JPM AT THE BERNSTEIN STRATEGIC DECISIONS CONFERENCE

TRANSCRIPT

May 29, 2024

MANAGEMENT DISCUSSION SECTION

John McDonald
Analyst, Autonomous Research

Okay. Thanks, everyone. I'm very happy to have JPMorgan Chase CEO, Jamie Dimon, joining us. Jamie, thanks so much for coming back. It's great to have you here.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

Happy to be here. Thank you.

QUESTION AND ANSWER SECTION

John McDonald Q
Analyst, Autonomous Research

I was hoping to start off with a few follow-ups from Investor Day last week. A couple of things on folks' minds.

Jamie Dimon A
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

Clear the air about stock buybacks? Yes.

John McDonald Q
Analyst, Autonomous Research

Yeah. So, I mean, I think, for context, last week, share buybacks is something investors are clearly very focused on. You're generating a lot of capital. If we fast-forward a year or two, you'll have quite a bit of excess capital. So, yeah, the comments about being valuation-sensitive causing stir. Maybe could give you follow-up thoughts on how you think about that?

Jamie Dimon A
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

Yeah. Let me just totally clarify. First of all, welcome, everybody. To totally clarify, we told the world we're buying back approximately $2 billion a quarter. We continue to do that. Jeremy Barnum said we might do more. There's a logic to use the Visa after-tax money to buy back stock because it's market neutral. So, if Visa goes up and down and JPMorgan – but I am not going to tell you exactly the timetable of that but think of that as a very rational thing to do. We've been doing some of that. We'll continue to do that. And from there we could do more or less as we see fit. There are no promises on any which side. We've always been sensitive about the stock price. I do not believe that buying back the stock at any price is the same thing and that we should be thoughtful about that.

So, as the stock goes up, we buy less. As the stock goes down, we'd probably buy more. We are going to end up with a lot of excess capital and we're not going to just spend it because it happens to be sitting there. I personally think the valuations in the market are high. There's not that we're saying JPMorgan isn't probably valued relative to the market. I'm saying that the market is high and I think it's a mistake to be using all that capital at these market levels. And so we're going to be very patient. It's a good problem to have.

I look at ownership of a company no different than if I own the company, I wouldn't have any problem having excess capital sitting there for a while. Zero. None. Nada. You haven't lost it. You haven't wasted it. It's earnings in store. We will find ways to deploy it. And if we don't, we can always make a big special dividend. We could do something like that, which is not my preference for a whole bunch of different reasons but we're going to do it, which is in the interest of the long-term shareholder, and so does that clarify it?

John McDonald
Analyst, Autonomous Research

Q

Yeah. Okay. Absolutely.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

Can I clarify one other thing? Because I looked, coming down here, the analysts' projections, roughly I'm not going to comment at every line item. We have told you that we're going to be adding reserves mostly for credit card and you have not put it in your models. It's about $2 billion this year. That's about $500 million a quarter, okay? So change your models.

There will be other ins-and-outs but literally as the credit card balances go up, you have to add those things. And obviously CECL, we could change CECL too. Some of you don't change that. All things being equal, it's a credit card add for a bunch of – the growth of the portfolio.

John McDonald
Analyst, Autonomous Research

Q

$2 billion is what you expect for the year on reserve build for card?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

For that, yes.

John McDonald
Analyst, Autonomous Research

Q

Yeah.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

There'll be other ins-and-outs. Yeah.

John McDonald
Analyst, Autonomous Research

Q

Okay. Another follow-up topic of CEO succession came up. You clarified that, you know, your time in the CEO seat is inside of the five years now.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

Yeah. Probably.

John McDonald
Analyst, Autonomous Research

Q

Probably?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

Yeah.

John McDonald Q
Analyst, Autonomous Research

Yeah. So…

Jamie Dimon A
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

It's totally up to the Board. So you can ask me all you want. But the timetable is less than five years. That could be four, could be three, it could be three-and-a-half. It could be four-and-a-half. It could be two-and-a-half. It's up to the Board. The Board will decide. We've got some great succession. You all know them all, so you could evaluate that yourself. But – and then there may be a term as Chairman for a while after that. But again that's totally up to the Board.

John McDonald Q
Analyst, Autonomous Research

So two things. One, we've all seen cases where the retirement of iconic CEO leads to sub-par performance afterwards. Besides the good bench, what else is ingrained in JPMorgan that gives you confidence that the company will continue to be successful when you're not CEO?

Jamie Dimon A
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

Well, that – I think we have extraordinary management. Again – but you know. I mean you guys should evaluate yourself one day. But you know a lot of these people how capable they are. And I think there's an extraordinary discipline. When you have – when you've built the 82nd Airborne. If you want to build an army or an 82nd Airborne or 101st Airborne or something like that, and you go to a foreign country and you try to build it, it takes you decades. Okay. Just the – it's the equipment and the training and the culture and the character. We've got an 82nd Airborne.

It's not going to go away overnight because you have a new CEO or something like that. There are all these disciplines that take place. Charlie is building those disciplines. Somebody just heard it at Wells Fargo. Reviews, detail, analytics, observation, looking at competition, risk controls, all those various things. So, those things will be – some of those things are machine. And obviously hopefully the depth of management goes way beyond just the top people. It goes into every trading desk and every branch, into every business, it goes into innovation. The things we've been doing for 10 or 15 years have been – we've been doing it for a long time. So, hopefully it's ingrained in people and in the Board, by the way.

John McDonald Q
Analyst, Autonomous Research

And just on that other topic. What is your view of the pros and cons of remaining on as Chairman after you're no longer CEO?

Jamie Dimon A
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

Yeah. I read – there's a newspaper article the other day and I love it when these people make binary statements. It's good. It's bad. How the hell do they know? That's why you have a board. The board should decide what's in the best interest of the company. And the Chairman, the separation of Chairman and CEO, with a Chairman and CEO, there are tons of examples where Chairman and CEO were separate and it was really bad for the company—Global Crossing, Enron, WorldCom. So, when they write these articles, this obsession with that thing, does the company function? Does it function properly? Does it have good governance? I'd point it out, one of the most important governance things is that and I've been doing this since Bank One. Every single meeting we have, they get to meet all the senior people, they know them all well. But also in every meeting they have, I leave the meeting at one point and they meet separate without me. And it's run by the Lead Director, which basically has the same authority as a Chairman.

Now, at one point, I wanted to get rid of the Chairman title, just have a Lead Director and the CEO. I mean like who cares? I mean we're overstating the importance of this issue at one point. And then also afterwards, there are a lot of things where people stayed for a year or two in to work. There're some examples where the Chairman stayed because they were a great partnership and they went on for years. So there's no magic to it. But the board should do the right thing. If the Chairman is getting in the way of the new CEO, they should go. If the Chairman is helping the new CEO in a million different ways, they should stay.

And so I applaud what James Gorman did. I think they did a great job. My Board, we gave the Board studies of multiple successful and failed successions. There is no magic formula but the quality and character and content of the people is probably the one thing that matters the

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

most. Will people do the right thing? I'll do the right thing when the time comes. I don't have to hang on to the CEO, the Chairman role forever. You know, I got fired once. I was fine. And so we'll do the right thing when the time comes.

And so...

John McDonald
Analyst, Autonomous Research

Q

Great.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

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But I don't like cookie-cutter solutions. That's always wrong. Whenever I go to Europe, it's the endless subject with particularly the FT. Chairman, CEO, conflicts but they never actually analyze it. There's no evidence that that's true. And of course America does much better than European companies, so maybe they don't have it right.

John McDonald
Analyst, Autonomous Research

Q

Maybe just one more on the Investor Day for those that weren't there. You talked about areas where JPMorgan is doing great, where you're big. Great market shares. But you said you also wanted your leaders to highlight where there's still opportunities, where you're undersized. And what are some of the key highlights there where you still see…?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

I love it when – as a part of the management team, if you were JPMorgan Chase, I don't like – inside and we celebrate lots of stuff. We do road trips, we congratulate people. But in a management meeting, we – and my view is emphasize the negatives. You're not here to toot the horn. The CFO is not there to put their best foot forward. There's none of that. It's like, what's the truth, the real – how you're doing relative to other people, where are you weak, where are you strong, where did someone kicked your butt, where's – so I love it when they showed – Troy and Jen showed the CIB, where we're number one, two or three in 22 of the 23 products, stuff like that. But I love the second page more. When you break it apart by product, by area, so think of FX, Credit, Macro, Equities, Cash, Derivatives, Prime, ECM, DCM, M&A, and you break it apart by region and stuff like that, now you have that set. But we're not number one, two or three in half of it. And why not? Why shouldn't we be number one or two or three in FX trading in Asia or in a country or something like that? And that highlights – that kind of heat map highlights where you can do things. That you could do that by city, by state, by country, by business, by product, by service. And we do.

You know, and they showed you charts in Consumer where we're number one, two or three in market share in this place. Those would show you that market share matters in terms of profitability and we did it. We could do it in Payments. We can do it. Like they showed you charts in Payments where we're really good with – we were the bankers' banks, so we're really good with financial institutions. But we were short versus Citi in tons of corporate areas and corporations I mean, and stuff like that.

And just how we do it. We look at those things, we look at opportunities. And then behind that, you have the investment in products, services, technology to help drive the huge – well, I mean we talk about Chase Offers and Chase Media. I just think that's going to be a great thing over time as we get good at it. And so – and of course building the infrastructure is going to be important. Adding bankers and countries – but they're all important and we kind of lay it out for you. That's what we are going to do. I think some of the stuff won't change for a decade, by the way.

John McDonald
Analyst, Autonomous Research

Q

So, it's been a year since we had significant turmoil rock the banking sector.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

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Yes.

John McDonald
Analyst, Autonomous Research

Q

How do you size up the health of the industry in general, and in particular the smaller regional banks?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

Well you have to – now you have to scenario plan, okay? If we have a soft landing and rates stay where they are or come down a little bit, which is what the world expects, everyone's fine. If you have a harder landing with stagflation, yeah, you're going to see a lot of stress and strain in the system. From banks, to leverage companies, to real estate, to a whole bunch of stuff. That's what it is. If things get worse, it's going to filter right through all those things. And, in my view, the world is just not ready for that. I mean a lot of you in this audience have never seen rates at 6% at a 10-year bond and I don't know why you think it's not possible. It is possible.

I, for one, think the odds are much higher than the people think. So, you got to look at the scenarios for that and so – but I also think – what I see a lot of banks doing in particular is thinking ahead in terms of capital, interest rate exposure, real estate exposure, reserves. They got to go bank-by-bank at that point. It doesn't help to make a generic statement about banks. And so – but I think real estate too. I remind people in real estate because I heard Troy talking about it a little bit, rates went up 300 basis points. That makes any cash flow worth 30% less.

So, it's got nothing to do with real estate. If an asset was worth $100, it's now worth $70. If people are lending $60 against $100, they're now lending $50 against the $70. That's all it is. That's good. That's not even real estate. That could be almost any asset out there. So – and of course people have personal guarantees. They put an equity in a bank. It will roll over not at 50% but maybe 90% to keep it in-line. But that is kind of math. That's – I call it that's the gravity of interest rates. That's a cosmological constant. And so people need to be prepared for that. The surprise will be stagflation. I'm not saying it's going to happen. I just give the odds much higher than other people. I look at the amount of fiscal and monetary stimulus that's taken place over the last five years as being so extraordinary. How can you tell me it won't lead to stagflation? Now, it might not. But I, for one, we're quite prepared for it.

John McDonald
Analyst, Autonomous Research

Q

Jamie, you mentioned that from a regulatory angle, we still really haven't addressed the things that caused problems last year on the funding liquidity side. But what are the key…?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

Yeah. Well, they're talking about it now because I saw some speeches that some of them gave. I never liked HTM, like – and so the amazing thing is this goes on to like regulations, I mean in capital, in Basel, incented you to put them in HTM. I don't know why held-to-maturity, something you cannot sell, you've tied your own hands, is better from a capital standpoint. When people walk in your office to say, well, it's a 25% return in HTM and it's 12.5% return – but it's the same security in which – I just don't get it sometimes that people actually believe some of these numbers.

And so I think there should be restrictions in HTM. And based on something like – it could be based on your long-term debt or something like that, but, to me, and there should have been more analysis on interest rate exposure. It was well-known what these people are doing and stuff like that. So – and then liquidity. I think they should take a deep breath on liquidity because liquidity is a big mumbo jumbo stuff at this point. And what you want to do and I agree with the term of the discount window, absolutely, that should be a real source of liquidity. But if you're going to use a discount window, you should change the LCR to mimic the discount window. That creates real flexible liquidity in the system where you can lend and you're backed up by the Fed as opposed today LCR is HQLA and treasuries and stuff like that. So you're – it's very rigid. It will cause a problem one day. So, I think they should look at the whole liquidity regime. And liquidity is the big point. It was never capital. So, when we look at capital and CCAR, you better be really careful to think that those things – it does lull people to a false sense of security.

I always looked at CCAR. We always do stress testing. Now, it's like 80,000 pages on one test and we do 100 a week. So, the way you protect yourself is the 100 a week, but you can handle various types of stress tests, which are things you've seen; the 1987 crash, the 1994 bond ramp, the 1997 market crash, the 2000 Internet, the 2004 – I mean that we should be able to handle all those things roughly. And we can

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

without barely – it will never dent capital. But it can cause a crisis if people lose a lot of money or if they have liquidity problems or something like that. So, I do believe and I just think – my own view is it's time to revamp the whole regulatory regime. It's literally – it's all barnacles and added on top of each other. I mean people should take a step back and say what is it we're trying to accomplish? And international standards, do you – what is the international standard? What makes – and I think you can make banks completely run-proof if you want and just get rid of this idea that depositors will lose money if something goes wrong. Just get rid of it because I'm tired. If every time there's a kerfuffle in a bank, then the whole system gets rattled or stuff like that and maybe we should end that. And there are ways to do that, which if people want to have a serious conversation about how to do it.

And when you look at with the uninsured deposits, you should look at runnable deposits. They're not one class of things. But you can make all runnable deposits fully backed and have a very healthy banking system with lower capital requirements, not higher capital requirements. And look, I think they should do that at one point. Really take a step back. I mean, if I were them, I would take a deep breath and look at everything.

John McDonald

Analyst, Autonomous Research

Q

Using insured and uninsured is overly crude, right, because you're missing some of the nuances?

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

It's totally overly crude because if you were a big corporation, you can have billions and billions of dollars in your checking account. You need it there. Not runnable the same way. But that might be backed up a different way than you back up uninsured or small businesses or middle-market or – and then you could do analysis if you just change the guarantee to $1 million. What would that do? Change it dramatically.

I guess they all relate to each other, so – but if you want these medium-sized and regional banks to survive, you better be careful what you do at this point. You need them to allow to merge. They need the economies of scale. Too much capital will drive them out of certain products, loans and deposits. With these capital numbers and the liquidity numbers, loans and deposits become very hard for a bank to do. And so now you have this huge growth in private credit. If that's what they intended, so be it. They should tell you that, with the forethought, the mortgage business inside a bank I mean you could see those and say why would a bank have a mortgage business? And if that's what you want, then they're talking about – Janet Yellen came out and said, well, all these mortgage brokers now, mortgage originators and brokers and servicers, they won't be able to finance their business in the downturn, so we should have a backup facility from the government for them. Really? Is that what you really want to do? Just another one of these ridiculous backup facilities for an industry that doesn't deserve it? I mean why should they put up liquidity for their servicing requirements and then it gets embedded in the cost of the product, which the cost for mortgages will go up.

But banks have flexible liquidity and capital. Some of these other folks don't. So all these things are going to have ramifications down the road. I also think they have, and this is important to me, I think they have ramifications to the public markets. That our public markets are getting smaller and smaller and smaller. Is that what you want? And that's a function of capital, regulations, requirements, litigation, SEC rules, frivolous shareholder meetings. I think our 10-K is now – even smart people tell me you guys don't disclose this. I say, yeah we do, it's in the 10-K. Page 410.

And even that, just endless requirements and we just – we should – we have the best markets the world has ever seen. Let's not destroy them.

John McDonald

Analyst, Autonomous Research

Q

You mentioned it's helpful to have a mix of small, medium and large banks.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

Totally.

John McDonald

Analyst, Autonomous Research

Q

But with tech costs, regulatory costs, it's hard for small banks.

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

Yeah. But it's different for different banks. So, if you look at small community banks, there are some who are very profitable. So, I'm not saying here that economies of scale is important to everyone. You can run a single branch or four branches and run a very profitable business because you are very good. And you're relying on other people providing technology to you as FIS or Fiserv or something like that. Remember they're going to be providing, over time, AI and other products and services. But other banks are in a position where they need economies of scale.

So, if you're trying to compete with some of us in certain products, you need economies of scale. And so they should decide, in their own circumstance, what their strategy is, what their service is. There are some banks who are very specialty banks. They've done great. And so you've got to be careful to predetermine it. That's what you have boards for and shareholders. And so – but some need the economies of scale and they want it and they're going to feel disadvantaged if they do the deal, and it takes them two years to close it. So, if you're a board and you're sitting there facing a two-year time period, the regulators shouldn't be predetermining that. That's a political decision. Let them decide. If you are owning these banks and putting them together, they think they can manage it. And it's hard to merge banks, I agree with that, and some don't succeed. That's called capitalism but some succeed. You should allow them to decide on their own about what their strategy is going to be.

John McDonald

Analyst, Autonomous Research

Q

So, you've had massive growth in net interest income over the past few years, aided in large part by the ability to keep consumer deposit prices contained. What's surprised you about Chase's ability to stay disciplined on pricing and also grow core relationships?

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

Yeah. Look, they're two totally different things. First of all, remember the first part of the growth had nothing to do with betas or stuff like that. Going from 0 to 2%, when we went from 2% to 0, we didn't – we borrowed the full cost of that. So, the first piece, it was just taking back what hadn't been there before. Average in deposit – I mean if you – you got to look through multiple betas. It's not that different than the past.

And so the spread when you get to 2.5%, some banks to 3%, that's all you're going to get. Once you get there, the beta becomes 80% or something like that. So, the uncertainty here is the amount of fiscal stimulus and monetary stimulus is extraordinary. The amount of QE was extraordinary. We don't know the full effect of QT. Obviously, the markets are different. You got a lot of fintech companies out there and different people holding money and moving money. So, you don't really fully know the full spectrum of beta but it hasn't been that different. I've been on the more conservative side and I've been wrong. So, Marianne Lake and Jenn Piepszak would tell you Jamie was wrong. And so, yeah, I was. I'm still on the conservative side because I do think this – you see – and the competition is very local by the way. This can be very different in Nashville than it is in Austin. And so we're conservative. But it's playing out kind of what we thought. And the question is when will it might get more competitive for us? And certainly some banks are competing more for dollars and others aren't. So, you have to think that through too. It isn't just – it's not the system. But, at one point, the spreads will stabilize and that would be fine.

But when we look at the business, you got to manage the business through that. You can't like build branches and run your business like you're thinking that that – your spread is 1% or 5% when it's not going to be. So, actually when we think about the investment horizon, we actually look at more normalized spreads for a lot of different things, by the way, not just consumer NII.

John McDonald

Analyst, Autonomous Research

Q

Yeah. And on that question, I mean a lot of banks have been shrinking their branch counts. But last week at Investor Day, Marianne laid out the case for why you've gone the other way. You doubled down on branch banking. You've become the only bank with branches in 48 states. Why – what still makes branches so important even in the face of all this digital?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

So, we didn't double down. What we did is, if you look at it, we are also consolidating certain branches. Where there's logic, we should consolidate. I'm a real skeptic about that. Okay. When I got to Bank One, they were consolidating, clicks not bricks. They were closing branches to make $1 million a year profit. They would have made $1 million a year profit for the last 20 years. I mean what in hell were they thinking? And by Chase, is doing the same thing.

So, it might, be very analytical about what you close, why you closed it, what you can keep. I'd give you some very specific examples where I stopped closing the branch and they act like I'm interfering. I said, no, I'm not interfering. Don't close that branch. I'm not going to give you all the examples. I don't want to tell my competition why. And also, it's like I'd say if you close that branch, you know who is going to open there? Wintrust. Cap One. Like tomorrow. Take the lease, move in. I remember – actually I was – I think I was at a Bernstein Conference once and I was in the back listening to – who's the guy who built Commerce Bank?

John McDonald
Analyst, Autonomous Research

Q

Vernon Hill.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

Yeah. Vernon Hill. Vernon Hill was up here and he's doing a flip chart or a slide presentation for you all and he was making fun of Chase and he said, they closed this branch, I moved in, they closed that branch, I moved right in. And when he was walking down, I said to Vernon that will never, ever happen again. And I put in place a rule at the time that you couldn't close the branch without my permission. Because they would say, well, you could move to the second floor. He took 100% of our Consumer business. 100%. Even if there was a Chase branch a block away, well, they'll just go to the other branch. No, they didn't. They wanted that branch. So – and of course he did other things that got the good service. So – and then we opened branches too because there's always places you should be opening branches. There's always places you should want to gain some share. And the 48 states is – allows us to do other things in the states and it's kind of a foothold. And we have a strategy around that, which is I think she alluded to a little bit of covering more people within driving distances, a little bit more rural and there are certain different types of branches. So, we like our branch strategy. I think she said that 900,000 people visit a day.

So, remember, you don't have branches because you have a strategy department. Or you have a CEO, or you have marketing people or salespeople making statements. You have branches, you have customers who like them. People like to visit their money. That's what it is. And the branches of course have changed their nature over time, more advisory than operational, et cetera. And we can always adjust the fleet. So, if you said to me, what if you're wrong? We can adjust the fleet very quickly.

Okay. It's not – it literally wouldn't be that big a deal between leases and selling stuff and modernizing some of the branches. So...

John McDonald
Analyst, Autonomous Research

Q

Things worked out well for you better than Vernon Hill. It seems like – because of the other side of the balance sheet really...

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

I used to – but again I don't look at people. I know Vernon. But I always look at every competitor and say what did they do that's better? And remember they had those little machines that would put your coins together and a gum for this and biscuits for the dogs and more hours and customer service works. So, he did do a lot of things right and you should always learn from that.

I remember when I got to Bank One, and they said, oh Jamie, there's going to be cost efficiencies and stuff like that and that they would get rid of the coffee, the lollipops, the dog biscuits in the branches. Well, if you go visit a branch, I mean you could see dogs pulling their masters into the branch to get that biscuit. I mean and they even would come into the drive-thru and their tails would be wagging and they'd send the biscuit through the pneumatic tubes there and you don't get rid of stuff like that.

And some people like to visit the branch because they just are lonely. And just be – you got to be really thoughtful on how you run a business. Don't think it's all about math. Sometimes, it's not. And there are some wonderful stories. We had a kid killed in a branch yesterday with a gas explosion in Youngstown so it was a terrible thing. But the branches are human. They deal with customers. You go – I go to these community branches. If you haven't been to one, there's one in Harlem. There's one in Fordham Road in Bronx. Go to the community branch, sit there for

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

an hour-and-a-half, and watch the people walk in and out and tell me it doesn't work. And some of you guys used to do those branch visits. So – what analyst does them? So...

John McDonald
Analyst, Autonomous Research

Q

Today, there's not as much anymore. But...

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

No. There's someone who writes every year about their branch visits. Anyway. And I read that analyst's report in detail because they're learning it about what their people do as well. And that, well, I read John too, by the way...

John McDonald
Analyst, Autonomous Research

Q

Yeah.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

...he's very good at what he does.

John McDonald
Analyst, Autonomous Research

Q

It's not my report. But you've got the goal to go from 11% in Consumer retail share to 15%. Some of that seems baked in the cake from some of the investments you've made and all of that is, it's a multiyear.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

Yeah. They're all – they're – you can show the branch growth that's been around for 15 years. The branch growth is only five years old, so you can build in what you think is going to happen down the road. But obviously we want to cover more people, cover more accounts, more products, more deepening. And we announced today, I think it's been announced, if it hasn't been announced, I'm announcing it now, that our self-directed investing, we've added fractional shares. We've added better kind of research. We've got five or six different things. One day that self-directed investing will be really good. And then you're going to see us really push it.

And then you're going to see – so we have competitive advantage on it. And so I get very excited about that. When you can do certain things at Chase and you can maybe JPMorgan Chase can do it. I also think our order match system will be better than payment for order flow. And we're trying to prove that to them – Mikael Grubb over here. I can probably prove it. That you're going through our order match systems and we give our consumers the same order match effectiveness that we give our big wholesale clients. Okay. So payment for order flow has a deceptive characteristic to it.

And so – I mean I think there's advantages that you're going to see us try to take advantage of soon in self-directed.

John McDonald
Analyst, Autonomous Research

Q

So…

Jamie Dimon **A**
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

In Chase Offers and Chase Media. I think if you have a Chase account, how many of you have Chase accounts? How many of you have Sapphire card. Yeah. Okay. But you're going to get – you get offers at the bottom of your account, at the bottom of your Sapphire card. You go online. You're going to get more and more highly relevant stuff. It will take us a while but we're building the systems to give you some really neat stuff. And also Chase Media allows other people to come in. And if you like golf or you – and we make it consumer-friendly so we're not just bombarding you, which we do a little bit today, with stuff that is irrelevant. I tell the people when you give me offers to have my nails done downtown. Really? You think I'm going to like drive downtown and I don't get my nails done? I'm not – I wouldn't to go downtown for a meal anymore. It takes too long. My God!

John McDonald **Q**
Analyst, Autonomous Research

So, on that topic, AI came up quite a bit at Investor Day. And you said it's already interwoven into many of the businesses on having an impact at JPMorgan today. Just again, for kind of the broader audience, what are some of the examples of the biggest opportunities banks have to leverage AI?

Jamie Dimon **A**
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

Yeah. I think people – I think the best thing is to stop talking about what's it going to do and how – it's already here. We've been using it since 2012. We started our own department in 2013. And, to me, it's a management thing. Every time we have a management thing, I didn't go yesterday. Daniel Pinto did it. But every time there's any kind of review, it's also what are you doing on analytics, think of AI. True, by the way, before AI, it was analytics. We were always doing deep analytics and deep math on credit, market and underwriting. And now it's just a whole other level of that where you can find correlations in things you couldn't – the human eye couldn't do.

So, I think we said that there are 400 use cases probably, by the end of this year maybe 800. As the management teams are getting better, it's not understanding AI. It's understanding how it works. But you say, my God, you mean you can do this for me? And so we use it for prospect, marketing, offers, travel, notetaking, idea generation, hedging, equity hedging and the equity trading floors, anticipating when people call in what they're calling it for, answering customer, just on the wholesale side, but answering customer requests. And then we have – and we're going to be building agents that not just answers the question, it actually takes action sometimes. And this is just going to blow people's mind. It will affect every job, every application, every database and it will make people highly more efficient, like a lot of you clicking away, taking notes. You won't have to do that because it will – you can just summarize what Jamie said. You push a button and you don't have to waste all that time. And it's just powerful stuff. And we use it for risk and fraud recognition. And bad guys are going to use it. So, we have to use it to counter the bad guys. We have to use it to get better and better in cyber.

So, it's going to be everywhere. And I think for smaller banks, too, it will be offered through AWS or through Fiserv, or FIS. So, it isn't like they won't have any access to that. And so I think we're in good shape but it also would create some disruption. Maybe in Payments, something where people used to build something better, faster that we just didn't do or something. So – and, to me, it's just part of the management team now. We have someone on the management team, very experienced. Some of you may know Teresa Heitsenrether who is now responsible for Data & Analytics because they're directly related, gain to the cloud, private, public is directly related to access the compute power you need and then to go across all the database in a way you never used to do it before. And then there's a mirror inside credit card, consumer, payments, trading, banking to do the same kind of work. And we're just getting smarter and better at it.

But in the meantime, what I don't know is the pace by which all these things will happen because we'll probably be adding headcount at AI for quite a while. So, you'll see our cost going up, not down. We think there are benefits. We do try to measure ROI and NPV. In some cases, we do. In some cases, we don't. I think it's like a waste of time. But it's super real. And it's a continuation of the deep analytics we were doing years ago.

John McDonald **Q**
Analyst, Autonomous Research

Maybe you could talk a little bit about the importance of some of the...

Jamie Dimon **A**
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

I think we gave some – some of them gave some very specific examples at Investor Day. That KYC cost down at 50%, 80% faster. And that was like literally taking one person who is an AI expert saying attack this problem. And they just attacked it once. Wait until they attack it four

Jamie Dimon A
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

times. And so think of when you ever deal with the bank and you think why is this happening that way, we should get – OSAT should be going way up to this.

John McDonald Q
Analyst, Autonomous Research

So, like you said you've been doing it since 2012.

Jamie Dimon A
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

And it will eliminate jobs too by the way. So, in my view, don't be afraid of that. Get ahead of that. I mean management teams shouldn't be putting their head in the sand. They should be observing and thinking about what it might mean. Because if you're ahead of it, you can save your people a lot of aggravation. You're not going to wake up one day and you have to lay off 50,000 people. You can build it into your plans. And that's where I always say attrition becomes your friend. You do have 20% attrition, a lot of jobs, and therefore that's 40% over two years. So, you can plan, re-train, et cetera if you think ahead a little bit.

John McDonald Q
Analyst, Autonomous Research

So, can you talk a little bit more about these adjacent businesses and how important they could be to the future for you? You've got the travel booking portal. You mentioned Chase Media Solution. What's driving the opportunities there? Is it technology?

Jamie Dimon A
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

So, in every business and I don't know if adjacency is the right word. In every business, the goal is to do a better job for your customer, see it from the point of view of your customer. So, in a lot of cases, just making it better, faster, quicker, cheaper. We add a lot of services from nothing. So, think of today, when you go online, over the years, you have Zelle, you've got free trading, you've got more data, you've got more analytics, you've got free wealth plan and you've got free – so, some of it, it's just doing a better job for the client. Some of it may create revenue opportunities.

So, Chase Offers, Chase Travel where if you book through us and we offer you better deals, we also can earn the travel commission effectively. So, we're both doing a better job for you and we create another revenue stream. And that's true in every business. I always tell people, in a lot of wholesale businesses, we actually price by the drink. You charge a little bit of everything. In a lot of consumer businesses, they're bundled. I just gave you an example about your account so – but some aren't. And so – but anywhere you have data that you can use to make a client happier or offer them something they want, you can maybe charge for it or not charge for it. But think of even in – I mean I didn't even want to tell you some of these things. In certain areas where we can anticipate something and offer the client something better, quicker, cheaper, faster, it's better for us too. And so we – obviously we have to do compliance and regulatory and stuff like that but it's endless.

And with our data, like I tell people we know – we might know where you eat at night on a Friday night. Do you like Chinese food. So, maybe the small new Chinese restaurant one block from where you eat every Friday night, we'll offer you $30 off or even a free meal to get you to try it. That has to come through our data and small business will be very happy and the client may be very happy. Well, that's kind of a win-win, right? And so that could be for big companies, could be for smaller companies. We have deals with some big companies already and we could partner with people. And so it's anywhere.

Small business, I think there's – I've always looked at small business as an area that we should be able to do more to make their lives easier. A lot more. And you see it with things like Toast. But the things that we can do too or working with the Toast, embedding payments, something like that.

Medical, let's say, that's going to be a huge area, medical payments. So, each year, we go through each one and we expect the teams to be thinking. Jason sees data, customer service, OSAT scores, better, faster, quicker, cheaper.

John McDonald

Analyst, Autonomous Research

Q

So, in your Chairman's Letter, you talked about the role of private credit and maybe just give us a little bit of thoughts on how much of that is a threat to banks, is it an opportunity for banks, a little bit of both?

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

It's a little bit of both. So, first of all, I'm trying to be neutral – not neutral but like really assess it as opposed to just have a knee jerk reaction to private credit. I already mentioned there is this issue about stuff going private. So, private companies, private equity, private credit. And there's a policy issue where that's good for the country in the long run. We have the most transparent market the world has ever seen. But that transparency is a rule of law, research, disclosures, ratings. It's not just one thing. And it's also access to investments.

So, as they go private, there's less and less access. And then you have to ask the question about do you want to give access to retail clients to some of these less liquid products? Well, the answer is probably. But don't act like there's no risk with that. So, I will make a prediction on that one.

So, now private credit, yeah, it's – in some way, there's a lot of good stuff. These folks came forward, direct lending, private credit, like they'll sign a unitranche deal. They will do the covenants differently. They'll moderate it. They'll modify it for the owner or stuff like that. They know their business. They might be long-term investors. They're not going to be asking the business to do stupid short-term things to meet covenants. So, they could be good owners. It could be a good thing.

And the fact you could stay private for long is probably a good thing. The fact you can raise private capital when you're a private company is probably a good thing. The fact that you could get – so that's all good. But not all the people doing it are good. And so, I think some of these people are brilliant. I mean, so I know them all. We bank with a lot of them. They're clients of ours but they're not all good. And the problem in financial markets are often caused by the not good one. The people who make the mistakes and that you have illiquid products. Maybe they're not properly marked. They have not been stress-tested. Do people really fully understand what I said about interest rates affecting what these things are worth? Do they? And if a little old lady finds out that she can't get her money back. There may have been disclosures there saying this money is locked up for five years. But you know what? Retail clients tend to circle the block and call their senators and congressmen and there could be held to pay. And the transparency around the marks and the lack of research, the lack of ratings sometimes. Even – I've seen a couple of these deals that were rated by a rating agency. And I have to confess, it shocked me what they got rated.

So, it reminds me a little bit of mortgages. Okay. And then they're going to blame the banks on the mortgages. And so, the rating agencies were rating them. They said they're AA or AAA, but they effectively weren't because the analysis was about the subprime component. So, there may be problems here. I don't think it's systemic. But I do expect there to be problems.

I also expect there'll be problems when you mark these things, like they have not been really tested during COVID, during those really bad months. They wrote down, if you remember correctly, some of these things were written down 10%. I would tell you the number should have been 20%. Okay? So – but that only lasted for a month. What if that lasted for a year? And what are the discrepancies? You have this with private equity discrepancies, then one person marks the loan and another. And now they're coming closer.

We've seen a whole bunch of deals go from the private market to the syndicated market. You know why? They're 200 basis points cheaper. And when rates went up, it matters. They have now less at low rates. So, we're going to compete. We can do direct lending off our balance sheet. We can do direct lending and syndicate it. So – and we also want to be agnostic, which is you're the client. We'll do A, we'll do B, we'll do C. We'll tell you the pros and cons of each. So, we're in the mix and we haven't yet – a lot of these people raised big funds or stuff like that. We haven't done that yet. And what asset management does is completely separate. This is all about what our investment bank is going to do in middle market to compete. So, we're comfortable we can compete.

John McDonald

Analyst, Autonomous Research

Q

So, the two updates on your business line...

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

By the way, with our balance sheet and capital, we could put $100 billion into it, $200 billion. I'm not afraid about that, if you think it's good credit. The other thing that always surprises me, it's – I don't know what the price is today because it literally changes every day. It's 200 basis points more expensive. And for JPMorgan, I kind of like the 200 basis points and we get all the revenues. And one last problem. When the shit

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

hits the fan and it will one day, we don't know when, there will be a lot of stranded borrowers, because some of these people simply cannot roll over loans like we would because they have a fiduciary responsibility to book the new loan at par on their balance sheet.

To do that when things are bad, they got to book – there's got to be a 13% yield and the company won't be able to afford it. So, there'd be people saying I can't help you. And that may be a little bit of a problem too particularly if the structure affects smaller businesses who call their congressmen also.

John McDonald
Analyst, Autonomous Research

Q

Could we get a quick update on the buildout of the Consumer Bank in the U.K. and Europe?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

Yeah. Look, it's generally going – I think we have – I think we've said we have $16 billion of deposits. It's generally going to plan. It's a good product. People like it. If you actually go there, go look at it. They do like it. It was always – it's always been a skunkworks thing for us that because digital banking may make us able to do Consumer in Europe and it was never just Chase U.K. but we want to get Chase U.K. right before we attack another country or something like that. And there are other things that we have to deal with; ring-fencing, what products we add or don't add, how we look at the profitability a little bit. But it's generally going according to plan.

I think companies should always be – look, we have other skunkworks there, which you don't know about. I think we should always be doing stuff like that. So, I'm optimistic about it. And at the point it gets to breakeven, which I think we told you is going to be four years from now, three years from now, once it gets effectively to breakeven, then we have something we can toy around with for a decade. And I don't know why we couldn't compete with any digital bank out there if they're making money. And some are, now you have a bunch who are actually making money. Some of it because they're putting risky assets in their balance sheet, but some are making money not doing that.

John McDonald
Analyst, Autonomous Research

Q

And could we get an update too in terms of the efforts to integrate a wealth offering into the Consumer business of Chase, what you're doing there and how you feel that's going?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

It's going great. I mean, God we've started only in a couple of years, I forgot how many years ago but it's $200 billion. It's almost – I think it is probably close to $1 trillion with the First Republic deal. We're adding Chase Wealth Management in the branches. We're getting better at it. We're enhancing the products, their services. Our market share is small in that segment and we have very big aspirations.

And like Charlie was talking about, his different distribution. We have Chase Wealth management, self-direct investing, private banking. We do not do with a third-party, with like independent stuff but – and we have J.P. Morgan Advisors now, which is kind of the crème de la crème of how we handle the top financial advisors there who are great and we're getting better at doing that. And I told them that we want the best people, best products, best services, best comp, best research, access to JPMorgan for their clients who need certain private banking services or investment banking services and there's overlap. So – and we're trying the JPMorgan private client branches which will be 20. If something like that works, it could be 100 or 200 down the road.

I think they will work, by the way. It's just a different way of running the business. So, we have to make sure it works for the customer, not for us.

John McDonald
Analyst, Autonomous Research

Q

Okay. We've got a couple more minutes. Maybe just the ROTCE target of 17%. You've been doing 20% ROTCE for a few years, talking about overearning a bit on deposit margin. Just how do you contextualize the through-the-cycle 17% and where you might be over and underearning today in different areas?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

Well, I mean I do think we're overearning. We want to be honest about that on NII a little bit and on credit a little bit. Credit – Troy used the word benign. I'm going to use another word. It's the best it's ever been. Everywhere. Any time. Ever. Middle-market losses have been zero for years. Credit card. If we sat here with credit card, which obviously is a big number. We would have told you – I think that through-the-cycle was 3.5% or 3.75%. If you ask what's the lowest it can get in the best quarter ever? I would have said 2.5%, 2.25%. It hit 1.5%. And cause the government gave $6 billion to people. And so large corporate has been very good. You could see it in credit spreads but middle market has been very good. Mortgage has been zero. Auto has normalized a little bit, so it has to normalize. And NII, we're not quite sure and stuff like that. So – and then there's competition. JPMorgan did benefit a little bit from COVID and other things, but the competition is fully back. And I spoke about Well Fargo. They've got good bones. They're getting their act. They're together. Goldman Sachs has been kicking our butt in certain areas. I mean you got it like – you can't just act like the world is a static place. So – and then Basel is going to add more capital. So, roughly 17%, it's still there.

The best chart I liked is the one that Jeremy Barnum showed you, that shows potential outcomes under various adverse scenarios, which is what I always worry about. I want to earn good money. Our best year, our finest year ever, 2009, our ROTCE was 6%. That was the best year we ever had. I mean, if we could earn 7%, 8% in really terrible times. God, I love it – then the businesses has become a really good business. Remember, a lot of companies went bankrupt.

So, I did this. I made Mikael Grubb do this, when we have our − look at – if you take out the 12 competitors in our proxy, how many earned more than 17% in a year in the last 10 years, that's 120 company years. How many earned 17% or more? I think it was seven times. JPMorgan was three of them. Goldman was one or two. Morgan Stanley was one or two and Cap One was one or two or something like that. Seven times. How many earned less than 6% in a year? I think the number is 30 or 40. Okay.

So, let's not act like we're going up that target, okay? We're in a competitive environment, okay? And so − and then I also went back to 10 years before that. How many earned over 17% in the 10 years before that? It was like 30 or 40, out of 120 years and how many earned under 6%? It was like 30 or 40. But of the 30 − of the people who earned over 17%, most of them went bankrupt.

So, you've got to be really careful when analyze a business and you start changing forecasts and stuff like that. If we can earn 17% for the rest of my life, I'd push that button right now. I wouldn't even think about it. I would have no debate. I mean, can you – and if you can compound the 17%, if you can reinvest half your money and compound it at 17%, you'll own the world in about 50 years.

John McDonald
Analyst, Autonomous Research

Q

Okay. All right, Jamie. We're out of time. We're going to leave it there. Thanks so much.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

All right. Thank you. We'll see you all soon.