

## Q3 2023 Earnings Call

### Company Participants

- Jamie Dimon, Chairman and Chief Executive Officer
- Jeremy Barnum, Chief Financial Officer

### Other Participants

- Ebrahim Poonawala, Analyst
- Erika Najarian, Analyst
- Gerard Cassidy, Analyst
- Glenn Schorr, Analyst
- Jim Mitchell, Analyst
- John McDonald, Analyst
- Matt O'Connor, Analyst
- Mike Mayo, Analyst
- Ryan Kenny, Analyst
- Steven Chubak, Analyst

### Presentation

#### Operator

Good morning, ladies and gentlemen. Welcome to JPMorgan Chase's Third Quarter 2023 Earnings Call. This call is being recorded. Your line will be muted for the duration of the call. We will now go live to the presentation. Please standby.

At this time, I would like to turn the call over to JPMorgan Chase's Chief Financial Officer, Jeremy Barnum; and their Chairman and CEO, Jamie Dimon. Mr. Dimon, please go ahead.

#### **Jamie Dimon** {BIO 1484062 <GO>}

Hey, good -- good -- good morning, everybody. Before we start the actual call, I want to repeat something we just said on the press call. So before we get into the discussion about third-quarter earnings, I just want to say I'm deeply saddened and we all are about the recent horrific attacks on Israel and the resulting bloodshed and more. Terrorism and hatred have no place in our civilized world and all of our hearts here at JPMorgan Chase go out to all who are suffering.

#### **Jeremy Barnum** {BIO 15409544 <GO>}

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Thanks, Jamie, and, of course, I very much echo the sentiment. Now, let's turn to our first-quarter earnings results. The presentation is available on our website, and please refer to the disclaimer in the back.

Starting on Page 1, the firm reported net income of \$13.2 billion, EPS of \$4.33, and revenue of \$40.7 billion, and delivered an ROTCE of 22%. These results included \$669 million of net investment securities losses in Corporate and \$665 million of firmwide legal expense. On Page 2, we have some more detail. Similar to last quarter, we have called out the impact of First Republic were relevant. For this quarter, First Republic contributed \$2.2 billion of revenue, \$858 million of expense, and \$1.1 billion of net income.

Now, focusing on the firmwide results, excluding First Republic, revenue of \$38.5 billion was up \$5 billion or 15% year-on-year. NII, ex-Markets, was up \$4.8 billion or 28%, driven by higher rates and higher revolving balances in Card, partially offset by lower deposit balances. NIR, ex-Markets, was up \$374 million or 4%, which included lower net investment securities losses than the prior year. And Markets revenue was down \$190 million or 3% year-on-year.

Expenses of \$20.9 billion were up \$1.7 billion or 9% year-on-year, primarily driven by ongoing growth and front-office and technology staffing, as well as wage inflation and higher legal expense. And credit costs were \$1.4 billion, predominantly driven by net charge-offs in Card, and included a \$102 million net reserve release, driven by changes in the central scenario, primarily offset by card loan growth.

On to balance sheet and capital on Page 3. We ended the quarter with a CET1 ratio of 14.3%, up about 50 basis points versus the prior quarter as the benefit of net income less capital distributions was partially offset by AOCI. We had \$2 billion of net share repurchases this quarter and the pace of buybacks will likely remain modest in light of the Basel III Endgame proposal. In line with our capital hierarchy, we will continue to reassess the buyback trajectory as circumstances evolve or opportunities emerge. And on the topic of the Basel III Endgame, you'll see that we added a couple of pages on it. So, let's cover that now, starting on Page 4.

Given the significance of this proposal for us, the broader industry as well as households and businesses as end-users, we thought it was important to spend time discussing it. And while we know there is interest in having us quantify the expected impact of this proposal and a lot of granular detail, it's important to start by asking why the proposed increase is so large given the repeated statement over time by policymakers that banks are well-capitalized and well-positioned to deal with stress. Given that context, the absence of detailed analysis supporting a capital increase of this magnitude is disconcerting and there's a lot that does not make sense to us.

Starting with RWA. We've already said we expect the firm's RWA to increase by around 30% or \$500 billion, which results in capital requirements increasing by about 25% or \$50 billion. One immediate thing to point out is that at 4.5% GSIB, a \$500 billion increase in RWA requires \$22.5 billion of additional capital with no change in our systemic risk footprint. Excuse me. We've been on the record for a long time that GSIB was

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conceptually flawed and misscalibrated originally. Since implementation, the failure to address economic growth despite the Fed themselves acknowledging this problem at the outset has made matters worse. And now all of those problems are being applied to an additional \$500 billion of RWA. Our view is that the combined proposals could have adjusted the surcharge levels to keep dollars of capital associated GSIB buffer constant rather than simply multiplying the RWA increase by the existing surcharges.

Another lens on the proposed increases is the introduction of RWA for operational risk and its clear overlap with op risk losses already capitalized through the Stress Capital Buffer. Although there is limited disclosure from the Fed on this point, we have estimated that we have about \$15 billion of operational risk capital embedded in the SCB based on the information the Fed does disclose. Once we capitalize for this new op risk RWA, our required capital will go up by around \$30 billion without any change to our portfolio.

Now let's turn to Page 5, which shows the impact of the actual and proposed capital rules over the last few years. Zooming out from the details of this most recent proposal, this page reminds us of what's happened since 2017. Since then, SA-CCR and the Stress Capital Buffer have been adopted and our GSIB surcharge will increase to 4.5%. So assuming the Basel III Endgame and GSIB proposals are finalized in their current form, we would see a 45% increase in our capital requirements relative to that 2017 starting point.

This illustrates again how overcalibrated these proposals are and it's not done yet. We still expect the Fed to incorporate CECL into CCAR, which will likely increase the SCB. And, of course, given the absence of a fixed to the GSIB clause, it continues to present a headwind into the indefinite future. And aside from those dynamics, there remains the long-standing issue of procyclicality in the overall capital reform [ph].

We think it's also important to point out that the agencies did actually have a choice here. While it may technically be true that the proposal is Basel compliant, Basel compliant does not mandate a 25% increase in capital requirements. Implementing the Basel III Endgame consistently with how the Europeans have by retaining credit risk modeling and also addressing the compounding effects of GSIB and SCB would have achieved Basel compliance without creating this unnecessary increase in capital requirements.

As you would expect, we will continue to engage and forcefully advocate during the comment period and beyond in a great deal of technical detail. For the purposes of this call, we wanted to make the equally important broader plans about both the level of capital increase and the flaws in the construct of the framework itself since coherent design is critical to the framework's durability over time. The current proposal exacerbates existing features that discourage beneficial scale and diversification. If it goes through as written, there will likely be significant impacts on pricing and availability of credit for businesses and consumers.

In addition, the ongoing and persistent increase in the regulatory cost of market-making for banks suggests that the regulators want dramatic changes to the current operation of the US capital markets. We believe that well-regulated market makers that are committed to deploying capital to clients on a principal basis are a critical building block supporting

the breadth, depth and resilience of the American capital markets, which is vital to the US economy. So, caution is warranted when proposing changes of this magnitude.

With that, we go to our businesses, starting with CCB on Page 6. Consumer spend growth has now reverted to pre-pandemic trends with nominal spend per customer stable and relatively flat year-on-year. Cash buffers continue to normalize to pre-pandemic levels with lower-income groups normalizing faster.

Turning now to the financial results, excluding First Republic. CCB reported net income of \$5.3 billion on revenue of \$17 billion, which was up 19% year-on-year. In Banking & Wealth Management, revenue was up 30% year-on-year, driven by higher NII on higher rates. End-of-period deposits were down 3% quarter-on-quarter. We ranked number one in retail deposit share based on FDIC data and continue to solidify our leadership position in key markets. Client investment assets were up 21% year-on-year, driven by market performance and strong net inflows as we continue to capture yield-seeking flows from our consumer banking customers.

In Home Lending, revenue was down 2% year-on-year given a smaller market. Originations of \$10.3 billion were up slightly quarter-on-quarter, but they remain down 15% year-on-year.

Moving to Card Services & Auto, revenue was up 7% year-on-year, driven by higher Card Services NII on higher revolving balances, partially offset by lower Auto lease income. Card outstandings were up 16% year-on-year due to strong account acquisition and continued normalization for both. And in Auto, originations were \$10.2 billion, up 36% year-on-year as we saw competitors pull back and we gained market share. Expenses of \$8.5 billion were up 7% year-on-year, largely driven by continued investments in staffing, primarily in front office and technology.

In terms of credit performance this quarter, credit costs were \$1.4 billion, driven by net charge-offs, which were up \$720 million year-on-year, predominantly due to continued normalization in Card. The net reserve build of \$49 million reflected a \$301 million build in Card services, primarily offset by a \$250 million release in Home Lending.

Next, the CIB on Page 7. CIB reported net income of \$3.1 billion on revenue of \$11.7 billion. Investment Banking revenue of \$1.6 billion was down 6% year-on-year. IB fees were down 3% year-on-year and we ranked number one with a year-to-date wallet share of 8.6%. In advisory, fees were down 10%. Underwriting fees were up 8% for debt and down 6% for equity.

In terms of the outlook, we're encouraged by the level of capital markets activity in September, and we have a healthy pipeline going into the fourth quarter. Advisory has also picked up compared to the first half, but year-to-date announced M&A remains down significantly, which will continue to be a headwind. Payments revenue was \$2.1 billion, up 3% year-on-year. Excluding equity investments, it was up 12%, driven by higher rates, partially offset by lower deposit balances.

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Moving to Markets. Total revenue was \$6.6 billion down 3% year-on-year against a very strong third quarter last year. Fixed income was up 1%, driven by an increase in financing and trading activity and securitized products as well as improved performance in credit. This was predominantly offset by currencies in emerging markets coming off a very strong quarter last year.

Equity Markets was down 10%, reflecting lower revenues across products compared to a strong prior-year quarter as activity was challenged by lower volatility. Securities Services revenue of \$1.2 billion was up 9% year-on-year, driven by higher rates, partially offset by lower deposit balances. Expenses of \$7.4 billion were up 11% year-on-year, predominantly driven by higher legal expense and wage inflation. Credit costs were net benefit of \$185 million, driven by a net reserve release of \$230 million, reflecting the impact of net lending activity and net charge-offs of \$45 million.

Moving to the Commercial Bank on Page 8. Commercial Banking reported net income of \$1.7 billion. Revenue of \$3.7 billion was up 20% year-on-year with payments revenue of \$2 billion, up 30% year-on-year, driven by higher rates, and gross Investment Banking and Markets revenue of \$821 million was up 8% year-on-year, reflecting increased M&A volume.

Expenses of \$1.4 billion were up 15% year-on-year, largely driven by an increase in headcount including front office and technology investments, as well as higher-volume related expense, including the impact of new client acquisition. Average deposits were down 7% year-on-year and 5% quarter-on-quarter, primarily driven by lower non-operating deposits as clients opt for higher-yielding alternatives.

Loans were up 1% quarter-on-quarter. C&I loans were flat, reflecting continued stabilization in new loan demand and revolver utilization. And CRE loans were up 1%, reflecting funding of prior year originations in real-estate banking as well as lower pay-off activity. Finally, credit costs were \$64 million, including net charge-offs of \$50 million and a net reserve build of \$14 million.

Then to complete our lines of business, AWM, on Page 9. Asset & Wealth Management reported net income of \$1.1 billion with a pretax margin of 31%. Revenue of \$4.6 billion was relatively flat year-on-year as higher management fees on strong net inflows and higher average market levels were offset by lower performance fees and lower NII from deposits. Expenses of \$3.1 billion were up 3% year-on-year, driven by continued growth in our private banking advisor teams and the impact of closing the J.P. Morgan Asset Management China and Global Shares acquisitions.

For the quarter, net long-term inflows were \$20 billion, positive across all asset classes led by equities. And in liquidity, we saw net inflows of \$40 billion. AUM of \$3.2 trillion was up 22% year-on-year and client assets of \$4.6 trillion were up 21% year-on-year, driven by continued net inflows and higher market levels. Finally, loans were flat quarter-on-quarter, while deposits were down 5%, driven by migration to investments, partially offset by client inflows.

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Turning to Corporate on Page 10. Corporate reported net income of \$911 million. Revenue was \$1.5 billion, up \$1.8 billion compared to last year. NII was \$2 billion, up \$1.2 billion year-on-year due to the impact of higher rates. And NIR was a net loss of \$506 million and included the net investment securities losses I mentioned upfront. Expenses of \$456 million were up \$151 million year-on-year.

To finish, we have the outlook on Page 11. We now expect 2023 NII and NII ex-Markets to be approximately \$88.5 billion and \$89 billion, respectively, with the increase driven by slower reprice than previously assumed. Consistent with what we've been saying throughout the year, while we don't know when it will normalize, we do not consider this level of NII to be sustainable.

Our outlook for 2023 adjusted expense is now approximately \$84 billion. And as a reminder, this is on an adjusted basis, which excludes legal expense. Also, remember, this outlook excludes the pending FDIC special assessment. And on Credit, we now expect the 2023 Card net charge-off rate to be approximately 2.5%, mostly driven by denominator effects due to recent balance growth.

So to wrap up, we're pleased with another quarter of strong operating results. Throughout the year, we've been pointing out the various sources of significant uncertainty. And all of those, including the geopolitical situation, economic outlook, rate environment, deposit reprice and the impact of the Basel III Endgame proposal are as prominent now as they have been in the recent past. But as always, we continue to prepare for a range of scenarios and are focused on being there for our clients and customers when they need us most.

And with that, let's open the line for Q&A.

## Questions And Answers

### Operator

Thank you. Please standby. Our first question comes from John McDonald with Autonomous Research. You may proceed.

#### Q - John McDonald {BIO 1972557 <GO>}

Hi. Good morning. Jeremy, I was wondering if you could give us a little more color on what you're seeing so far on deposit reprice and migration. What's been better than expected so far on that front? And how do you see higher for longer rates potentially impacting deposit reprice pressure?

#### A - Jeremy Barnum {BIO 15409544 <GO>}

Sure. Thanks, John. I think the themes are pretty much the same as we've seen in prior quarters. So, you know, as we talked a little bit about in the press call, we've been trying to be a little bit cautious about recognizing that we don't think the current levels are sustainable and we do think that we'll have to reprice in some pockets to some degree,

maybe tiering or whatever at some point in the future. And, of course, that hasn't happened yet this year. So, that's one factor.

In the meantime, the CD strategy is working well. We're getting -- continue to get very good feedback from the field and we're capturing money in motion. And so we're seeing, you know, the -- sort of internal migration and the associated slow increase in deposit rate paid as a result of CD migration, but that's sort of working as we would have hoped. And - and so everything is kind of playing out according to plan, I would say.

In terms of higher for longer, I think it just means that -- you know, there will continue to be upward pressure on deposit pricing both from internal migration and possibly from other effects. And at the end, as we always say, we're going to, you know, price products as a function of the competitive market environment.

**Q - John McDonald** {BIO 1972557 <GO>}

And just as a follow-on, it seems like you've done some securities repositioning last couple of quarters. How are you positioning the balance sheet in terms of cash in the securities portfolio given your outlook for rates?

**A - Jeremy Barnum** {BIO 15409544 <GO>}

Yeah. I think, I would say that, you know, while we're not predicting higher rates, I'm sure Jamie will have something to say here, we believe in being prepared for it. And that's been our position for some time. And of course that's produced good -- good results, and we continue to try to position ourselves so that neither significantly higher rates nor significantly lower rates present a particularly large challenge to the company. So probably at the margin, we're still a little bit biased for slightly higher rates.

But do keep in mind that, you know, when modeling the duration of the balance sheet, higher rates do extend the duration or rather shorten the duration on the deposit side, so that -- that can be a factor as well.

**Q - John McDonald** {BIO 1972557 <GO>}

Okay. Thanks.

**Operator**

Thank you. Our next question comes from Steven Chubak with Wolfe Research. You may proceed.

**Q - Steven Chubak** {BIO 18457976 <GO>}

Hey. Good morning. So...

**A - Jeremy Barnum** {BIO 15409544 <GO>}

Hey, Steven.

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**Q - Steven Chubak** {BIO 18457976 <GO>}

Hi. Jeremy, I was hoping to just inquire about capital markets outlook. You cited improved activity levels in September. But given persistently higher rates, geopolitical tensions and just poor performance of recent IPOs, how you're thinking about the outlook over the near- to medium-term? And how you're thinking about just the timing of an inflection in activity?

**A - Jeremy Barnum** {BIO 15409544 <GO>}

Yeah. Good question. I mean, as you know, obviously, the current levels in Investment Banking remain quite depressed, certainly relative to the very elevated levels that we saw during the pandemic, but even relative to sort of 2019, which is what you might consider the last normal year. We do eventually think we'll recover to the levels and hopefully recover to above those levels recognizing that by the time it happens, you know, that's many years of economic growth in the meantime.

And, you know, to be fair, while the current environment is a little bit complicated in mix and there are some headwinds, as you pointed out, things have improved a little bit. And I think I would say our banking team is a little bit more optimistic than they were last quarter. So it feels to me like a little bit of a slow grind with some positive momentum, but, obviously, significant uncertainty in the outlook and some, you know, structural headwinds given lower levels of announced M&A and some regulatory headwinds on that side.

**Q - Steven Chubak** {BIO 18457976 <GO>}

Thanks for the color. And just for my -- my follow-up on some of the regulatory commentary you provided. Certainly, a lot of helpful color in the slide. So thank you for that. If the proposal were to go through as written, what proportion of the inflation do you believe can be mitigated over time? And I was also hoping you could provide some context as to the quantum of how you think CECL inclusion could potentially impact the SCB and CCAR.

**A - Jeremy Barnum** {BIO 15409544 <GO>}

Yeah. Those are all good questions, Steve. I think it's probably too early to try to provide that level of quantification on either front. If I start, first, with the Basel III Endgame proposal, from our perspective, we're, you know, currently focused on advocating as aggressively as possible for the necessary changes, some of which are what you might call philosophical in nature or some of the things I highlighted in my prepared remarks. But some of them are sort of very technical in nature, including things that we think might actually be mistakes in the proposal.

And so, you know, talking a lot about optimizing away stuff that might change just feels like a bit premature at this point. I would point out that given how significant operational risk RWA is as part of the proposal, that is -- you can think of that sort of as a generic tax across the entire spectrum. And it's, therefore, in some sense, non-optimizable. So we feel that it's important to manage expectations about the level of optimization that's possible once the rule is finalized and, hopefully, some of the technical items are addressed.

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Also, it depends on your definition of optimization. There's what I -- sometimes, you know, I -- I use the term costless optimization, where it's just technical fixes that don't affect revenue and don't require you to exit businesses. I think that type of optimization will be harder to find than it has been in the past. But, you know, as we pointed out, we may simply need to exit things. And, you know, that will be because it is better than the alternative, which would be to do activity that's shareholder value disruptive, but it won't be costless, you know. A good example of that is the renewable energy tax credit investment business, which, as a result of the quadrupling of the risk weight may no longer make sense. Now that's one that we hope will be changed, but it's tricky because those are very long-duration assets. So between now and the rule is finalized, it raises some questions whether we want to put that stuff on the balance sheet.

So, sorry, a bit of a long answer. But then, yeah, on quantifying CECL and CCAR, I think we've got to wait for that one because, you know, given the relative lack of transparency that we have into the Fed's exact modeling in terms of which quarter is the peak and so on and so forth, it's a little bit hard to predict what -- what the exact impact of putting CECL and CCAR is going to be. We just know probabilistically that it will, like everything else these days, tend to push capital higher.

**Q - Steven Chubak** {BIO 18457976 <GO>}

Very helpful color, Jeremy. Thanks for taking my question.

**A - Jeremy Barnum** {BIO 15409544 <GO>}

Yeah.

**Operator**

Thank you. Our next question comes from Ebrahim Poonawala with Bank of America. You may proceed.

**Q - Ebrahim Poonawala** {BIO 17612305 <GO>}

Hey. Good morning. Just first question, Jeremy, on credit. I think you mentioned the -- some of the reserve release was tied to the change in the central scenario. So just talk to us -- remind us what the central scenario is today, what changed? And then, in terms of fundamentally on credit, like, where are you seeing softness, either on the consumer or the commercial side?

**A - Jeremy Barnum** {BIO 15409544 <GO>}

Yeah. So on the central scenario, you should read the research that gets put out by our competitors and our excellent research team. Now, but in all seriousness, I think our US economists had their central case outlook to include a very mild recession with, I think, two-quarters of negative 0.5% of GDP growth in the fourth quarter and first quarter of this year. And that then got revised out early this quarter to now have sort of modest growth, I think, around 1% for a few quarters into '24.

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So, just flowing that through our process while acknowledging that we're still skewed to the downside, we're still reserved to a significantly higher unemployment rate on a weighted-average basis than is in the central case outlook. So that number would be sometimes giving you this 5.5% this quarter. So it's really not much more complicated than that. We're just kind of following the process.

And I think your other question was where -- where am I seeing softness in credit? And I think the answer to that is actually nowhere roughly or certainly nowhere that's not expected, meaning we continue to see the normalization story play out in consumer more or less exactly as expected. And then, of course, we are seeing, you know, a trickle of charge-offs coming through the office space. You see that in the charge-off number of the Commercial Bank, but the numbers are very small and more or less just the realization of the allowance that we've already built there.

**Q - Ebrahim Poonawala** {BIO 17612305 <GO>}

That's helpful. And just going back to the details you laid -- laid out on Basel Endgame. Maybe on the philosophical side, I think, Jamie was speaking last month, said, doesn't -- we don't expect any changes, but at the same time, you make everything that makes sense in terms of the pushback. Is it all falling on deaf ears from a shareholder perspective? Are we resigned to the fact that we are going to see more towards the worst-case outcome play out? Or is -- is -- is there -- is there some level of sort of meeting in the middle of the road as this thing gets finalized?

**A - Jeremy Barnum** {BIO 15409544 <GO>}

Yeah. So I'll let Jamie speak for -- for himself on that point. But, you know, our job is to advocate. We're not going to guess what the sentiment is in Washington. It's a 1,000-page rule proposal, as you know. We've got a big team of very smart people studying it very closely. You know, interestingly, we -- we noted recently that in some of the analysis that they did about the impact on lending, they sort of forgot about like \$1 billion of the Fed and their preamble, they forgot about \$1 billion of operational risk RWA. So it just highlights that there is a possibility or seem to have forgotten. They simply omitted the impact of the operational risk RWA on fees.

So anyway, the point is, it's long, it's complicated, it's technical. We do think there are probably some technical mistakes and they're -- cannot forcefully advocate on all of those. And, you know, while we disagree with a lot of this stuff, these are technical issues that should be, in some sense, resolved technically. And, you know, hopefully, they'll listen.

**Q - Ebrahim Poonawala** {BIO 17612305 <GO>}

Got it. Thank you.

**A - Jeremy Barnum** {BIO 15409544 <GO>}

Sorry, I'm just getting a correction in the room. I meant to say \$1 trillion.

**Q - Ebrahim Poonawala** {BIO 17612305 <GO>}

Yeah. No, I -- I got that. I got the \$1 trillion. Yeah. Thanks.

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**A - Jamie Dimon** {BIO 1484062 <GO>}

We're talking about expecting.

**A - Jeremy Barnum** {BIO 15409544 <GO>}

And so that BPM [ph] was something added on it.

**Q - Ebrahim Poonawala** {BIO 17612305 <GO>}

BP, (inaudible). Yeah. Thank you.

**Operator**

Thank you. Our next question comes from Ryan Kenny with Morgan Stanley. You may proceed.

**Q - Ryan Kenny** {BIO 20584462 <GO>}

Hey. Good morning.

**A - Jeremy Barnum** {BIO 15409544 <GO>}

Hey. Morning.

**Q - Ryan Kenny** {BIO 20584462 <GO>}

I want to dig in on the NII side. So you raised the 2023 NII ex-Markets guidance by \$2 billion for this year. So I know in -- I know your comments in the press release suggest JPMorgan's over-earning. So I just want to triangulate there. What does normalized NII look like? And do we get to normalize next year or later on?

**A - Jeremy Barnum** {BIO 15409544 <GO>}

Yeah, a couple of things. So let me do the timing question first. So we're being very clear that we are not predicting when. You know, when it's going to be a function of the marketplace and the rate environment and competitive dynamics and so on and so forth. So we're just -- really just trying to remind everyone, not bank on the current run rate, which we just don't fundamentally think are sustainable.

You'll be aware that, you know, before Investor Day last -- earlier this year, we tried to quantify what we thought that kind of normalized range might look like, and we put a sort of mid-70s type number out there. And, at Investor Day, we talked about how the acquisition of First Republic was going to push that number up a little bit, although there were some overlaps and so on and so forth.

So anyway, with the benefit of time and -- and -- you know, having everything settled in a little bit, if you sort of push us for that kind of what does that number now look like, we think it's probably closer to about 80 with all the obvious caveats that this is a guess and

we don't know when, but we're just trying to point out that it's quite a bit lower than the current run rate.

**Q - Ryan Kenny** {BIO 20584462 <GO>}

Got it.

**A - Jamie Dimon** {BIO 1484062 <GO>}

Inside the company, some people think it will happen sooner, i.e., me. Some people think it will happen later, i.e., Jen and Marianne and Jeremy.

**A - Jeremy Barnum** {BIO 15409544 <GO>}

I wasn't aware that I was in that count.

**A - Jamie Dimon** {BIO 1484062 <GO>}

Oh, actually.

**A - Jeremy Barnum** {BIO 15409544 <GO>}

But I don't know. I don't know (Multiple Speakers) opinion (inaudible).

**Operator**

Thank you. Our...

**Q - Ryan Kenny** {BIO 20584462 <GO>}

And then on the loan growth side, industry loan growth has slowed significantly this year. What demand are you seeing for loan growth across the different categories? And I know it might be too early to talk about next year, but directionally, how should we think about loan growth given where we are in the cycle and the higher capital requirements coming?

**A - Jeremy Barnum** {BIO 15409544 <GO>}

Yeah, sure. So on loan growth, the story is pretty consistent with what we've been saying all year. So we've foreseen very robust loan growth in Card, and that's coming from, you know, both, you know, spending growth and the normalization of revolving balances. As we look forward, we're still optimistic about that, but it will probably be a little bit more muted than it has been during this normalization period.

In Auto, we've also seen pretty robust loan growth recently, both as a function of sort of slightly more competitive pricing on our side as the industry was a little bit slow to raise rates. And so we lost some share previously, and that's come back now. And, you know, generally, the supply chain situation is better. So that's been supported. As we look forward there, it should be a little bit more muted.

And I think, generally, in wholesale, you know, the loan growth story is going to be driven just by the economic environment. So depending on what you believe about soft landing,

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mild recession, no lending, we have slightly lower or slightly higher loan growth. But in any case, I would expect it to be relatively muted. And of course, Home Lending remains, you know, fairly constrained both by rates and market conditions. But also, and I think this is true across the board, you know, we will be managing things actively as mentioned in light of Basel III, which may not change originations, but it will change what we retain.

**Q - Ryan Kenny** {BIO 20584462 <GO>}

Thank you.

**Operator**

Thank you. Our next question comes from Gerard Cassidy with RBC. You may proceed.

**Q - Gerard Cassidy** {BIO 1505265 <GO>}

Good morning, Jeremy. How are you?

**A - Jeremy Barnum** {BIO 15409544 <GO>}

Hey, Gerard.

**Q - Gerard Cassidy** {BIO 1505265 <GO>}

Jeremy, you guys have put up a really strong ROTCE number of 22% for the quarter. And when you dive into your different segments, what really jumps out at us is the 40% ex-First Republic ROE in Consumer & Community Banking. I know you and Jamie have talked about your over-earning on Credit. We get that. But in view of all of these fintechs and all these other non-bank competitors that were all supposed to pick away at everybody's market share, you guys have put up great numbers here. What's the drivers behind an ROE? Even when you take that credit over-earning out, what's driving this business profitability at such high levels?

**A - Jeremy Barnum** {BIO 15409544 <GO>}

Yeah. Gerard, I'd say a couple of things there. So, first, it's not just credit, it's also deposit margin, right? So when we talk about over-earning on NII, a disproportionate amount of that is coming out of the consumer franchise for all the reasons that we've -- that we've talked about. But I would also point out, you know, sometimes we don't like the word over-earning because, you know, right now, customers are happy and they're doing CDs. And -- and the broader answer to your question about why we're able to beat effectively really comes back to, you know, a decade, two-decades-long history of investing for the future and recognizing that there is a holistic value proposition here that includes branches and, you know, the app and all the online services and the entire suite of products and services that is around this enterprise, which drives engagement and customer loyalty. And, you know, we're seeing some of the benefits of that now, although we're not complacent.

So the competition is still there. The fintechs are still there. And, you know, we know, we need to continue investing to -- to preserve the value. And, it's also true that the particular

circumstances of the current rate and credit environment mean that the earnings are a little bit above-normal, but that core franchise is extremely robust.

**Q - Gerard Cassidy** {BIO 1505265 <GO>}

Very good. And then as a follow-up, which ties into your answer on the deposit margin in Consumer, and your earlier comments, you and Jamie, about the internal debate inside JPMorgan about the migration of rates going higher on the funding side. Your non-interest-bearing deposits, I think, are around 28% of total deposits, which is slightly above the 26% you guys had back in 2018 or '19 or pre-pandemic.

Is -- is this expectation that you're going to see more of the non-interest-bearing deposits go into interest-bearing? Or is it just the repricing of interest-bearing deposits that have -- have some of your folks inside JPMorgan a little more cautious on that net interest income number?

**A - Jeremy Barnum** {BIO 15409544 <GO>}

Yeah, it's a good question, Gerard. I think it's a little bit bigger picture than that. And I'm not sure -- I get your question. It's a good question. But I'm not sure that the reported interest-bearing, non-interest-bearing split is the best one to look at this through for a couple of reasons. So first, like between wholesale and retail, you know, we've got some amount of non-interest-bearing in wholesale, that's part of the ECR product, and so you see some dynamics there that played out.

And in Consumer, you know, in a world where savings is paying a relatively low rate paid across checking and savings, the migration dynamics are probably not that different right now. But then, of course, even within Consumer, across both consumers and small businesses, you've got slightly different dynamics in terms of how people manage their operating balances. So I would tend to zoom out a little bit and see this as a holistic answer that's driven by internal migration from checking earnings to CDs, from ECR to interest-bearing and wholesale. And then, you know, our potential response to the rate environment, the competitive environment, the overall level of system-wide deposits in terms of product level reprice that may or may not happen at the moment in the future.

**Q - Gerard Cassidy** {BIO 1505265 <GO>}

Great. Thank you.

**Operator**

Thank you. Our next question comes from Erika Najarian with UBS. You may proceed.

**Q - Erika Najarian** {BIO 17048573 <GO>}

Hi. Good morning. Jeremy, my first question is for you. Again, sort of maybe re-asking the question a different way. Your new guide for net interest income for this year would imply an exit run rate of \$22.9 billion in the fourth quarter. You know, as we think about the dynamics and higher for longer, you know, on one hand, your fixed-rate assets will continue to reprice, you know, on the other, you know, you've been asked a lot about the

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deposit dynamics that could continue to creep higher. How do think about those puts and takes as we think about that, you know, relative to that exit rate of \$22.9 billion in the fourth quarter?

**A - Jeremy Barnum** {BIO 15409544 <GO>}

Yeah. So, Erika, I think the simple answer to your question is, you know, those -- I believe that fourth quarter exit number equates to a \$90 billion run rate ex-Markets. And we're kind of saying that (Multiple Speakers). Yeah, it's not what I meant to say.

**A - Jamie Dimon** {BIO 1484062 <GO>}

She said -- she said \$22 billion.

**A - Jeremy Barnum** {BIO 15409544 <GO>}

Oh, I didn't hear that. Okay. Anyway, model that way. So call it -- call it \$90 billion run rate on an exit rate basis and we're saying that we think, you know, something a bit more normal is closer to \$80 billion. So that's one building block. Underneath that, I think one thing that's interesting actually is that, as the percentage of the deposits, which our CDs increases, the sort of balance between internal migration and betas and rate and volume, it's a little bit less binary and a little bit smoother. So, you know, when we look at this type of stuff and we model migration, balances, product level reprice, you know, as you get out of that lower zero bound with 0% CD mix world, things get a little bit smoother, I would say, overall.

So it will be interesting to watch that, but -- now it's, obviously, one of the most important things for us as a company right now. And we do everything we can to manage it, but it's also worth remembering that the big picture point is just the client franchise. And we've often said, we're very focused on primary bank relationships. And we didn't lose any of those in the last cycle, we're not planning to lose any in this cycle. And that's what sort of a long-term focus means for us.

**A - Jamie Dimon** {BIO 1484062 <GO>}

And I would just say quantitative tightening there. That -- that -- that will be a large number, and we don't exactly know the effect where, you know, wholesale, consumer as -- you know, remember, also the Fed has the RRP program, which is also sucking money into the Fed directly, you know, reducing deposits. That's still a \$1 trillion, too.

**Q - Erika Najarian** {BIO 17048573 <GO>}

Thank you. And my second question is on, you know, maybe zooming out on the Basel III Endgame impacts, you know, it's clearly complex, overly complex and I completely agree with you that it is unnecessary at this point and very backward-looking. I guess what is not complex is the fact that you generated 75 basis points of CET1 this quarter while your RWAs are down. And I guess my question here is, is that -- I understand that we're in the public advocacy process. I hear you loud and clear in terms of how this could have harm in terms of pricing for Main Street and, you know, dislocating the pipes in American capital markets.

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But for JPMorgan, you know, this change your natural return profile of 17%. Jamie, I know, you lingered a little bit on 14% when you were at Barclays in September. But, you know, at the end of the day, it feels like, you know -- you know for your -- for the portfolio managers that own JPMorgan through the cycle, this Basel III Endgame really harm your natural earnings power and returns.

**A - Jeremy Barnum** {BIO 15409544 <GO>}

Yeah. Okay. That's a good question, Erika. I think, there's a couple of pieces in there. So let me take the most important piece first, which is the 17% through the cycle target. Are we keeping that or not in light of the Basel III Endgame proposal? So short answer is, we're not going to change that number today. But, when you look at what we've disclosed about a 25% increase in capital, it's not -- you have to start by acknowledging that, that is a major headwind to returns. In simple terms, you know, you talk about earnings power and returns, but they're two different things, right? We have to be a little bit pedantic and do numerator, denominator here.

Okay. So say the numerator doesn't change, if you just dilute down the numerator by the increased capital, that's a significantly lower return number. I would say that, that's probably the lower bound in terms of the -- of the -- of the impact of the Basel III Endgame for a couple of reasons. One is, we are hoping for changes. Two is, once the rule is final, we will seek to reprice in the places where we can and that will be different in consumer and in wholesale. Some of it will be product level, some of it will be relationship level. But, you know, that hopefully can mitigate some of it.

But, of course, the flip side of that is that's cost getting passed into the real economy, and that's part of the point that we've made about lowering availability of products and services and lending. There may be some opportunities for costless optimization. I'm personally a little bit more pessimistic about those, but we surprised ourselves on those points in the past. So we'll see.

And then finally, yeah, we may stop doing certain things, and we may exit things. But I wouldn't necessarily assume that that's going to do a lot to preserve returns at the 17%. That's going to be about exiting things that are, you know, shareholder-disruptive, but not necessarily producing much higher returns, if you know what I mean. So that's that.

And then the other part of your question implicitly was talking about organic capital generation, and I think it's just very important to separate impacts on the economy and impacts on long-term returns from our ability to meet the requirements. Of course, as Jamie always says, JPMorgan is going to be fine. And we're building a lot of capital, and we were managing capital conservatively. And, you know, we'll be able to build the necessary capital in order to achieve on-time or early compliance, which is always what we strive to do. But that doesn't really have any particular bearing on the question of what the long-term return target is or the impacts on the real economy.

**Q - Erika Najarian** {BIO 17048573 <GO>}

Got it. Thank you.

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## Operator

Thank you. Our next question comes from Glenn Schorr with Evercore ISI. You may proceed.

### Q - Glenn Schorr {BIO 1881019 <GO>}

Hi. Thank you. So, I -- I -- I very much appreciate the comments in -- in -- in the release on the big picture things of what's going on in the world that -- and the potential impact on markets on crude market, global trade, everything that you mentioned. And sadly agree about the most dangerous time in decades.

The question I have is, does it surprise you that markets are hanging in that you -- you yourself have green shoots or still green shoots type of mindset about banking while that's going on? And then maybe more importantly, if you believe what -- obviously, what you wrote, what are you doing about it? How do you manage yourself conservatively? How do you prepare for tougher times?

### A - Jamie Dimon {BIO 1484062 <GO>}

Yeah. Go ahead, Jeremy.

### A - Jeremy Barnum {BIO 15409544 <GO>}

Do you want to start? Okay. So I mean, on green shoots, you know, you'll just note that our comments are cautious. I mean there is momentum. I do think we are a little bit more optimistic than we were. But, obviously, markets have been bumpy, both equity markets and rate markets have been very whippy recently. So, you know, we don't want to get too carried away with optimism here. We are coming off a very low base and so there is a hope and an expectation that we are on the path to normalization and -- and -- and improvement. And, of course, the overall economic picture, at least currently, looks solid. There sort of immaculate disinflation trade is actually happening. So those are all reasons to be a little bit optimistic in the near term, but it's tempered with quite a bit of caution.

### A - Jamie Dimon {BIO 1484062 <GO>}

So I would add question, there has been an extraordinary amount of fiscal monetary stimulus still in the system. And -- and you can't look at -- and of course, it can drive markets and sentiment and sales and profits and all that, but it can't stay like this forever. Between, you know, Q2, which you've never had -- and how much the fiscal stimulus is going to continue at this rate before you have kind of the crowding out kind of factors. So I just -- I think you have to be very cautious.

And of course, the dealer policies, I think, is just an extraordinary issue we have to deal with. How do you prepare the company for that? You know, we -- we do 100 stress tests a week, you know. And we do multiple views of it, you know, including geopolitical problems or interest rate problems. But usually, geopolitics presents itself as, usually, as a -- as a deep recession or a mild recession, a recession part of the world or markets going down a lot. And you know, because markets do well is not a reason ever to say they're going to continue to do well.

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If you don't believe me, remember 1987, 1990, 1994, the year 2000, the year 2009, and people don't predict those inflection points. I just -- but my caution is that we are facing so many uncertainties out there. You're just going to be very cautious of what you're facing.

And -- and like I said, the other thing about the green shoots regardless of that, we try to run the company so that we serve the clients day in and day out with better products and better services, securely, safely, and all those things. And that's the ultimate goal. We know there are going to be bad times. That's not a surprise as there are going to be bad times. I don't always know how they're coming and where they're coming from, but we keep on serving clients. Those are some clients you can build a good business kind of separate from what it does to your returns. That's a slightly different issue at this point. But, you know, we'll deal with that, too, when we figure out what to do.

**Q - Glenn Schorr** {BIO 1881019 <GO>}

Thank you for all that. We're good.

**A - Jeremy Barnum** {BIO 15409544 <GO>}

Thanks, Glenn.

**Operator**

Thank you. Our next question comes from Mike Mayo with Wells Fargo Securities. You may proceed.

**Q - Mike Mayo** {BIO 1494617 <GO>}

Hi. I understand the NII strategy benefited from First Republic asset sensitivity, CD strategy, money in motion. And I'm curious to how much is the NII increase and the deposit benefits a function of the 67 million digital banking customers. Do you have more digital banking customers and branch customers now? If you can just refresh that?

And then a more general question, I guess, the first one for Jeremy, and the second one for Jamie. You know, you have record tech spend. What's the benefit of having record tech spend? If you can kind of mark-to-market your thoughts there as it relates to AI, as it relates to maybe weighted spending, your -- your outlook for next year? And does it really help to be the biggest tech spender of the banking industry?

**A - Jeremy Barnum** {BIO 15409544 <GO>}

Yes. Let me do digital banking, Mike. I spent some time on this actually a couple of weeks ago. And it's interesting to note the sort of extent to which the growth in digitally engaged consumers is higher than the overall growth in consumer accounts, meaning that we're continuing to increase the percentage of our consumers that are digitally engaged. And it sort of goes back to my prior point about...

**A - Jamie Dimon** {BIO 1484062 <GO>}

But the percent who are digital only is much lower than that.

## A - Jeremy Barnum {BIO 15409544 <GO>}

For sure. For sure, which actually links to the broader point that, you know, what -- in terms of your question about how much is this helping the current NII story, it goes to the larger point of it holistic, through the cycle, multichannel, fully engaged customer strategy, which requires a lot of investment in branches, obviously, but also in digital services of all sorts. So in many ways, you know, you can see the current environment as -- as a little bit of a payoff of that investment, but that's not like, therefore, we stop investing, obviously. So I guess, that's part of the answer.

And, I guess, your other question is, you know, the benefits of being the biggest tech spender. I just think like it's sort of mandatory, right? I mean, we're big and it's a very technology-centric business, and the world is competitive, and everything is changing. The younger generations have different expectations, and we have to be nimble and we have to be on our front foot. And otherwise, you know, we risk getting severely disrupted.

So, I don't know if Jamie wants to add anything.

## A - Jamie Dimon {BIO 1484062 <GO>}

Just, you know, the competition when we look at it is, it's wells, you know, always coming back, which I'm happy for you guys. It's -- it's, obviously, Marcus [ph], it's Apple, it's Chime, it's Dave. It's -- you know, a lot of people coming up with these businesses in different ways. There are some who have been quite successful. It's stripe in -- in payments.

And so, you know, we want to be very good and very competitive. Some of that tech spending is things which are almost (inaudible) not, which is cyber security, you know, data center resiliency, regulatory requirements and things like that, which we simply are going to do and be -- be very, very good at to protect the company.

## Q - Mike Mayo {BIO 1494617 <GO>}

As it relates to AI specifically, which is the talk of the town, I guess, the consensus among people outside the banking industry is that banks will not win that battle, including JPMorgan. You won't control the front end. What are you doing with AI to make a difference now? Or is this just simply a moonshot?

## A - Jamie Dimon {BIO 1484062 <GO>}

Well, I -- I don't agree with that statement. You know, banks have an extraordinary amount of proprietary data in addition to when you do like a large language model, that's public data, it's got -- you know, looking at everything in the Internet or everything that's ever been published or something like that. But AI is an extraordinarily good tool to use. You know we just put a woman who is running at our table. So it's data analytics, AI, et cetera.

And there are multiple types of AI. So we use AI for risk, broad marketing, prospecting. And the management team is getting better and better and say, how can we use data to do a better job to reduce errors, to serve clients better, to have a salesperson have, you know, co-pilots. They know why even the client's calling us something like that. And so,

you know, we simply have to do it. Does it create opportunity for disruptors to come in? Yeah, of course. You know, that's always been true in technology and -- but we'll -- we'll be quite good at it.

**Q - Mike Mayo** {BIO 1494617 <GO>}

And then lastly, I think you had made a mention at a conference about investment spend or tech spend over the next year. Where do you stand on that?

**A - Jeremy Barnum** {BIO 15409544 <GO>}

Yeah. No, because you did ask a little bit about the expense outlook for next year. So I think, at the conference, we said I think the consensus was \$88 billion, but we're still going through the budget process, et cetera, et cetera. So that's still true. I think we're still kind of in the ballpark, but I would say at the margin, there's going to be a little bit of upward pressure.

**A - Jamie Dimon** {BIO 1484062 <GO>}

That's First Republic, too, or no?

**A - Jeremy Barnum** {BIO 15409544 <GO>}

Yeah. This is all now including First Republic. And I think there'll be a little bit of upward pressure on that as we sort of do our usual thing and look at all the opportunities that we see and the investments that we want to make. So, no surprise in that sense that we're going to invest prudently. Nothing dramatic, but probably a little bit of upward pressure on the margin.

**Q - Mike Mayo** {BIO 1494617 <GO>}

All right. Thank you.

**A - Jamie Dimon** {BIO 1484062 <GO>}

Thank you.

**Operator**

Thank you. Our next question comes from Jim Mitchell with Seaport Global. You may proceed.

**Q - Jim Mitchell** {BIO 1972127 <GO>}

Hey. Good morning. Jeremy, do you think there's any receptivity among regulators regarding the double counting, not only of operational risk, but I think you alluded to this earlier in the -- in the Markets business, but there's clearly double counting and market risk in the trading book. Is there any receptivity?

**A - Jamie Dimon** {BIO 1484062 <GO>}

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Can I -- can I just answer real quickly? We don't really know. It's a one side of the conversation generally. You know, they say put in your comments. They'll say everyone's going to put in extensive comments kind of like you heard from Jeremy, and we don't really know. We don't really know what's going on inside the Fed, how many people get involved. My view it's become a very politicized process as opposed to, you know, the technical analysis, I think, is required to do it exactly right. So we'll see.

**Q - Jim Mitchell** {BIO 1972127 <GO>}

Okay. And then, if it weren't to change, and you talked about the negative -- potential negative impact on liquidity in the Markets business, specifically. Is -- is that a JPM pulling out of certain businesses type of event? Or is that -- is it more a comment that there'll be fewer providers of liquidity as less-scaled players exit? And maybe that's all else equal, a market share gain opportunity for JPMorgan in a smaller business?

**A - Jamie Dimon** {BIO 1484062 <GO>}

I think -- so if you look at Markets alone, it's a huge, I think, 60% increase in capital. And if you look at it, you can do that by product, you know, for some products it's worse than for others. But generally, it's bad across all products. And market make -- but the really important thing is market making is a critical function. And if you look at the world, only so many large market makers who can make markets for governments, hospitals, cities, schools, states, IMF, World Bank, BlackRock, Blackstone and all those various things you buy and sell for their clients in size.

And market makers have a different function than hedge funds, you know. And -- and, I don't know what the real intent was with this. But this is another one, I think, needs to be really thought through. What are you trying to accomplish? You know, we do market making quite safe. You know, we've never lost the kind of money that people talk about in market making in the global market shock or something like that. But the other thing about market making, I do agree, it could actually force some people out. It will force lower positions, which is why I think it's a little risky, but it may also force more consolidation.

And -- and so, clients, you know, since they need it so much, they -- there may be consolidation in unintended way in market making, and obviously, more volatile markets because, you know, with all the constraints for the LCR, SLR, capital, et cetera, you will constantly be up against limitations on what you can do.

**A - Jeremy Barnum** {BIO 15409544 <GO>}

Yeah. And I think that last point of Jamie's is particularly important because, sure, if you want you can -- you can construct as what I would consider a very optimistic argument that, you know, the higher cost of doing business will lead smaller-scale players to exit, and that's a share gain opportunity for us. But if I refer back to the comments about the disincentives to beneficial diversification and scale, getting bigger, especially in Markets, it's quite expensive from, for example, a GSIB perspective. And so you wind up kind of hemmed in on all sides, which is one of the reasons why we're sort of highlighting that it does seem like, you know, the only way out sometimes when you look at the cumulative effect of everything that's happened in markets over the last 15 years is a fundamentally very different system. And, you know, well, obviously...

**A - Jamie Dimon** {BIO 1484062 <GO>}

Great -- great opportunity for European market makers. I mean, a great opportunity, like they can do repo and FX and swaps and credit and stuff, you know, with 30% less capital. That is a big difference in, you know, that kind of business.

**Q - Jim Mitchell** {BIO 1972127 <GO>}

Right. That's helpful. Thanks.

**Operator**

Thank you. Our last question comes from Matt O'Connell -- O'Connor, excuse me, with Deutsche Bank. Your line is open.

**Q - Matt O'Connor**

All right. Good morning. You talked about increased investment spend in some areas in response to an earlier question. But just how do you think about cost control overall, looking at the medium-term? You know, the outlook for revenue is obviously, you know, pressured at least, on net interest income. Fees might help, but the backdrop is for potentially declining revenue or at least flattish revenue for a couple of few years. So I know you always say you want to invest for the cycle, and it's -- it's really paid off over time. But how are you thinking about cost control in the next few years?

**A - Jeremy Barnum** {BIO 15409544 <GO>}

Yeah. I mean, I wish I had sort of an answer that fit better into your framework, but in some fundamental sense, we just kind of don't agree with the framework in the sense that -- you know, and we've been through this over the last couple of years, right? In a world where rates drop very suddenly and recover like quite dramatically, and credit becomes abnormally good and then rebounds, and you see these very significant fluctuations in capital markets. You know we saw that 2021 going into 2022, where the revenue environment can change a lot in the short-term for reasons that can be largely out of your control. And while, of course, there are parts of our expense base, which are in the short-term directly sensitive to the revenue environment, and some of those adjust naturally and some of them we adjust more forcefully as a function of volumes.

But other things are much more structural. And the goal is to make sure that those other things are sized appropriately to what we believe sustainable through cycle returns are. So we're always very focused on cost. You can be rest assured of that. That discipline internally is as aggressive as ever as we go through the budget cycle. But they're long-term plays. And -- and you really shouldn't expect us to see trying to generate cosmetically lower cost in response to a lower revenue environment, where we didn't balloon the cost when the revenue became, you know, as we've argued, unsustainably high.

**Q - Matt O'Connor**

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Yeah. Fair enough. And then if I could just squeeze in on First Republic. You know, obviously, the contribution there is coming in multiples higher-than-expected. How do you think about the puts and takes in terms of -- I think, there's probably some runoff of loans still to come, but also opportunities to deepen the relationships there?

**A - Jeremy Barnum** {BIO 15409544 <GO>}

Yeah. So you're right about the contribution and about the runoff loans. And it is, you know, notable the net income, the First Republic-related net income that we printed this quarter. So the first thing to say is that we don't think that, that First Republic-related net income number from this quarter is a sustainable indicator of the future run rate. Some of the same dynamics that we just talked about, in particular, over-earning on deposits are sort of above-normal deposit margins also apply to the First Republic franchise to some degree. So we would expect that to normalize.

And probably, more significantly, as I think you alluded to, we do have some accelerated pull to par on some of the commitments that we took on at a fair value discount as part of the acquisition. And so that's a short-term tailwind in the revenue that will -- that will come out of that, you know, over the next few quarters.

And, yeah, in terms of how it's going overall and deepening the relationships, that remains a focus, and I think more of that will happen as we continue the integration and we continue stabilizing. And, yeah, I think, as I said, I think, on the press call, things are going well, arguably a little bit better than we had sort of modeled as part of the acquisition. And, you know, we're happy to see that.

**Q - Matt O'Connor**

Okay. Thank you very much.

**Operator**

Thank you. There are no further questions.

**A - Jamie Dimon** {BIO 1484062 <GO>}

Okay. Folks, thank you very much.

**Operator**

Thank you for participating in today's conference. You may disconnect at this time.

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