JPM AT THE GOLDMAN SACHS U.S. FINANCIAL SERVICES CONFERENCE

TRANSCRIPT

December 10, 2024

JPMorganChase

MANAGEMENT DISCUSSION SECTION

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Okay. So, in the interest of time, we're going to get started. I'm delighted to be joined by Marianne Lake. I think Marianne Lake is well-known to everybody here. She is the CEO of the Consumer & Community Banking business at JPMorganChase. She's also a member of the Operating Committee. She was CFO for seven years. She's been at JPMorgan for over 25 years, and this is the third time in a row that she has joined us in your current role. So, Marianne, thank you so much for coming back.

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

Thank you for having me.

QUESTION AND ANSWER SECTION

Richard Ramsden Q
Analyst, Goldman Sachs & Co. LLC

Let's start off with the place we always start off with, which is your view on the state of the economy. Maybe you can talk a little bit about what you're expecting in terms of the macroeconomic backdrop heading into next year, talk a little bit about what you're seeing in terms of customer behavior, both from spending, but also from a balance sheet perspective. And it would be helpful if you could delineate between what you're seeing both across consumers and corporates.

Marianne Lake A
CEO of Consumer & Community Banking, JPMorganChase

Okay. Yeah. And thank you for having me again. It's annual tradition at this point, so it's great to be here. So, as we look – and clearly, my purview is informed by the lens of running the consumer businesses, where we see – and small business, obviously, where we see a lot of what's happening day to day in our customers' sort of pocketbooks.

But if we look at the economy overall, it continues to be pretty resilient. I'm not telling you anything you don't know, when we talk about the fact that inflation continues to appear to move in the right direction towards policy targets. Obviously, preceding the interest rate cuts, there was a little bit of softness, let's say, or a little bit of increase in unemployment that led to the beginning of the cutting cycle. That has firmed a little. I think that the risks are a bit more in balance.

That's not to say that I don't think that there's still further room to go. And our house view on interest rates is that there will be a cut at this meeting, and three more by the end of the year. But the sort of resting place will be a little higher and the trajectory will be a little slower than perhaps we would have thought even a few months ago.

If you look at the consumer and starting with balances, so cash balances or cash buffers, those have largely normalized now across income segments. And so, I think it's fair to say that the excess liquidity that people have been enjoying over the last several years is gone, but the cash buffers have stabilized, so they're not deteriorating. It doesn't feel like people are overborrowing or continuing to spend down.

That said, spend trends are stable too. Before the holiday season, before the fourth quarter, there was some discussion in the late summer that maybe consumer spending was softening a little. And I would say that we really didn't see that, but we're watching for it and have seen since then in October and now through the holiday season, that spend has firmed up a little.

So, while there's always noise in holiday spend trends, when you pick a moment in the trajectory, I would say year-over-year it feels like the spend is solid to a little firmer than it was last year. So, things still feel pretty good, and credit trends are in line with our expectations. I'm sure we'll talk about that later.

So, with the consumer, as long as there's not a shock to labor markets or an asset price correction that's material, it feels like the consumer is on reasonably solid footing for now. Small business is in a similar place. We're still seeing normalization of balances, so there's still a little bit of

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

room to run there. Spend similarly stable, credit similarly benign, and so I'd say that the story is not materially different for small businesses than for consumers.

And then, just stepping back talking about maybe the most recent sort of sentiment from our corporate clients is, perhaps unsurprisingly, that confidence is moving higher and sort of somewhat notably over the last couple of months, recessionary fears are fading or faded a lot, inflationary concerns are present, but not really sort of dampening what I would characterize as a sort of broadly cautiously optimistic tone coming into 2025, notwithstanding that there's significant uncertainty about how things will play out.

So, I would touch wood, but I don't see any.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

Some behind us.

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

So far everything is still feeling pretty good.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

Okay, great. And then just as a follow-on, the election, the U.S. election was just over a month ago. Does that have any bearing on how you're thinking about the economic trajectory as you think about the next few years?

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

Yeah. I mean, so obviously there's likely to be meaningful policy change, and it's early to make predictions about that. And sort of in the broadest terms, I would say that, again, back to sort of the cautious optimism, I think we would share that there's more likely to be a sort of pro-growth type agenda.

From a regulatory perspective, obviously, we're all expecting there will be some immediate leadership changes at several, if not many or all of the agencies. That will have an impact on the path of regulation for financial institutions, which I think would be net positive; not to say that there won't be any rules that will land.

And yes, of course, none of us really know exactly how the trade policy and tariffs will play out on the whole. They would pose risks to both inflation and growth, but I think they would pose headwinds, not derailers. Similarly, immigration policy will have an impact, slower immigration, lower labor supply, obviously. But again, not to suggest that it's not important, but I think that these will be headwinds in the construct of a sort of relatively resilient and growing economy.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

Okay, great. So, maybe we can talk about some of the trends that you're seeing in the business. Maybe we can start off with deposits. We've had a few rate cuts. So, what are you seeing in terms of customer behavior around those rate cuts?

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

Right.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

How is pricing tracking relative to your expectations? And given the experience so far, how do you think we should think about deposit betas in this rate cutting cycle relative to prior rate cutting cycles?

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

Okay. So, this is a lot– so if I miss anything, let me know. I would say, so if you look at where we are now, it differs from the last two cutting cycles, context matters a lot. Clearly, in the last two rate cutting parts of the cycle, it was in response to some economic stress. It was immediately followed by QE, in which case the Fed was expanding its balance sheet and reserves were growing in the system.

This is different. It feels different. It is different. Obviously, we're seeing a response to perhaps a soft landing, a solid and growing economy. And so, we think that the path will be slower, that the resting point will be higher. It's happening contemporaneous with QT continuing, albeit at a slower pace, and likely to end at some point in the first half of next year.

And because the economy is stronger, then loan demand is holding up better. And so, there are pluses and minuses. I think, net-net, if you put it all together, we would see system-wide deposits neutral to trending higher in 2025.

And so, as we look at our consumer balance sheets or our retail deposits, we're similarly feeling like we saw deposit reductions start to plateau in October and stabilize through the fourth quarter. And that has played out as we thought, which means that we think we've kind of reached the trough and we're going to see modest, but modest deposit growth into 2025 in large part on the back of continued strong customer acquisitions, but also my earlier comments.

And so, that's how we think we're going to play out in terms of balances for what we've already seen on just the three cuts we've had so far and the outlook is less yield-seeking behavior. So, partly that's a function of the fact that there had been a period of time when people – cash flow thing had largely happened, but it's also partly a response to lower rates and the expectation of lower rates.

And where we had, I think, previously said that we were capturing the vast majority of those internally within both our Banking & Wealth Management complex, now we're capturing all of them. And so, lower yield-seeking behavior, less pressure on deposits. We're capturing all of that back in the ecosystem across Banking & Wealth Management.

And so, as it relates to rates paid, it will look probably on the way down like it looked on the way up, which is it's going to be a function of product mix migration. And so, in the same vein as we think we've seen likely the trough on deposit balances, we think we've probably seen the peak in the mix of CDs in the deposit complex for us.

And so, over the course of the next twelve months we're expecting that to come down slightly and rates paid to come down in line with that. But very much on the way down a little bit like it looked on the way up, we didn't see a whole product reprice. And so, we're not going to see that on the way down either. And so, I would say, we're going to see both of those play out in 2025.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

Okay. And then on loan demand, that's been weaker over the course of the year, maybe with the exception of Card. Have you started to see that change at all now that we've had some rate cuts and the election's behind us?

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

Short answer, not really, and I'll kind of explain. So, Card, as you say, was the biggest driver of loan growth in the consumer complex or in the CCB complex over the course of the last year or two. And that was in large part a result of a combination of, yes, customer acquisition, but normalization in OS, as well as strong spend. And so, I would say, we would think that revolve normalization is largely behind us.

Does that mean we got back to exactly where we were before the pandemic? No. But I think, in the law of big numbers, we say it's more behind us than in front of us. So, we're expecting Card loan growth into 2025. It's been coming down from the high teens to still be above trend in 2025, but trending back towards the sort of growth we would have seen pre-pandemic. So, it's still going to be the driver of growth.

Home Lending saw a moment of excitement when we did see mortgage rates come down a little bit. They've retraced back again. And so, our expectation is that the 10-year and mortgage rates will be sort of anchored close to where they are through the next year. And so, we're not expecting a strong recovery in the mortgage market. But clearly, it will be a response to what we see in yields.

And we think decent demand in Auto, because a lot of the supply chain challenges and the secular issues around inventories have now gone and dealer incentives are higher. So, not only are we seeing reasonable demand for loans, we're also seeing a re-uptick in leasing, which is obviously positive for the business over the sort of forward-looking trajectory.

But the net of all of it is that we're going to see sort of low-single-digit loan growth driven by Card. Everything else is going to be a little bit steady as she goes.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

Okay.

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

Small business, I would say, it's less rate sensitive. And so, we're seeing utilization continue to normalize. So, obviously, post-pandemic it came down a lot. It's been normalizing and it continues to normalize back towards pre-pandemic levels, but applications are stable. So, neither up nor down.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

Okay. And then, on the credit quality side, you mentioned that it's in line with expectations, but is there anything that you're monitoring more closely in lending portfolio today or any segments that you're watching more closely? And are you tightening underwriting standards in any of the key areas in the consumer business?

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

Yeah. So, the sort of honest answer on tightening is we always are. We're always adjusting everything at the margin in response to what we see in very specific pockets. And so we talked, I think, over the course of the last several years that there was some tightening – across asset classes, there was a little bit of negative selection, principally you've seen in Auto, in subprime Auto most notably, a little bit also in credit card.

I would say, we expected some or most of that, but the whole industry, and we were no exception, were tightening at the margin throughout 2022 and 2023 in response to where we saw pockets of underperformance or deterioration in both Card and in Auto. Still kind of marginal, obviously.

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

So, Card is the elephant in the room as it relates to loss drivers, and it's coming in line exactly with our expectations in 2024. And to the degree that we would look forward and expect there to be any changes, it's going to be driven by macro factors. So, unemployment or balances more so than we're seeing any kind of performance issues in the portfolio.

There was a lot of noise and – noise isn't really the right word. There was a lot of discussion around Auto, I think, in the sort of September conference circuit. The reality in Auto is that there were a couple of vintages that performed less well. Mostly, we expected that. And so, it was priced in our expectations; a little bit it was worse than our expectations, but we saw it really fast and pulled back really hard and it's a very small percentage of what we do. So, it's made no substantial difference to our outlook.

I think to the degree that others were more concentrated and/or adjusted less quickly, it had a bigger impact. We don't see that as being a read across to any kind of more broad deterioration. Home Lending is clean.

And so, I would say the only place where we're seeing pockets of underperformance right now that's a little newer is in the small business card and small dollar lending portfolio for us. But I would characterize it a little bit more of an expansion in our risk appetites than deterioration. So, we're watching that closely and we are tightening there. It's not something that I'm concerned about at this point. But if I was to say that there's anything that we've seen a little bit more recently, it would be there.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

Okay, great. So, let's segue and talk a little bit about the outlook for some of the key revenue, expense categories for 2025 and this year. And I know that you've given quite a bit on the outlook for NII and expenses already, but has your thinking about 2025 changed in any way since you last spoke? And then nearer term, is there anything in the fourth quarter that you think we should be aware of either in terms of NII, trading, credit or expenses?

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

Okay. Let's start with 2025, which with all of the caveats about, obviously, a lot of things can change. Jeremy will give you more updates at earnings in January, but I'll start with NII. I think last time during the sort of third quarter process we talked about – or Jeremy talked about the fact that consensus for NII (sic) [NII ex. Markets] in 2025 at $87 billion is a little toppy.

Well, things have changed. The rate outlook has firmed up on average about 40 basis points higher in 2025 than it was at that time. Consensus came off a touch to just a hair below $87 billion and – $87 billion. So, as we sit here today with plenty of caveats about the fact that these things can change pretty quickly, our 2025 NII (sic) [NII ex. Markets], we're expecting it to be about $2 billion higher.

Expense, there was a discussion around expense also.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

Just to clarify, that purely because of the rate outlook or is there other things that are creating that?

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

Well, it's purely because of the rate outlook insofar as the rates being higher, all other things being equal will improve margins. But then as some balance and rates paid off that. So, the net of all of those things, and CCB is a big part of the driver of that. Clearly, there are other parts of the Firm that will respond as well. But yes, it's that.

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

I would say in terms of expense – and this isn't necessarily like new news since, but just to clarify, at the time we talked about our expense outlook or the consensus for expenses was light, and it moved up just a touch to be at the moment a little above $94 billion. We're expecting 2025 expense to be $1 billion higher than that. That's not new news, but it's clarifying the commentary from that time. And we're not the only driver of that either, but CCB is a driver.

And so, just to give you a tiny bit of context, we are – there are two pieces that play into our expense story, and we feel great about them. The first is that we are a growth franchise, and we are seeing customer growth continue to be strong, account growth, transactions, engagement. So, we're seeing across the board continued strength in growing the underlying franchise. And obviously, that has – even with efficiency, that has impact on costs.

And then, secondly is in our investments, where we continue to see profitable opportunities to invest across the board. And so, it is not the same growth rate of investment spend that you've seen in the past. And we'll go through all of it in more detail later, but that's to clarify the expense outlook.

Fourth quarter, NII (sic) [NII ex. Markets] and expenses will come in a little better than consensus. So, NII (sic) [NII ex. Markets] a little higher, expenses a little lower, and credit in line. So, no big changes to the quarter.

Just in like wrapping up, I think IB fees and – yeah, okay.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

Yeah, IB and trading.

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

So, in Investment Banking fees, client activity, client dialogue remains robust, and that is showing itself in we're expecting 45% year-on-year increase in IB fees and high-single digits quarter-over-quarter. And then Markets, while I would very much caution you to understand that there are a few weeks left and that things will and can happen that can change this, we're expecting our Markets revenue to be up mid-teens or a little better year-on-year.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

Good. 15% year-on-year.

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

Or a touch better.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

Okay. Okay, great. So, with that, maybe we can talk a little bit about the strategic and investment priorities for the consumer business. And I think looking – over the last three years, I've asked you this question every time and I've gone back and looked at the answers and you've been

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

very consistent. But I'm curious, as the results have come through of the $9 billion spend, which I think you're running at for this year, have you shifted the focus of the investment spend in any way, as you've seen the results come through of the investments spend of the last three years?

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

So, probably just to continue the trend of the narrative, big picture no, which is to say that there are very, very large parts of that agenda where we have a high degree of confidence and conviction and proven track record and models. And so, nothing is ever shorting, but we feel very confident when we're acquiring new customers in Card or new customers in the Consumer Bank or opening new branches.

We know we feel very confident that we have a clear understanding of how those things will play out. And as we continue to back test them, they continue to play out in line with or even better than our expectations. So, we're not learning anything that's forcing us to course correct for the big, big picture.

That said, of course, we spend every dollar a dollar at a time. So, we don't spend it in galactic chunks. In fact, one of the reasons why when you guys are asking so many questions about the details of it, it's hard to oversimplify it is because each individual thing that we're doing is measured in small millions of dollars. It's not measured in hundreds of millions of dollars.

And so, the specifics do change. But thematically starting at the top of the page that you'll recall with our growth businesses, we're not increasing our investments in Connected Commerce, but we are integrating and optimizing those assets now. We do continue to add advisors in Wealth Management with a reasonably clear understanding of when and how productive they will be. And we had a good hiring year in 2024.

Marketing continues to be something we understand well. And we have two objective functions, one is to acquire profitable customers, and the second is to make sure that we continue to have high-spend engagement with our existing customers. And we're seeing a lot of demand for our products and a lot of profitable opportunities to invest.

Similarly, actually in the Consumer Bank. And then, you know the branch strategy, and that's a very long game, but we understand what we're doing and it is paying dividends. So, we talked about our share gains and how much of that is driven by the branches we've opened in the last five years. And we expect those to continue to be a tailwind, and we're not stopping now.

And so, then the last big chunk is in product technology, data design, and that is a lot of different things. But we are still in a sort of generational modernization agenda and it's moving. So, data center modernization is more behind us, but we're still modernizing our core infrastructure and those things take time.

And we're in a rapidly evolving kind of product environment in terms of customer expectations and our ability to deliver products and services and engage them in our ecosystem. And so, we continue to invest in products and data, but we feel pretty good about the performance of what we're doing and we'll update you as we always do.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

Okay. And then, so on First Republic, the integration is now complete, so maybe you can talk a little bit about some of the benefits you're seeing from that integration. And maybe you can talk specifically about the wealth business. I know you just talked about that, but maybe talk about how First Republic has augmented or accelerated the growth in the wealth business. And what's the progress you've made in terms of increasing your share of customer wallets in that business in particular?

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

Okay. So, a couple of things. First of all, First Republic is largely over. We're still completing the loan migration right now, but the big chunk of it was done in the middle of the year and the follow-through in the third quarter. The only reason I mention that is it's a little early maybe in December to talk about the progress we're making beyond that in wallet share gains. Those things take a little bit of time, but we're pretty optimistic.

We retained 90% of clients in the banking complex, 95% of deposits, more than 75% of advisors and clients in the Wealth Management space. And so, we feel like we have a pretty stable and it's a pretty stable base.

We, of course, want to do an incredible job for the heritage First Republic customers. But when we talked about our strategy and leveraging First Republic, both leveraging our learnings, but also leveraging the opportunity to accelerate the affluent strategy, it was very much about deepening into existing Chase customers.

And so just for context, we have over 6 million affluent customers that bank with us happily and only 15% of them invest with us today, and those customers have $7 trillion of investments. And so, we have happy Chase customers that are not yet enjoying the benefits of what we have to offer in Wealth Management. And this is a strategy using the concierge service, the coverage model, the J.P. Morgan Financial Centers as a strategy to deepen into wealth for those customers.

And remember, if you went back five years ago, we maybe didn't have all of the right capabilities and all of the right assets to be able to feel like we could invite those customers to do that with us and feel confident that we would do an amazing job. We do now. Our self-directed capabilities just won J.D. Power award, so did our advised capabilities. We have built new channels. We've built new capabilities with Wealth Plan.

Yes, First Republic helped us in terms of assets and accelerating, getting to $1 trillion. But we're pretty excited about the opportunity going forward. It's just early, so we'll update you. We had a great year in Wealth Management. We had record first time investors this year and we've grown AUS, including First Republic, at a 16% CAGR over five years. So, adding advisors and just grinding out.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

Okay. So, Connected Commerce is something else you talked about briefly, but maybe we can talk about the longer-term opportunity from that. I think you said that you see a $2 billion revenue opportunity in the medium-term from that. So, maybe you could talk about how we should think about that over the longer term. But how important is it as a customer acquisition retention tool? And just given how competitive the world of Card has become, how important is that to the core Card offering today?

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

Really important. So, it's actually – and I know that you know this, but while we now talk about Connected Commerce in a much more cohesive way and talk about the sort of interrelationship between these things and what we've kind of put it in a curated place where we can sort of really focus on it, these are things that we have been doing for five or ten years.

So, we've been in the travel business for ten years, we've been in the office business for five years. We just didn't really own the asset to allow us to sort of innovate and create the right customer experience or have the ownership economics to reinvest in the value proposition. And we had that opportunity during the pandemic to acquire those assets. And so, there are three reasons why it matters to us and mattered then and continues to matter now.

The first is that for our core Card customers, as you articulated, commerce experiences, but particularly travel was the number one passion point, and unfortunately, also a very significant pain point for our customers. And so, we wanted to be able to lean into that sort of passion. And it remains the case that for our core Card customers, it is the most significant driver of both acquisition and retention of affluent customers. And so, you want to be able to do a great job, but when it also is a pain point, you want to be able to improve that.

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

Number two is that we wanted to drive value to our strategic partners through our two-sided platform and the ability for us to invest in that. And then, number three was to diversify our revenue streams towards some capital-light, more recurring revenues.

On number one, really working extremely well. We've materially improved customer satisfaction and reduced the pain in the travel outcome. There's still work to do. We look set to do the same thing in offers.

On the second point, we are driving value to our strategic partners on the platform. An example of that is that we have – in our luxury hotels collection, we have 1,000 hotels in The Edit, which is what we call that collection. And those participating hotels are seeing share gains or share growth in same-store share as a result of being in the program. So, we are driving value for our partners. And then, as a result of that, yes, we are expecting to meet our expectations on volume through the platform next year, and the revenue that comes with that.

So, we're pretty optimistic, but it is really important to the Card business. And so, if you look then at the longer term, we said that we would hope to be at $30 billion of volume over the platform in 2025. We're on track to do that. But $30 billion is still a small percentage of the addressable population. Depending on how you measure it between travel, dining, offers, and shopping, there's $600 billion, plus or minus, that our customers spend on our cards.

And so, for $30 billion of that to be going through our assets is only 5%. It's not an unreasonable expectation that we ought to be able to double that over time. And so, as we continue to invest in value for our customers, in value to our partners, which then allows them to invest in the experiences, too, we will continue to try and drive more and more of that volume over our platform, and that should be a tailwind for revenue growth, and it will meaningfully contribute to Card's ROE over time.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

Okay. So, just more broadly on market share, the market share stats, I think, are really impressive. I think you've grown checking accounts by 20%, card by 30% over the last four years. How much of that growth stems from new markets and how should we think about the sustainability in the marginal returns of growth from here?

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

Okay. So, I'll update you. The 20% and 30% in Consumer Bank and card accounts over four years is now 30% and 40% or very close to that over five years. So, that momentum continues, which was my point earlier about like we continue to lean into growing the franchise, which is the sort of catalyst for everything else that comes after that.

If I start with the Consumer Bank, our share gain story, as you say, we're pretty proud of it, 220 basis points over the last five years, and 80 basis points of that came from branches that we've opened since 2018. And remember they're still pretty young. And so, those will continue to fuel growth in the future.

Of that First Republic was a piece, so that was close to 40 basis points, which means that more than half of it came from our legacy footprint. As we continue to invest in bankers, in banker tools, in omni-channel capabilities, in branch tailoring and customer segmentation, making sure we have the customer and the right product for them.

And so, as we look forward, we're expecting the same, which is more than half of the growth is going to come from the legacy platform. And if you include the branches we've already built, 75% of our growth towards our 15% target and beyond will come from a combination of legacy, legacy, and the branches we built through 2024, but we're not stopping.

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

And so, the remaining 25% will come from the branches we're about to open, and those will continue to grow for decades. So, we're pretty excited about that. And as I said earlier, those branches that we're opening are performing really well. So, it's not each individual next new branch we're opening isn't getting worse from a performance basis. In fact, they're in line to better than our model.

And these things are not straight lines. So, on average, we've gained 30 basis points of share over the last 10 years. We think that's a reasonable trajectory going forward, but in any one year it could be plus or minus of that. And so, it's a flywheel. We're just going to keep going.

In Card, it's a similar, but different story. Obviously, it's not the same. We don't have new markets. It's a national business, but it does benefit when we enter new markets with branches. So, we do see growth in accounts and share when we start really investing in new markets. So, it is a beneficiary of that.

In Card, we start from a higher share place, but similarly have gained share over the last four or five years 50 basis points of sale, 30 basis points in outstandings. And that momentum, which was at the end of last year, has continued into 2024. And we highlighted outstandings as being an area that we felt we could see some outsized share gains, because we felt like we were punching a little below our weight.

And so, we saw that happen in 2023 and we've seen that continue in 2024. But it's not that we have to dial up premiums or like pay for the privilege. It's about making sure that we're investing in the segments where we are currently able to and see outsized growth – starters, small business, affluent, and we have record new accounts in each of those last year.

It's about making sure we're capitalizing on our owned channels, so dot-com and branches, because they are the most efficient channels that we have, leveraging our data to make sure we're underwriting as deeply as we can, but profitably and with confidence. And then, also making sure that in addition to sort of core card, we're innovating on installment lending and other sort of lending options, like Pay Over Time, which is gaining traction.

And so, I would say we're feeling pretty good about that. And we're at 17% share and growing towards our 20% target. So, in both cases we think that there's more share gains ahead of us. It's hard work. I mean, this is like a branch at a time, a vintage at a time, a tactic at a time. There's no silver bullet. Just it's everywhere, but we know what to do.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

Okay. So, we've got a couple of minutes left, so maybe we can just talk a little bit about the regulatory environment. And I think there's a couple of interrelated questions here. The first is, look, the capital rules are clearly in flux. It's not clear what's going to happen with Basel III. So, maybe you could just talk about how you're thinking about managing the capital for the Firm broadly, given that uncertainty.

And then, I'd also be interested in hearing your views on the supervisory environment. That's also become a lot more complex; number of proposals from the CFPB. Which ones are you the most focused on? And do they in any way impact how you're thinking about the strategy of growing the consumer business?

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

So, I'll try and be kind of brief, because we're kind of running out of time. I think, look, there's still a lot of uncertainty. We don't know how the rules will finalize or over what timeline. I think with respect to capital, of course, while we don't know what we don't know, we feel like most people are more optimistic that there'll be a more capital neutral type outcome to that.

Having said that, it isn't immediately materially changing how we think about running the businesses. We were already leaning into areas where we thought we could deploy capital with strong returns in low risk, low duration assets, and maybe less so in mortgage, where it's a little bit more challenging to do it. And so, at the margin we have more confidence in a less bad outcome, but I don't think it changes anything materially.

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

CFPB, change in leadership should allow the opportunity to rereview the agenda, to rereview the merits of the litigation docket. Hopefully, therefore, there may be some changes, but there are still risks, because in – all of the rules matter for different reasons. And for some of them, there are constituents on the other side of our arguments. And so, it is not obvious that everything is going to go away. And we think we have great arguments in both principle and also in any of the situations where there's litigation.

But we're going to prepare for the fact that some of those things could land, but we can be patient and see. And it's never really been about us. Any of the comments that we've ever made has been about the impact to the banking industry, to the economy, to our customers. We will be able to adapt to whatever the rules are. And so, we're not going to spend lots of time guessing.

In the meantime, we're going to focus on running the business for the benefit of our customers. And when we know with more clarity what's going to happen, we'll work out what the changes, if any, need to be. But we like our hand.

And to answer your question about what worries me the most, as always, the things that would worry me the most are the things where the playing field isn't even and where through – as a result of regulation or legislation, effectively winners and losers are being picked. And we don't think everything has to be completely even. We have strategic advantages and we're willing to compete.

But things like the Credit Card Competition Act for different reasons, 1033 or Reg II, those things worry me not only in principle and for a whole bunch of reasons that we can debate another time. They also worry me because they are making the playing field unlevel in favor of three-party networks or merchants and against customers, consumers largely. So, to answer the question what's the thing that worries me the most, it will always be that and less the specific rule.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

Okay. With that, we're out of time slightly. But, Marianne, thank you so much.

Marianne Lake
CEO of Consumer & Community Banking, JPMorganChase

A

Thank you so much.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

See you again soon.

Disclaimer

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on the current beliefs and expectations of JPMorgan Chase & Co.'s management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. Factors that could cause JPMorgan Chase & Co.'s actual results to differ materially from those described in the forward-looking statements can be found in JPMorgan Chase & Co.'s Annual Report on Form 10-K for the year ended December 31, 2023, which has been filed with the Securities and Exchange Commission and is available on JPMorgan Chase & Co.'s website (https://jpmorganchaseco.gcs-web.com/financial-information/sec-filings), and on the Securities and Exchange Commission's website (www.sec.gov). JPMorgan Chase & Co. does not undertake to update any forward-looking statements