# 2024 INVESTOR DAY – OPENING REMARKS

**TRANSCRIPT**

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JPMorgan Chase & Co.

# MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning. Please welcome to the stage, Mikael Grubb.

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

Hi and good morning, everyone. On behalf of the Firm, it's my great pleasure to welcome you all to our 2024 Investor Day. I'm just going to quickly hit on a few logistical points and then we'll get the presentations underway.

First on Q&A, like last year, in addition to the final session with Jamie, we will have some time for questions after the individual LOB presentations. And second, keep sending me your feedback, good and bad. Last year's most frequent request was to shorten the overall day. We listened and lunch is, in fact, the last item on today's agenda. Third, if you're a fixed income investor, please note that we have also updated our investor materials under the Fixed Income tab on our website.

And while I'm up here, I would be remiss if I didn't mention that today is Steven Chubak's 40th birthday. So thank you for spending the day with us.

And lastly, on a more serious note, please make sure to read the disclaimer about forward-looking statements. Please silence your phones, sit back and enjoy the presentations. And let's welcome to the stage our President and Chief Operating Officer, Daniel Pinto.

**Operator:** Welcome to the stage, Daniel Pinto.

## Daniel Pinto
*President & Chief Operating Officer, JPMorgan Chase & Co.*

Good morning. So great to be here. Thank you for joining us today. So I will focus my remarks on areas of the company that have some strategic priority for growth and some other areas of focus. But before I go to that, I would like to spend a minute on the current, or recent, reorganization of the Corporate & Investment Bank and the Commercial Bank, putting it together.

So when the Corporate & Investment Bank was put together roughly 12 years ago, the idea was to serve big corporations, governments and big institutional investors around the world. And we saw at the time, even though every pressure was towards shrinking and reducing cost and becoming smaller, we saw that the view of the future will be of our growth. So therefore, we invest and we create a platform that was global, that was operating over time at scale, complete and diversified and our market share grew substantially over the years, so at the same time to serve the smaller clients, Doug was building the Commercial Bank. And it made a lot of sense at the time to keep it separate to make sure that it was a full focus on both sides. Now, both platforms got to a level of maturity that you can put it together to serve the clients better. And there are no two better leaders than Troy and Jenn to take it to the next level.

So now let's go through the areas that are strategically important for growth in the company. I will start with a couple of comments on the Consumer business. So, we have 82 million customers and around 6 million small businesses. And we've been expanding into new states and new markets. In the markets where we are consolidated, our market share is around 20%. In the markets where we are not, the market share is in the low-single digits. So, one of the areas of opportunities that we mature the new markets is among the pros that is going to come that way. The other opportunity is deepening by creating better and more targeted client experiences.

So we have 24 million customers that they use more than one product, and 19 million of those, either they are both clients of the retail bank and clients of the credit card business. So, there is a lot of growth coming by deepening the relationship with those clients and offering products like wealth management where now we are about to cross or in the neighborhood of $1 trillion of assets under management. We are focusing on providing travel services and commerce services. So, the opportunity is huge, both in expanding into the areas where we are newer, and deepening in client relationships.

So, First Republic, great acquisition, a bit of – a year ago. So, clearly, the quality of the assets we acquired is great and continues to be so, but also, more important, the talent that came along with the acquisition is great. And one thing that First Republic did extremely well is to create a very, very good client experience. The clients love their bank. And one of the things that you will hear a lot from Mark O'Donovan about this is to learn from what they did and how they did it and create a model of single point of contact for affluent clients with a different client experience that will help those clients to navigate the complexity of the consumer bank in a better way. So, you will hear more about that.

So, the second point that I will like to touch on is Payments. We process $10 trillion of payments a day, the wholesale payment platform serves wholesale clients and serves, as well, all the retail clients. And a few years ago, several years ago, we realized that that industry was massively fragmented. Even the biggest had 4%, 5% market share. And the complexity of cyber and the rise of the development of cyber and our investment in cyber was going to be a good marketing tool that will help us to consolidate our overall market share and the industry will have consolidated.

The other thing that was happening at the time, it was very, very hot in this space, the fintechs, where the incentive for these companies was to invest as much as possible to grow the top line and forget about the bottom line. We knew that, and we had certain programs with them that we've been kind of covering over time. But also, we knew that sort of heavy investment model, it wasn't going to be sustainable. As soon as interest rates start going up, that is pretty much gone. So now, they are investing. They are very good. They are doing a very good job for their customers, but we are doing it too. Also, there are areas of growth in the Payments business that we are focusing on. Corporates, particularly outside the United States, certain verticals that require specialization in the services that we provide like healthcare services, multiparty commerce and small business. So we have now around 9-plus percent market share from around 5% a few years ago. And the growth is going to continue because the same trends that we saw in the past we are going to see in the future.

So expansion into new markets. And I mentioned two or three things, some international, some in the U.S.. As the Retail business expanding into new states and new markets, the Commercial Bank is accompanying them. So we have 27 new locations in the last five years, the revenues of $2 billion that they are supported by 700 bankers. Also several years ago, Doug decided to complement the global corporate bank, focus international in the upper end of the middle market. Smaller companies were the ones that the global corporate bank was covering. And at the moment, we have already a thousand clients that we are covering. We are in 27 countries and with 90 bankers and generate around $350 million (sic) [in revenues] a year.

The Private Bank, International Private Bank, is another opportunity. It's also a substantially fragmented business everywhere. But Mary and Martin, they have been investing. We have added 350 bankers in the last several years from 2019. Assets under supervision has gone up by 57%. We have expanded the single coverage model from 8 markets to 18 markets and revenues in that space are still small but have tripled since 2019.

And then lastly, the Consumer business in Europe, particularly in the U.K.. At the moment, we have 2-plus million customers. 1 million of those, they are highly engaged customers that they do around, on average, 40 transactions a month. And we are reaching around $22 billion (sic) [$20 billion plus] in deposits and is progressing. We are adding more products to the U.K. offering over time and looking at ways to expand into the rest of Europe. We told you in the past that we are going to be very disciplined about the cash burn of this business and we are way below those levels in 2023 and it will be in 2024.

The other opportunity is private capital. So every regulator around the world is concerned about this, and everything they do is to incentivize the growth of private markets. So we cannot ignore it. We need to really embrace it and make sure that we are properly positioned to participate in that market. It's an asset class of $14 trillion with plenty of dry powder in the sponsor space and growing, growing very fast on private equity, on private credit, in all the components of it. So we are really focused on three things in this space. First, it is how is a holistic way to cover sponsor clients across the Private Bank, across the Commercial & Investment Bank, across the whole company, and we have a good plan for that.

The second one is private credit. So, ideally, with every client in every single transaction, we want to offer a syndicated solution and at the same time a private credit solution. And the way that – our massive competitive advantage is capacity to originate. We know so many clients. And essentially, what we are doing is optimizing and leveraging our balance sheet with money from clients through distribution. I think that this is going to grow. It's an asset class of $1 trillion-plus at the moment, growing very, very fast.

The last point here is how do we continue investing and developing the venture capital space and the companies associated with it. So Doug has been investing in that for a number of years. But with the situation of Silicon Valley Bank last year, so the possibility of growth was very evident. So we added a lot of resources, with number of clients in that space have gone up by 190% and last year, the amount of revenues by 70%. So big area of focus, big potential. I think that we have a good plan of how to target the different pieces.

And then lastly, on the Asset Management, Mary's business. So we have had a very, very good performance, investment performance year in and year out that had put us in a position to have net new flows year in and year out as well. And we have invested in several things. And one of those is active managed ETFs, is probably today the most successful active managed ETF platform that exists. And there are many opportunities. We have a great platform for real estate, a great platform for infrastructure. We need to develop those platforms further. And also find a way on the fiduciary space as we are finding in the non-fiduciary space to get into private credit. And Mary and the team are working on that.

So, now, I will spend a couple of minutes on technology. It's been a big, long journey, and it's a journey of modernizing our technology stacks from the layers that interact with our clients to all the deeper layers for processing. And we have made quite a lot of progress in both by moving some applications to the cloud, by moving some applications to the new data centers, and creating a tool for our developers to do it in a way that is a better experience for them and they are more effective. And we are making progress. The productivity of this organization today is by far higher than it was several years ago, and still a long way to go. We have reduced by optimizing the infrastructure that we use, the cost per unit of processing and storage.

But AI and, particularly large language models, will be transformational here. That's why like a few months ago, we asked Teresa, who used to run Securities Services, someone with a great intellect, curiosity, and a huge ability to execute at scale to become the Chief Data and Analytics Officer. And her mandate here is to transform the data that we have together with the business into something that is usable, which is very, very important. We have plenty of data, but we need to transform it into a way that is used for analytics. And second one, create a necessary platform centrally and in the business to really take advantage of that data. So, we are making progress, but I think that this will be massively transformational. At this time, we've been investing in artificial intelligence for a number of years now and we have seen some progress, difficult to measure, but roughly the value that we assign to our artificial intelligence use cases is around between $1 billion to $1.5 billion and is in the fields of customer personalization, trading, operational efficiencies, fraud manager, credit decisioning.

But when you think about the potential of large language models in the big families of jobs and the productivity that that could bring along, so we have 60,000 developers. We have between operations and call centers, 80,000 people. So that is almost half of the company where this technology will be very, very impactful. And we have two leaders Guy Halamish and Mike Ashworth, the two big leads in operations across the companies, and they have their mandate to look at all the process in operations and find efficiencies. We have found some, and I'll give you one example. In KYC, know your client, in 2022, we processed 155,000 files with 3,000 people. By the end of next year, we will process 230,000 files with 20% less of the people. It's an increase in productivity between 80% to 90%. And that is just one little example. So the idea is to look at everything and see how much productivity is there.

So all this is great. But if we don't manage our risks and assign our resources efficiently, it really doesn't matter. The day-to-day of this is what makes the future possible. And risk management is a strong suit for the company, as you have seen year in and year out, but is a bit of a challenging environment. Who would have thought that after the pandemic, the war, geopolitical tensions, massive fiscal and monetary expansions everywhere in the world, we are going to be today in a situation discussing the high probability of a soft landing? And I think that this is a central scenario, it’s likely, as inflation continues to come down, but there are tails and there are risks that may kind of derail us for that very strong scenario, and I would mention three, which are quite obvious.

First, the geopolitical risk. And particularly the confluence of geopolitical tensions and the electoral cycle in this country is a massive risk. It’s no surprise anywhere it exists. The second one is, as this process of shoring the economy from COVID and all the other challenges, we have a massive deficit pretty much in every country and a massive amount of debt to GDP. So how that one is going to play out in a geopolitical world that is very different than what it was is another area that we all have to keep an eye on. And inflation. Inflation has been coming down with a lot of good things that happened, but it's still way above the levels that the central bank in the U.S. and other central banks will want it. So in the scenario where the rates have to go up again, low probability but not zero probability, then we're going to have a recession. So we are – obviously, we have our central case that is the soft landing scenario. But the risk of the tails, they are quite, quite substantial, and everyone and we need to be, as a company, prepared for if we are wrong and the tails take place, how we are going to position the company in a proper way.

Capital – we have a highly liquid balance sheet. We have plenty of loss absorbing resources, $520 billion, but it's something that we focus on it every day. And we have excess capital at the moment, but we have in the different businesses, in mortgages, in markets, in many places deployment of capital into clients that we need to optimize day in and day out. I'm very focused on that every day.

Expenses – as you see, we've been spending and investing more than others. But the discipline around this is very high. The ROI of the investment that we are making is good and the operating leverage that we are achieving is best in class as you see in the graph on the page. So we don't apologize for that. We think that we are making the investments to prepare the company for success in the future. We did that in the past and we will continue to do that going forward.

And the last point on regulatory environment, it is a tough environment, as you can see day in and day out. But it's our responsibility to participate and maintain the safe, soundness and resilience of the financial services industry because of our size. So we are not going to compromise on that. We are going to spend the money that is necessary to spend to have a control environment that is resilient and stable over time.

So now, as you can see, there are many areas of focus with opportunities and growth, so we feel very good about the possibility of the company to continue to grow going forward. But now to wrap up, I would like to remind you that in 2018 we set our target over the cycle on return on tangible common equity as 17%.

And we have many questions from some of you if we are going to revise it lower. Well, the answer to that is no. We think that there is enough growth and possibilities in this company to continue to perform over the cycle at this level. Clearly, the uncertainties – there are several but particularly the Basel III Endgame. So, we hear the same thing that you're hearing, probably what is going to come up is more reasonable than the first approach, and assuming that reasonable outcome materializes, the possibility of the 17% is there so we are reaffirming and maintaining that. So, I will stop here. I will hand over the podium to Jeremy. And thank you. Nice to see you all. Thank you and see you later.

**Disclaimer**

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