Now, Jenn described how we've organized the new CIB through both a client lens and a product lens. We will focus on the client lens.

Let's go back to a couple of months ago when we formed Global Banking. The aim was to align our heritage Commercial, Corporate, and Global Investment Banking businesses under a single management team. The reason for doing so was to continue to simplify the way in which we serve our clients and the way in which we deliver our comprehensive products and services.

Our heritage businesses were both extremely successful in their own right. Bringing them together as part of a combined new line of business is the kind of natural evolution that will make it even easier for clients to do business with us. And this will better position us to deliver our world-class wholesale banking solution, which range from strategic advisory and lending (sic) [financing] to Payments and risk management.

So, what is driving this change? Whether we are working with a mid-cap or a mega cap company, our client needs are becoming more sophisticated than ever. Therefore, it made a lot of sense to evolve our operating model to best meet those needs. We believe that by better segmenting our coverage model, we can enhance the way in which we serve the unique needs of our clients across their life cycles.

As Jenn said and others on stage, we're keen to support companies as they scale and grow from emerging start-ups to large multi-national corporation. Depending on their size and needs, clients will be covered either by the Commercial Banking or the Global Corporate Banking always in close partnership with Global Investment Banking. Furthermore, our coverage teams bring expertise and tailored solution across eight industries and 28 subsectors. Combined as one franchise, we can serve the entire continuum of our wholesale client universe in the best possible way.

We want to bank businesses from the start, supporting them as they grow, ultimately creating client for life relationships, because we believe that there is enormous value to the power of incumbency. Long-term relationships built over years of coverage foster that kind of trust that is essential to helping clients and pursue strategic milestones such as an IPO or a sale. The trusted advisor relationship and the deep understanding of our clients' business enable us to have them achieve their ambition by delivering the totality of the Firm.

In its simplest form, we believe that a successful banking business relies on three things: our people, the strength of our relationships, and a complete set of products and services delivered with excellence. We have all of them. Jenn discussed our strategy of being complete, global, diversified, and at scale. In this context, the size and the scale of the Global Banking organization is unique. We serve over 75,000 clients, having added 5,000 clients last year alone.

Our bankers operate out of 225 cities in more than 45 countries, helping to deliver the expertise and capabilities of our global Firm locally. Building deep relationships with clients worldwide, as well as our commitment to the communities where we live and work is essential to our long-term success. For instance, this year, we are celebrating our 100th anniversary both in Hong Kong and in Germany, without mentioning our 225th anniversary here in New York.

The formation of Global Banking helps accelerate our efforts to serve more clients across the globe. But we are also harnessing the power of our data to discover new clients, as well as to improve our understanding of clients' needs to bring them differentiated solution, ultimately serve them in a bespoke manner. Together, all of this drives our business that generates IB fees and lending fees (sic) [revenue] of $7 billion each and Payments revenues of $18 billion.

Global Banking starts its journey from a position of incredible strength. For the past 15 years, we've been number one in global IB fees. We have also top position in nearly every client segment, product segment, and region. And in many cases, we have been the leader in those markets for years. That leadership extends also into Commercial and Global Corporate Banking, where we have relationships with most of the Fortune 500 companies. We are also number one in Middle Market and number one in U.S. multifamily lending.

But it's not just about being number one. We are committed to being a purpose-driven business that drives real impact in our communities. For instance, in 2023 alone, we deployed $18 billion to our community development and we financed and facilitated $90 billion to our support – in support of our sustainability goals. We have an incredible team, an extraordinary client franchise, an iconic brand and unique capabilities. But – and this is incredibly important for us, we are not standing still. We believe that enormous growth potential remains ahead of us.

While each of our businesses are performing incredibly well, we operate in a massive addressable market and there are many opportunities to build on our strong momentum and growth for share. We see potential across all of our businesses and we want to highlight five of these opportunities for you today.

Starting with Payments, which is often the first product that we provide to new clients and has been one of the Firm's biggest growth areas in recent years. And then moving to Investment Banking where notwithstanding the fact that we are already the market leader, the business still has enormous potential for growth. And then Financial Sponsors whose scale and role in the market is expanding each year. The Innovation Economy which is a high growth global ecosystem that is a top priority for us and for the rest of the Firm. And finally, the Middle Market where we continue to deepen relationship in existing markets and expand upon our U.S. footprint. We'll go through all of these exciting opportunities individually starting with Payments.

Now you heard Troy speak about our world-class Payments business. Global Banking is a key delivery channel to our Payments capabilities. This is really important and position us to be the primary operating bank for businesses of all sizes. And thanks to our complete product offering and ongoing investments in our platform, we have a real competitive advantage. These capabilities are the foundation for gathering core stable operating deposits. Also, additionally, we are really focused on delivering an exceptional onboarding and servicing experience. When we get this right, it's incredibly powerful and a key differentiator.

For instance, in 2023, we grew our Payments fee revenues by 14% and that momentum has continued well in 2024. And the best part is we are just getting started. In cross-border payments and cash pooling, our teams are seeing substantial growth, a trend that we expect to continue as global trade corridors evolve and grow. In key growth areas like the Middle Market or the Innovation Economy, we have a major market opportunity to add new clients and deposits.

And also, in Commercial Real Estate, which traditionally was a lending-only business, we are now rapidly gaining share as the primary operating bank for our CRE clients. Now, we're being ranked number one in Investment Banking fees for 15 years, but we are not satisfied with just being number one. We have the opportunity to win far greater market share because of the strength of our integrated teams, our long-standing client relationship, our global footprint, and our complete product offering.

Looking at Investment Banking overall though hides the opportunity that exists when you examine this business at more granular level, eight industries become 28 subsectors, four regions become over 45 countries, and our traditional three products categories can be broken down even further. Now, at the bottom of this slide, you can see an illustration of just one of those cross cuts. Looking at our position across subsectors and products, green is obviously where we are number one, yellow is where we're number two or three and red is number four or lower.

Right now, in this field of 84, we have 36 greens, 34 yellows and 14 reds. Our goal is to make more of these – all those boxes green and for none of them to be red. We are also looking at areas where there are positive secular trends. For example, just to name a few, we have identified green economy, healthcare services and software as areas in which to focus more of our time, our intellectual capital and our balance sheet. We are continuing to invest in our teams and in our capabilities around the world to deliver even more value to our clients as one fully aligned Global Banking organization.

And now, I will hand over to Doug to talk about the remaining opportunities. Thank you very much.

Operator: Please welcome to the stage, Doug Petno.

Doug Petno
Co-Head of Global Banking

Thank you, Filippo. So I want to add my thanks to all of you for being here today. We're delighted to have you with us. Let me start by punctuating the point that in Global Banking, we believe that we're building something unique in financial services and quite powerful for our clients. We have an outstanding and growing client franchise. We're covering our clients globally, but at a very local level. We're segmented and focused to best serve their needs. And we're working completely as a team now more than ever as one Global Banking business, closely partnered to deliver the entire Firm with tremendous capacity to invest and we are on offense with a very deliberate through-the-cycle growth agenda.

So Filippo just spoke about our high potential across Payments and Investment Banking. I want to highlight some specific examples where we see real opportunity. As Filippo mentioned, we have the potential to grow market share across many segments within Investment Banking. In particular, Financial Sponsors is a large market opportunity. It plays directly to our strengths. There's $3 trillion of dry powder across this asset class, as well as several trillion dollars of invested capital that will need liquidity at some point.

And what's really interesting is that over the last five years, about half of the Investment Banking wallet from Sponsors has come from Middle Market-sized transactions. Within Global Banking, that gives us a huge competitive advantage as the banker to over 28,000 Middle Market companies. Right now, we're covering over a thousand Financial Sponsors. And to support our growth, we've expanded our teams globally with a dedicated focus on infrastructure, middle market private equity and sponsor M&A.

And as you've heard from Troy, we've continued to build out our private credit and direct lending capabilities. We can deliver a comprehensive suite of financing alternatives to our clients, and we've been actively deploying our balance sheet over the past few years. Together, JPMorgan has the unique advantage of broad-based capabilities, content and footprint, and we believe that the steps we are taking now will best position us to be the complete provider of both capital and advice to Financial Sponsors.

We're also excited about our work to serve the Innovation Economy. And as I previewed at this meeting last year, we've accelerated our strategy to be the best financial partner across the entire venture capital ecosystem, serving VC firms, the venture capital partners, the start-ups and their founders in a completely coordinated way across our Firm. We have the world's best Investment Bank, Private Bank and Commercial Bank. And this is all about delivering one face to this important part of the economy.

And with the banking disruption about a year ago, we added over two years' worth of clients in only a matter of months, and many more came with our acquisition of First Republic. To support this growth, we hired over 200 bankers as well as senior leaders in select markets. We expanded our presence internationally. We set up dedicated teams for high-potential subsectors like software, applied tech, and climate tech. We launched our team focused on early-stage start-ups, and it now allows us to acquire clients in a much earlier stage in their growth cycle.

And we accelerated our investment in our digital capabilities focused on our Innovation Economy clients. As you can see, our investments have driven strong client acquisition and is accelerating revenue growth with last year being a complete step change in our market position. And we're just getting started. So Jenn spoke about our unique position to bank entire ecosystems. Financial Sponsors and the Innovation Economy are two outstanding examples of doing just that.

The last opportunity I want to highlight is within the Middle Market. And as I've discussed here for many years, we've been executing a long-term through-the-cycle organic growth strategy with a goal to build a truly national Middle Market business. We started back in 2010, and since then, we've established banking teams in over 70 new locations. We're now local in 85 of the top 100 MSAs in the United States, and we're calling on over 50,000 prospective clients. This year, we'll move into seven new markets and we expect to hire roughly 150 bankers across this effort because we continue to see tremendous room to grow.

Importantly, the locations that we choose and the prospective clients that we are targeting are informed by the power of our data. We're being patient and disciplined and this focus in investment is accelerating growth in client acquisition with record new relationships added in 2023. It is important to note that when we enter these new markets, we become deeply active in our communities and we invest for the long term. Revenues from our expansion markets reached $2.2 billion last year. In addition, this business is accelerating. Since 2019, average deposit balances have more than tripled and we're only scratching the surface.

Our demonstrated track record gives us the confidence that we have significant upside over time as we become the primary bank in all of our markets. So beyond expanding client coverage, we are also strategically investing in our platform and capabilities. We have dedicated teams focused on empowering and enabling our bankers. We're building a data-driven business to better inform risk decisions and deliver insights to both our clients and our bankers. We're innovating to create powerful solutions, and we're focused on optimizing the client experience across their entire journey with us.

And these investments are paying off with real value across many important KPIs. For instance, Middle Market banker productivity has increased 18% year-over-year. Client satisfaction for client onboarding in Commercial Banking is over 90%. And lastly, our cycle time for onboarding clients in Middle Market is down over 70%. So all of this supports our ultimate goal of providing both our clients and our bankers with the tools to make them as successful, productive and as efficient as possible.

So as we continue to grow, credit discipline remains core to our culture and it's a common language across our business. It is anchored in rigorous client selection, being prepared for a full range of economic outcomes and taking a patient, through-the-cycle approach. Reflecting this ongoing discipline, our overall net charge-offs have been less than 20 basis points in each of the last three years.

In C&I, we feel good about our current portfolio. Our exposure in North America is diversified across U.S. markets. Overall, it is well structured, granular and high-quality, with 59% of our exposure rated investment grade. Of our non-investment grade exposure, 70% is secure. In the past year, we've clearly seen the impact of higher labor costs, baseline inflation, interest rates, along with elevated geopolitical and market (sic) [macro] uncertainty, and through all of this, any stress or losses that we have seen to date have been idiosyncratic or concentrated in sectors that we've been watching closely.

Looking forward, we're carefully monitoring market conditions and we're staying close to our clients. And even though the market remains competitive, we continue to find attractive opportunities to lend while we're maintaining our underwriting discipline.

So likewise, in Commercial Real Estate, we remain confident in our underwriting and our portfolio overall. Across JPMorgan Chase, our total commercial real estate exposure is $206 billion, including $30 billion acquired with First Republic Bank. About 90% of this exposure is held within Global Banking, where our strategy has been to build a franchise to thrive through the cycle, banking only the best developers and investors, focused on stabilized properties and the least volatile, more cycle resistant parts of the market.

As such, Commercial term lending multifamily is our largest concentration, primary lending against stabilized B and C class properties in supply constrained markets, with rents for the properties we are financing below overall market averages. We underwrite at current rents, not rising rents and we use conservative interest rate assumptions. And the loans here are highly granular with an average loan size of about $2 million. This portfolio has performed well over time. So our heritage CTL multifamily net charge-offs have been less than $1 million in total over the last five years.

In addition, we are closely watching our office portfolio as the sector is under stress and clearly impacted by higher rates and strained market fundamentals. Our office exposure represents less than 10% of our overall Commercial Real Estate portfolio and we feel like we're adequately reserved with a loan loss allowance of around 8% for our secured office portfolio. Moreover, office non-performing loans remain manageable at less than $500 million.

With that said, higher for longer interest rates, upcoming maturities, potentially weaker broader fundamentals may drive further downgrades. And while charge-offs are forecasted to be higher year-over-year, we expect them to be manageable and primarily concentrated in office. So overall, across C&I and Commercial Real Estate, we're remaining disciplined and we're well-positioned for a range of economic outcomes.

So to wrap up, in Global Banking, our objective is to be the most important financial partner to our clients. To do that, we're executing a deliberate strategy. We're investing to grow, expand and deepen our client franchise. Today, we've given you only a small window into the tremendous whitespace we have in front of us.

We're delivering training, insights, workflow and technology to empower and enable our teams focused on serving our clients in a highly differentiated manner. We're using data to drive our business. We're innovating to extend our competitive advantages. We're relentlessly focused on our client experience. And although market forces continue to impact our business and the industry, complex markets actually play to our strengths.

So as we execute this strategy, we believe we will continue to deliver the results you expect, highlighted by our rigorous focus on expense and capital efficiency, and strong earnings, and returns while we make the critical investments in our future.

So with that, again, thank you all very much for being here. I'll now turn it back over to Jenn and Troy.

Operator: Please welcome back to the stage, Jenn Piepszak and Troy Rohrbaugh.

Jennifer Piepszak
Co-CEO of Commercial & Investment Bank

Okay. Thanks, Doug. Thanks, Filippo. So, to wrap up, I started by saying we are humbled to lead this franchise. We have a strategy that works, the capacity to invest through cycles, and a team that knows how to execute. So where do we go from here? This slide highlights the growth opportunities we're most excited about, all of which you've heard us talk about, but just to recap: first, deepening our relationships with clients across the board, from extending our lead with financial institutions to improving our position with corporates, as well as targeting high-growth sectors like technology and healthcare and end-to-end ecosystems like Sponsors and the Innovation Economy.

Second, closing addressable gaps, for example, in Markets, financing and e-trading; in Securities Services, Alternatives and Middle Office; in Payments, Cross-border FX and Merchant Services; and in Banking, M&A and ECM. And again, those are just a few examples. Third, improving our reach as we expand in Middle Market, capitalize on new corridors, and strengthen our international footprint. And finally, harnessing our data assets and using AI and ML techniques to offer innovative solutions to clients.

To do this, we will, of course, maintain day-to-day discipline, continue to optimize our model and transform for the future, which remain our core operating principles. While there are some headwinds, obvious headwinds around capital and heightened competition from both banks and nonbanks, we believe we have the right strategy, business model, and, most importantly, the best people to outperform in any environment.

So, before we open it to Q&A, Troy, do you want to touch on the other topic du jour?

Troy Rohrbaugh
Co-CEO of Commercial & Investment Bank

So I figure what you're all waiting for: a bit of color on the second quarter. So, in Banking, we remain cautiously optimistic. There's improvement in overall market conditions. The pipeline remains healthy. So with that, we expect to be in IB fees up mid-teens (sic) [year-on-year] for the second quarter. In Markets, we expect to be up mid-single digits (sic) [year-on-year] for the quarter. We're seeing in Equities, improved sentiment, a strong earnings season, volatility that's underpinning secondary market and client activity. And in FICC, we're seeing a continuation of the first quarter with stronger revenues in Spread products tempered by slower revenues in Rates.

So with that, thank you all very much, and we'll take some questions.

QUESTION AND ANSWER SECTION

Jennifer Piepszak
Co-CEO of Commercial & Investment Bank

Betsy?

Mikael Grubb
Head of Investor Relations, JPMorgan Chase & Co.

Betsy, go ahead.

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

Q

First, I just want to confirm those numbers are year-on-year.

Troy Rohrbaugh
Co-CEO of Commercial & Investment Bank

A

Yes, year-on-year.

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

Q

Yeah. Okay.

Troy Rohrbaugh
Co-CEO of Commercial & Investment Bank

A

Sorry.

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

Q

All right. Thank you. And then secondly, you laid out a really interesting plan for expanding your already number one position. And I just wanted to get a little bit of a sense as to how you're allocating the capital for those growth opportunities, be it either in CIB – I'm sorry, in the

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

Q

corporate side or in the Middle Market side. I mean, how do you make the decision to put incremental capital to work in the various areas to fund that growth strategy? Thanks.

Troy Rohrbaugh
Co-CEO of Commercial & Investment Bank

A

You want me to start?

Jennifer Piepszak
Co-CEO of Commercial & Investment Bank

A

Yeah, go ahead.

Troy Rohrbaugh
Co-CEO of Commercial & Investment Bank

A

So we do both a bottoms up and a top-down analysis of our capital. We obviously work very closely with CIO, Jeremy and the corporate finance. And we have a set of allocated capital given to us in the CIB. We then do an analysis by business of where we think the biggest opportunities are and the places that we can shift capital. We're also very cognizant is that there is a big halo effect that I mentioned.

So it's not a simple formula of, well, what makes higher ROE? We just move capital. So we try to make sure that we allocate capital to the part of the business that clients expect from us and then create excess capital wherever possible to allocate to the largest opportunities. And each of our businesses have within them a capital allocation team. So Markets being the most intensive, they spend a lot of time on whether we should shift capital away from rates to mortgages, to equities, how we're going to grow the franchise, where are our clients interconnected. So it's a fairly complex formula, but we do it with a lot of deliberation and we do it constantly.

And we also then do it with a client lens to make sure the capital we are giving in the individual client is actually being rewarded with business across the Firm. So we do it with both a product and a client lens. And we just want to make sure we're getting the above hurdle return we expect from a client perspective. And then on the product side is where are the best opportunities and where can we create the most excess capital without damaging the franchise.

Jennifer Piepszak
Co-CEO of Commercial & Investment Bank

A

Yeah. And I would just add, Betsy, that it's not a zero-sum game. So we have a process about how we allocate capital at the company. These growth opportunities don't change that process. So to Troy's point, that disciplined approach would still be there. And if we have the opportunities above hurdle, we can deploy more capital to do that.

Mikael Grubb
Head of Investor Relations, JPMorgan Chase & Co.

Gerard Cassidy down here.

Gerard Cassidy
Analyst, RBC Capital Markets LLC

Q

Gerard Cassidy, RBC Capital Markets. You guys showed us that you've been able to maintain your wallet share in Investment Banking. Can you talk to the FICC and the Equities decline in market share? Was that more from competitors being more aggressive or re-emergence of the Europeans or was it more a focus on your capital because of the unknown Basel III Endgame so you weren't as aggressive?

Troy Rohrbaugh
Co-CEO of Commercial & Investment Bank

A

So, I can take that one. So I'll start with Equities. We did lose share last year and I will also give Pranav and Jason a chance to chime in. We did lose share last year, but we feel really strongly, like we're on this multi-year journey where we gained a lot of share. And we've solidly put ourselves in a position to be number one or two in what is a three-horse race.

Troy Rohrbaugh
Co-CEO of Commercial & Investment Bank

A

So on a multi-year basis, we feel really good about the direction of travel. Obviously, last year, we did lose some and there are specific reasons why we did. It's not predominantly driven by a change in allocation of certainly risk appetite or balance sheet. In any given year, other banks may perform well, specific client transactions, large one-offs. We're very diligent about where did lose share last year. But we're comfortable that we can continue to regain that and keep a multi-year trajectory in Equities.

In FICC, we've lost share from the peak. And we mentioned it last year, when Daniel spoke about it, some of it is a change in wallet mix. You've seen a shift towards the spread piece of the business, more revenue from corporates. You see just an increased trading wallet. You've seen a large increase in the amount of revenue from Energy. So these are things around the mix. And then previously we had some underperformance in spaces like Rates and we feel we've corrected that. We gained a little bit of share last year. But FICC is a very competitive environment. That share gain is difficult. We still believe strongly we can continue to grow some, but it's going to be harder yards there.

Mikael Grubb
Head of Investor Relations, JPMorgan Chase & Co.

Ebrahim, go ahead.

Ebrahim H. Poonawala
Analyst, BofA Securities, Inc.

Q

Thank you. I guess maybe for Troy, just, I guess, electronic trading on the Fixed Income side, you hear a lot from the non-banks in terms of the disruption risk. So one, give us a sense of the disruption risk to Fixed Income trading for the banks. And second, what's the ability of JPMorgan to actually play a disrupter and gain share if that disruption occurs?

Troy Rohrbaugh
Co-CEO of Commercial & Investment Bank

A

So, this is the space we're super excited about, like we have gained share against the competition you describe. We've competed against non-banks for ever and we do it quite successfully in large parts of our business. FX being a prime example where there are non-bank competitors, but we're still the leading volume and revenue franchise. And what they've done is while we've still gained share there, they've taken it from other people in the market. So, we're used to competing with them.

I think one specific area where non-banks have done very well are in credit and in ETFs where you have like electronic trading there, the number one being a non-bank. And we feel really good that we've invested heavily there in the last two to three years and we have gained share. Our goal there is very solidly to be the top bank and be in the top three across the whole spectrum. And we feel like we're definitely making progress there. And some of those non-banks have lost some share to banks that are competing more aggressively.

Jennifer Piepszak
Co-CEO of Commercial & Investment Bank

A

And while the margins are razor thin in e-trading, you do see higher volumes, as Troy said. But also a greater opportunity for internalization. So, there's efficiency there as well.

Mikael Grubb
Head of Investor Relations, JPMorgan Chase & Co.

Ken Usdin, go ahead.

Ken Usdin
Analyst, Jefferies LLC

Q

Thanks. I was wondering and hearing your cautious optimism about the outlook and the strong pipeline, can you give us a status of like how the different major product areas are feeling in terms of their openness – ECM, DCM, Advisory? And then within Advisory, just the strategics versus the sponsors, just is there a staging effect kind of who's ready and who's still waiting and that kind of thing. Thank you.

Jennifer Piepszak
Co-CEO of Commercial & Investment Bank

A

Sure. Doug or Filippo, you want to take that one?

Doug Petno
Co-Head of Global Banking

A

Okay. Product by product, so DCM, we've set record volume in terms of new issuances, clients are bringing forward a lot of terming out of their revolving credit, just taking advantage of where rates are and the fear rates may go up from here, and just sort of the high-for-longer scenario plays out. So, we've been quite active. Who knows whether that has brought – how much volume that's brought back? There hasn't been a whole lot of deal financing. It's mostly been just regular corporate finance.

ECM, year-over-year, it's better. IPOs market is better, but nowhere near where it's been or what it's capable of, and we see a continuing pipeline building and backlog building in IPO market. And then M&A, there hasn't been a lot of strategic activity. I think people are watching and waiting, seeing where the market goes, hard landing, soft landing, no landing, what the election outcome is going to be.

You have regulatory effects on potential combinations. So, a lot of forces at work there. But again, there are animal spirits that you could see starting to spill into the markets. We've got pipelines that are strong and building across all three product types and are cautiously optimistic that if the broader market holds together, we'll have a very interesting year, certainly a better year than last year.

Mikael Grubb
Head of Investor Relations, JPMorgan Chase & Co.

We'll take our last question from the investor down there.

Denisse Becerra
ESG Integration Specialist, DWS Group

Q

Thank you. I have a question. I know that there have been a lot of questions about the strategy. The question goes more into some recent cases that we have seen in banking where there has been young people being under a lot of pressure and there was a death in one of the American banks recently. When you're stating this ambitious strategy and you want to keep being the best and now you're the best, but you want to keep growing, how is this pressure going to be managed, trickled down in terms of human resources, allocation? Can you speak a little bit more of detail on how this will look in terms of hiring process, maybe cleaning headcount, if you can give more details around this? And also some of the, let's say the way the bank manages, among especially junior associates in Investment Banking division? That will be my question. Thank you.

Jennifer Piepszak
Co-CEO of Commercial & Investment Bank

A

Sure. So, I can start with like there is nothing that is more important than the health and well-being of our employees and we're aware of those stories and they're tragic and incredibly sad. And so that is our job, not just the CIB leadership team, the operating committee, every leader in this company, their job is carrying our culture and caring about the health and well-being of our employees. So whatever it takes to make sure that we are caring about the health and well-being, that's what we're going to do and that has to happen bottoms up.

And as leaders, we have to be proximate to that. We can't just sit in our offices and like go through business reviews. We have to be out in the field and every one of us are, so that we have a sense of where the pressure might be mounting, and we need to give people the resources to be able to cope, but nothing is more important than the well-being of our employees...

Troy Rohrbaugh
Co-CEO of Commercial & Investment Bank

A

Yeah. I mean...

Jennifer Piepszak
Co-CEO of Commercial & Investment Bank

A

...and no strategy is worth the health and well-being of our employees.

A

Troy Rohrbaugh
Co-CEO of Commercial & Investment Bank

Yeah. I mean, all that I'll add is, I see Robin Leopold right there, who runs our Global HR, and I know Doug and Filippo like specifically in banking, this has been a very important area of focus, like managing workflow. And I know Filippo, Doug and their team are very focused on it. Robin and team have like many detailed programs across the company to make sure people's mental health is being cared for, that the workload is balanced, that they can have a real work-life balance. I believe deeply that's part of the culture here, and what makes it difference, and people truly care, and that really is what we hope flows down and make sure like one of these tragedies doesn't happen.

Was that it, Mikael? All right. Thank you.

Jennifer Piepszak
Co-CEO of Commercial & Investment Bank

Oh, well. Okay.

Troy Rohrbaugh
Co-CEO of Commercial & Investment Bank

Thank you.

Jennifer Piepszak
Co-CEO of Commercial & Investment Bank

Thank you.