

Earnings Call Sentiment Divergence Analysis Report

JPM Analysis Results

Year: 2022, **Quarter:** 1

Analyst Question (Sentiment: Negative): Maybe the last quickie on credit is just with everybody having a job and there's wage inflation and excess cash, are there any buckets of the income that you're seeing the early-stage delinquencies picking up?

Management Answer (Sentiment: Neutral): In short, no. It is an interesting question as you look across our customer base, particularly in Card, and sort of the heavily debated question of real income growth and gas prices and what's that doing to consumer balance sheets. And so we're watching that, especially in the kind of LMI segment of our customer base, but right now we're not actually seeing anything that gives us reason to worry.

Explanation: The analyst's negative sentiment stems from concerns about potential early-stage delinquencies due to wage inflation and excess cash, while the management's neutral response indicates they are monitoring the situation but not currently seeing any worrying trends. The risk area to focus on is the potential impact of wage inflation and excess cash on early-stage delinquencies, particularly in the LMI segment of the customer base.

Year: 2022, **Quarter:** 2

Analyst Question (Sentiment: Negative): Yeah. I think the only other thing is just Market revenues are a lot weaker, right? I mean the Market outlook is worse, and so we know you had structural spending. So when all else equal that'd be a little bit less then.

Management Answer (Sentiment: Neutral): Yes. That's very performance-based too. And again, Mike, the way I look at it a little bit, in 15 years the global GDP or 20 years the global GDP, global financial assets, global companies, companies over \$1 billion, will all double. That's what we're building for. We're not building for like 18 months.

Explanation: The analyst expresses a negative sentiment due to concerns about weaker market revenues and a worsened market outlook, while the management maintains a neutral stance, focusing on long-term growth and the company's strategic positioning. The contrast arises from the analyst's short-term perspective on current market conditions versus the management's long-term growth outlook. Risk areas to focus on: Market volatility, revenue growth, and the company's ability to adapt to changing market conditions.

Year: 2022, **Quarter:** 3

Analyst Question (Sentiment: Negative): Hey. Good morning. Hey, Jeremy. At the Investor Day, you noted that expense growth in 2023 would slow from this year's level and might be slightly higher than consensus expectations at the time. So, is that – now that you get closer to next year, does that still hold? And if the economy does get worse than expected, is there some levers to pull? Or is it just still investing heavily, regardless?

Management Answer (Sentiment: Neutral): Yeah. Thanks, Jim. So, broadly, yes, it still holds. No real change on the outlook. Just to remind everyone, at Investor Day, I think the consensus was \$79.5 billion for 2023. We said you were a little low. I think it got revised up to sort of the \$80.5 billion or something like that, and that's now still roughly in the right ballpark. Obviously, we're going through our budget cycle. We're looking at the opportunity set and the environment set for next year, so it's not set in stone. But broadly, on the question of investment, and I'm sure Jamie will agree here, that our investment decisions are very much through-the-cycle decisions. And so, we're not going to tend to change those just because of a sort of difference in the short-term economic environment. Of course, the volume and revenue-related expense can fluctuate as a function of the environment, as you would expect.

Explanation: The analyst expresses concern about potential expense growth slowing and the company's ability to adjust its investment strategy in a worsening economy, while management maintains a neutral stance, indicating that their investment decisions are long-term and not easily altered by short-term economic changes. The risk area to focus on is the company's ability to manage expenses and investments in response to economic fluctuations.

Year: 2022, **Quarter:** 3

Analyst Question (Sentiment: Negative): And just to follow up on Jamie's comments about not annualizing the fourth quarter, is that where the risks lie to annualizing the fourth quarter? What are some of the puts and takes – you said it might be down a little bit from that fourth quarter annualized.

Management Answer (Sentiment: Neutral): Yeah. Look, I've already mentioned you have a rapidly changing yield curve, deposit migration. Everyone does EaR differently. So, one is lag. One is we assume deposit migration; some people don't. Our ECR is included in there; some people don't. And all of that. I just think for your models, because of all that kind of stuff, just use a number less than annualized in the \$19 billion. So, instead of \$76 billion, use a number like \$74 billion. And I just keep it as simple as possible. And we don't know. We hope to beat that, but with all the stuff going on, you just got to be a little cautious and conservative.

Explanation: The analyst expresses concern about the potential risks associated with not annualizing the fourth quarter, implying a negative sentiment due to uncertainty in earnings projections. In contrast, management adopts a neutral stance, acknowledging the complexities of yield curve changes and deposit migration, and advises using a conservative estimate for the ECR, reflecting a cautious approach to the uncertain financial environment. Risk areas to focus on: Yield curve changes, deposit migration, and conservative earnings estimates.

Year: 2022, Quarter: 4

Analyst Question (Sentiment: Negative): Good morning. I guess maybe, Jeremy, just following up on the credit assumptions underlying – if you could give us a sense of what's assumed in that reserve ratio at the end of the year, be it in terms of the unemployment rate, and your outlook around just a lot of chatter around commercial real estate, the struggles to reprice in the current rate backdrop. Are you concerned about that? Are you seeing pain points in CRE customers given what's happening with cap rates and then just overall backlog today?

Management Answer (Sentiment: Neutral): Sure. Let me just do CRE quickly, Ebrahim. As you know, our sort of multi-family commercial term lending business is really quite different from the classic office type business. Our office portfolio is very small, Class A best developers, best locations. So the vast majority of the loan balances in Commercial Real Estate are that sort of affordable multi-family housing, commercial term lending stuff, which is really quite secure from a credit perspective for a variety of reasons. So we feel quite comfortable with the loss profile of that business. And so then you were asking about the assumptions in credit overall. So, as I said, the central case economic forecast has a mild recession, and if I remember correctly, unemployment peaking at something like 4.9%. The adjustments that we make to the scenarios to reflect slightly more conservative outlook have us imply a peak unemployment that's notably higher than that. So I think we have appropriately conservative assumptions about the outlook embedded in our current balances. And the trajectory that we've talked about in the presentation, they definitely can capture something more than a very mild soft landing. But, of course, it wouldn't be appropriate to reflect a full-blown hard landing in our current numbers since the probability of that is clearly well below 100%.

Explanation: The analyst expresses concern about potential credit risks and the impact of economic conditions on commercial real estate (CRE), while management provides a neutral response, emphasizing the security of their multi-family commercial term lending business and their conservative credit assumptions. The sentiment divergence arises from the analyst's focus on potential pain points and economic challenges, while management downplays these concerns by highlighting the stability of their loan portfolio and their conservative economic outlook. Risk areas to focus on to the regulator include the potential impact of a mild recession on CRE, the ability of the bank to manage higher unemployment rates, and the resilience of their loan portfolio in a challenging economic environment.

Year: 2022, Quarter: 4

Analyst Question (Sentiment: Negative): That's correct, Jeremy. And just in terms of any lending, obviously, so many of these companies have seen their valuations come down considerably. Is there any elevated risk lending to some of these companies considering the struggles they're having?

Management Answer (Sentiment: Positive): Yeah. I mean, I think that's a risk that we manage quite tightly as a company, our exposures to the sort of non-bank financial sector, broadly defined. And of course, as – we thought a little bit about what normalized Wholesale charge-offs could look like through the cycle. They're obviously higher than effectively zero, which is what we have now. But we feel confident with our credit discipline and what we have on the books.

Explanation: The analyst expresses concern about the potential for elevated risk lending due to the struggles of companies, while management reassures that they manage lending risks tightly and are confident in their credit discipline. The sentiment divergence arises from the analyst's focus on the current struggles and potential risks, while management emphasizes their proactive risk management and confidence in their credit processes. Risk areas to focus

on: Evaluate the company's credit discipline and risk management practices, especially in relation to non-bank financial sector exposures and the potential impact of higher charge-offs.

Year: 2022, **Quarter:** 4

Analyst Question (Sentiment: Negative): Good morning. How are you guys thinking about managing the securities book given the outlook of lower deposits? Obviously, the yield curve is quite inverted depending on what part you're looking at or most parts, frankly. And then at the same time, the securities book is cash flowing a lot less than it was a couple years ago, just given the rate environment.

Management Answer (Sentiment: Neutral): Yes. Remember, the securities book is an outcome of investing in basically excess deposits. And you have like \$2.4 trillion of deposits and \$1 trillion of loans and things like that. And we manage it to manage interest rate exposure, all these various things. And then when you say the size of it, we forecast – which I'm not going to give you the numbers – we forecast every quarter what we're going to buy, what we're going to sell, how much is coming in, how much we need for liquidity, and we adjust it all the time based upon deposits coming down and loans and stuff like that. Obviously, what you get to invest in is at much higher rates today. And you see JP Morgan's loss in the HTM loan book as a percent is much lower than most other people. We're kind of conservative there, too.

Explanation: The analyst expresses concern about the impact of lower deposits and an inverted yield curve on the securities book's cash flow, while management maintains a neutral stance, focusing on their strategy to manage interest rate exposure and liquidity. The analyst's negative sentiment stems from the potential financial strain on the securities book due to lower deposits and a less favorable yield curve, while the management's neutral sentiment reflects confidence in their ongoing adjustments to the securities book based on market conditions. Risk areas to focus on: The regulator should monitor the bank's ability to manage interest rate exposure and liquidity in the face of lower deposits and an inverted yield curve. Additionally, the regulator should assess the bank's conservative approach to the HTM loan book and its impact on overall financial stability.

Year: 2022, **Quarter:** 4

Analyst Question (Sentiment: Negative): I guess a bigger picture question – we've seen such a drop in really 5, 10-year part of the curve and even further out. And banks aren't really buying; instead they're selling. And I guess I was wondering if you had thoughts on who's buying and what's driving the rates so much lower than most people think they should be at.

Management Answer (Sentiment: Neutral): Yeah, we do. But you should read – get the analyst reports to get that. We look at what everybody's doing: pension plans, governments. We look at every part of the curve. We look what other banks are doing. I think I already mentioned earlier in this call, banks are in different positions. Some may have to sell securities to pay off their loan books. We obviously don't. So, people are in a different position. And as Jeremy pointed out, it's very important, that yield curve will not be the same six months from now as it is today. While we use that to kind of look forward, it's not actually our forecast. We know it will be wrong. But the investment portfolio will be invested when there are opportunities. We bought a lot of Ginnie Maes when there was a 60 OAS spread. We sold – one of the reasons we take securities losses is because that gives you 10-plus billion dollars you can reinvest at what you think are more attractive securities.

Explanation: The analyst expresses concern over the significant drop in long-term interest rates and the lack of bank buying, while management remains neutral, suggesting that they are already aware of the situation and are taking a more strategic approach to their investments. The analyst's negative sentiment stems from the fear of potential financial instability, while the management's neutral stance reflects their confidence in their investment strategy and understanding of the market dynamics. The risk area to focus on is the potential impact of the current low-interest-rate environment on the bank's profitability and the effectiveness of their investment strategy in such conditions.

Year: 2022, **Quarter:** 4

Analyst Question (Sentiment: Negative): Sure. Okay. Let's drill down into NII then. I just want to square a few comments you made there, Jeremy. So, if I heard you correctly, I think you are sort of talking about sequential increases in NII, so I guess looking towards like \$20 billion plus for 1Q, maybe even 2Q. So, I guess we're hitting about \$40 billion for 1H and then a sharp drop-off as, say, deposit costs increase and maybe we get a few Fed Fund rate cuts as well. Is that the way we should be thinking about it?

Management Answer (Sentiment: Neutral): Yeah, no. So, let me uncontroversially say no there, Andrew, just for the avoidance of doubt. So, look, my comments about sequential increases were to address the sort of obvious conclusion, which you are somewhat correctly drawing from the slide, which is that, in a world where we're exiting the fourth quarter run rate at \$81 billion, or \$80 billion ex Markets or whatever, and we're telling you \$74 billion for the full year, there are obviously some sequential declines in there somewhere as a function of what plays out. We're simply saying don't project those into the future in perpetuity. Once things adjust, we will return to normal sequential growth. Does that make sense?

Explanation: The analyst expresses a negative sentiment, anticipating a sharp drop in NII due to increased deposit costs and potential Fed Fund rate cuts, while the management response is neutral, explaining that the decline is a temporary adjustment and not a long-term trend. The analyst's concern is driven by the expectation of continued negative factors affecting NII, while the management believes the decline is a short-term adjustment. The risk area to focus on is the potential impact of increased deposit costs and Fed Fund rate cuts on the bank's NII.

Year: 2023, **Quarter:** 1

Analyst Question (Sentiment: Negative): ...elevated macro uncertainties.

Management Answer (Sentiment: Neutral): Well, we've told you that we're kind of penciling in \$12 billion for this year. Obviously, capital is more than that, but – and we did a little bit of buyback this quarter. We're going to wait and see. We don't mind keeping our powder dry, and you've seen us do that with investment portfolios, and we're also going to do that with capital.

Explanation: The analyst expresses concern about elevated macro uncertainties, which could negatively impact the company's financial performance, while management maintains a neutral stance, indicating a planned capital expenditure and a cautious approach to capital management. The risk areas to focus on include the potential impact of macroeconomic factors on the company's financial health and the effectiveness of the company's capital management strategy in mitigating these risks.

Year: 2023, **Quarter:** 1

Analyst Question (Sentiment: Negative): Hi. Good morning. My first question is you mentioned that your reserve build was driven mostly by worse economic assumptions. I'm wondering if you could update us on what unemployment rate you're assuming in your reserve.

Management Answer (Sentiment: Neutral): Yeah. So, Erika, as you know, we take – not going to go into a lot of detail here – but we take the outlook from our economists, we run a bunch of different scenarios and we probability-weight those. The central case outlook from our research team hasn't actually changed, but we felt that in line with what Jamie just said in terms of a little bit of tightening as a result of the events of March, it made sense to add a little bit of weight to our relative adverse case. So we did that, which changed the weighted-average expectation. And I think that the weighted-average peak unemployment that we're using now is something like 5.8%.

Explanation: The analyst's negative sentiment stems from concerns about the bank's reserve build being driven by worse economic assumptions, while the management's neutral response indicates they have adjusted their weighted-average expectation of peak unemployment to 5.8%, reflecting a slight tightening in their economic outlook. The difference in sentiment arises from the analyst's worry about the bank's preparedness for a potentially worse economic scenario, while management believes their updated assumptions are more aligned with current economic conditions. Risk areas to focus on: The regulator should monitor the bank's ability to accurately assess and respond to economic conditions, particularly in terms of unemployment rates and their impact on reserve requirements. Additionally, the regulator should ensure that the bank's scenario analysis and probability-weighting methods are robust and transparent, and that they are effectively managing the potential risks associated with economic downturns.

Year: 2023, **Quarter:** 1

Analyst Question (Sentiment: Negative): Good morning. You guys talked about one of the drivers of the higher net interest income guide this year is due to likely higher credit card balances. And I was just wondering if you could flush out what changed there on the outlook today versus three months ago. And I guess, is it a good or bad thing that those balances will be higher than you thought?

Management Answer (Sentiment: Neutral): Yeah. So the story there is kind of the same story we've been talking about for a while. It's just a matter of degree. So we had revolving balances obviously drop a lot during the pandemic

period and then we talked about having them recover in absolute dollar terms to the same level as we'd had pre-pandemic, which I think happened last quarter. And then the remaining narrative is just the further normalization of the revolving account, because we also have seen some account growth, and that continues to happen. And so also, to Mike's question earlier, we're seeing a higher yield there as well. So, and on your question of whether it's good or bad, obviously there's a point at which the consumers have too much leverage. We don't see that yet, so.

Explanation: The analyst expresses concern about the potential negative implications of higher credit card balances, while management provides a neutral response, focusing on the recovery and normalization of revolving balances without directly addressing the potential risks of increased leverage. The analyst's sentiment diverges due to the concern over consumer debt levels, while management emphasizes the positive aspects of balance recovery and account growth. Risk areas to focus on include the potential for increased consumer debt levels and the impact of higher leverage on financial stability.

Year: 2023, **Quarter:** 2

Analyst Question (Sentiment: Negative): And then one quick follow-up to that. Your efficiency ratio this quarter is the lowest we've seen in a long, long time and I guess you're saying don't extrapolate this efficiency ratio because NII will come down at some point. But when you just simply look at – you benchmark yourself against the low-cost providers, where do you think you're there now and where can you still go because if you extrapolate this quarter, you're getting closer?

Management Answer (Sentiment: Neutral): Yeah. I mean, you said it yourself, right? You definitely can extrapolate the current numbers. But I think more broadly on benchmarking ourselves to low-cost providers, it sort of speaks to an area that you've been interested in for a long time which is all of the investment that we're doing in technology to improve generally scalability and get more of our cost base to be variable versus fixed in terms of how we respond to volumes – that's a big part of the reason that we're doing the investments that we're doing, and modernization and cloud and AI and all the type of stuff that we've talked about a lot. So I think we feel really good about our efficiency as a company, but there definitely is room for improvement.

Explanation: The analyst expresses concern about the sustainability of the low efficiency ratio, fearing that NII will eventually decrease, while management acknowledges the potential for improvement but emphasizes their ongoing investments in technology to enhance scalability and reduce fixed costs. The sentiment divergence arises from the analyst's focus on short-term performance and the management's long-term strategic investments. Risk areas to focus on include the effectiveness and timely execution of technology investments, the potential for increased fixed costs, and the impact of these investments on the company's overall financial health.

Year: 2023, **Quarter:** 2

Analyst Question (Sentiment: Negative): Morning. Jeremy, on page 4 of your presentation, you show some liquidity metrics. And there's been a meaningful deterioration, or I shouldn't say deterioration, depletion of some of that excess liquidity, obviously for First Republic primarily. So my question is how quickly do you want to rebuild that liquidity because as I look out towards 2024, there's probably a half dozen variables that are going to make liquidity a premium event – to have excess liquidity? So that's my first question. What's your plans for replenishing that liquidity?

Management Answer (Sentiment: Neutral): Yeah. Charlie, so I know we talked about this a little bit at Investor Day, right? So as I said in my prepared remarks, yeah, we think about half of the change in the bank LCR number is a consequence of First Republic and the rest of it is just the expected decrease in system-wide deposits flowing through into our HQLA balances and the bank LCR ratio. So that's all entirely as expected and therefore, I think that the replenishing notion is not correct. In fact, obviously, we still have ample, ample liquidity. Now, if you want to project trends forward, that's a different story but that's sort of the business of banking. We'll adjust accordingly in terms of our asset and liability mix across different products and to ensure compliance to the ratios and fortress balance sheet principles as you would expect from us.

Explanation: The analyst expresses concern about the depletion of excess liquidity and its potential impact on the bank's ability to manage future liquidity premiums, while management maintains that the change in the bank's Liquidity Coverage Ratio (LCR) is expected and within their control, emphasizing their ample liquidity and ability to adjust their asset-liability mix. The sentiment divergence arises from the analyst's focus on potential future risks and the need for proactive liquidity management, while management downplays the urgency and views the situation as a normal part of banking operations. Risk areas to focus on include the bank's ability to manage future liquidity events, the impact of external variables on liquidity, and the effectiveness of the bank's asset-liability mix adjustments in maintaining compliance with LCR requirements.

Year: 2023, Quarter: 2

Analyst Question (Sentiment: Negative): All right. So sort of wrapped into that as a follow-up, if you take your \$87 billion forecast for NII this year, and that implies at least one quarter of maybe \$22 billion of NII, and you take your eventual forecast of mid-\$70 billion of NII at some point in the future, that would imply at least one quarter of \$18 billion of NII so that's about an 18% drop. And if you hold the balance sheet steady, you're talking about a 30-basis point Charles W. Peabody Analyst, Portales Partners LLC Q drop in your margin, your NIM, to get from \$22 billion to \$18 billion. I mean, what is driving – is it really the deposit or are you thinking in terms of interest reversals as credit deteriorates or is it rebuilding of liquidity? I'm just trying to get a better sense of the impact is.

Management Answer (Sentiment: Neutral): Yeah. Hey, Charlie. I would think about that as being really entirely a deposit story. It's just not that complicated, right? I think we did this – I think it was either in the fourth quarter or in the first quarter – where we put a little chart on a page, just very simple terms, that shows what the dollar consequences are of whatever – like 10-basis point change in deposit rate paid in terms of NII run rate. So whether it's as a consequence of migration from lower-yielding to higher-yielding, going from 0% to a 4% CD is obviously a big impact on margin. Or whether it's because savings reprices, relatively small changes in rate there are kind of a lot of money when you've got a couple trillion dollars of deposits. So it's really not any more complicated than that and that's why we're being so forceful about reminding people about what we expect that trajectory to be.

Explanation: The analyst expresses concern about a significant drop in net interest income (NII) and its impact on the bank's margin and net interest margin (NIM), while the management maintains a neutral stance, attributing the potential decline to deposit rate changes. The analyst's negative sentiment stems from the potential financial impact of a 30-basis point drop in NIM, while the management's neutral sentiment is based on the belief that the situation is a straightforward deposit rate issue. The risk area to focus on is the bank's ability to manage deposit rate changes and their impact on NII and NIM, as well as the potential for credit deterioration or liquidity rebuilding.

Year: 2023, Quarter: 3

Analyst Question (Sentiment: Negative): Hi. Jeremy, I was hoping to just inquire about the 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 are you thinking about the outlook over the near to medium term? And how are you thinking about just the timing of an inflection activity?

Management Answer (Sentiment: Positive): Yeah. Good question. I mean, as you know obviously, the current levels in investment banking remain quite depressed; certainly relative to the elevated levels 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 those levels and hopefully recover to above those levels, recognizing by the time it happens you will have had many years of economic growth in the meantime. And to be fair, while the current environment is a little bit complicated and mixed 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 structural headwinds given lower levels of announced M&A; and some regulatory headwinds on that side.

Explanation: The analyst expresses concern about the outlook due to higher rates, geopolitical tensions, and poor IPO performance, while management remains cautiously optimistic, citing depressed but improving investment banking levels and potential recovery with economic growth, despite acknowledging uncertainty and headwinds. The risk areas to focus on include the impact of higher interest rates, geopolitical tensions, and the performance of recent IPOs on the company's financial health and growth prospects.

Year: 2023, Quarter: 3

Analyst Question (Sentiment: Negative): 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?

Management Answer (Sentiment: Positive): Yeah, sure. So on loan growth, the story is pretty consistent with what we've been saying all year. So we've, of course, seen very robust loan growth in Card, and that's coming from both spending growth and the normalization in revolving balances. As we look forward, we're still optimistic about that, but it'll

probably be a little bit more muted than it has been during this normalization period. Jeremy Barnum Chief Financial Officer, JPMorgan Chase & Co. A 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 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 the loan growth story is going to be driven just by the economic environment. So depending on what you believe about soft landing, mild recession, no landing, you 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 fairly constrained both by rates and market conditions. But also, and I think this is true across the board, we will be managing things actively, as mentioned in light of Basel III, which may not change origins, but it will change what we retain.

Explanation: The analyst expresses concern about slowing loan growth and the impact of higher capital requirements, while management remains optimistic, citing strong growth in certain segments and a more muted outlook for the future. The sentiment divergence arises from the analyst's focus on industry-wide challenges and regulatory pressures, while management highlights their specific strategies and positive performance in some areas. Risk areas to focus on include the potential impact of higher capital requirements, the sustainability of loan growth in different segments, and the overall economic environment's effect on loan demand.

Year: 2023, **Quarter:** 4

Analyst Question (Sentiment: Negative): Great. And on the flip side, in C&I, you spoke about lower revolver utilization, more muted demand. What would it take for that to rebound? Do you think it accelerates from here if rates come down or is there room for this to slow even further if the capital markets open up even more?

Management Answer (Sentiment: Neutral): Yeah. It's a good question. I mean, I think as you say, it's a little bit of a – I mean, I wouldn't necessarily say that, like, lack of debt market access in the last year, that was more of an earlier effect in terms of having that drive revolver utilization. I think the main driver there is just a little bit of residual anxiety in the C-suite, which increases as the companies get smaller in size. So, it's really going to be a function of how 2024 plays out. The softer the landing is, the more supported the utilization should be, I would think. If things turn out a little bit worse, I think management teams are going to be incrementally more cautious about CapEx and so on, and so you might see utilization even lower.

Explanation: The analyst expresses concern about lower revolver utilization and muted demand, suggesting a negative outlook, while management remains neutral, attributing the issue to residual anxiety and the uncertain economic outlook for 2024. The analyst's sentiment is driven by a fear of continued low demand and potential further decline, while management's sentiment is cautious, focusing on the impact of economic conditions on capital expenditure and utilization. Risk areas to focus on: Monitor the impact of economic conditions on capital expenditure and utilization, as well as the potential for further decline in demand and its effect on the company's financial health.

Year: 2023, **Quarter:** 4

Analyst Question (Sentiment: Negative): Just to make sure I understood what you're saying, so you have NII ex. Markets going from \$94 billion to \$88 billion. Within that, would the contribution from First Republic be down as well or up?

Management Answer (Sentiment: Neutral): It's going to hit... the day we did it, so...

Explanation: The analyst's negative sentiment stems from a concern about the decline in Net Interest Income (NII) from \$94 billion to \$88 billion, questioning whether the First Republic's contribution to this decrease is also down or up. In contrast, the management's neutral response indicates uncertainty about the exact impact of the decline, without providing a clear answer. The risk area to focus on is the potential decline in NII and its impact on the bank's profitability, as well as the uncertainty surrounding the First Republic's contribution to this decline.

Year: 2024, **Quarter:** 1

Analyst Question (Sentiment: Negative): Hey. Good morning. Jeremy, can you speak to the trends you're seeing with respect to deposit migration in the quarter, if there's been any change? Have you seen that migration start to slow or not?

Management Answer (Sentiment: Neutral): Yeah. Good question, Jim. I think the simplest and best answer to that is: not really. So, as we've been saying for a while, migration from checking and savings to CDs is sort of the dominant

trend with this driving the increase in weighted average rate paid in the consumer deposit franchise, that continues. We continue to capture that money in-motion at a very high rate. We're very happy about what that means about the consumer franchise and level of engagement that we're seeing. I'm aware that there's a little bit of a narrative out there about are we seeing the end of what people sometimes refer to as cash sorting. We've looked at that data. We see some evidence that maybe it's slowing a little bit. We're quite cautious on that. We really sort of don't think it makes sense to assume that in a world where checking and savings is paying effectively zero and the policy rate is above 5% that you're not going to see ongoing migration. And frankly, we expect to see that even in a world where – even if the current yield curve environment were to change and meaningful cuts were to get reintroduced and we would actually start to see those, we would still expect to see ongoing migration and yield-seeking behavior. So, it's quite conceivable and this is actually on the yield curve that we had in fourth quarter that had six cuts in it. We were still nonetheless expecting an increase in weighted average rate paid as that migration continues. So, I would say no meaningful change in the trends and the expectation for ongoing migration is very much still there.

Explanation: The analyst expresses concern about deposit migration slowing, while management maintains a neutral stance, indicating that migration continues and is expected to persist. The sentiment divergence arises from the analyst's focus on potential changes in consumer behavior and the management's confidence in ongoing migration trends despite a narrative suggesting otherwise. Risk areas to focus on: Monitor the narrative around cash sorting and its impact on consumer behavior, assess the potential for a shift in deposit migration patterns, and evaluate the bank's ability to adapt to changing interest rate environments.

Year: 2024, **Quarter:** 1

Analyst Question (Sentiment: Negative): Good morning. A couple of questions on the First Republic acquisition. Some of us obviously thought that would be a homerun, and I'm glad to see that Jamie Dimon validated that in his annual letter. When you look at the first quarter, it annualizes out to \$2.7 billion, \$2.8 billion, above the \$2 billion that Jamie published in the letter. I know you don't want to extrapolate that. But can you remind us what sort of cost savings you still have in that, because this quarter did see expenses come down to \$800 million down from \$900 million? And then, secondly, is there an offset to that where the accretion becomes less and less and that's why you don't want to extrapolate the \$2.7 billion, \$2.8 billion? So, that's my first question.

Management Answer (Sentiment: Neutral): Okay. Thanks, Charlie. And I'm going to do my best to answer your question, while sticking to my sort of guns on not giving too much First Republic specific guidance. But I do think that the kind of framework you're articulating is broadly correct. So, let me go through the pieces. So yes, the current quarter's results annualized to more than the \$2 billion Jamie talked about. Yes, a big part of that reason is discount accretion which was very frontloaded as a result of short-dated assets. So, that's part of the reason that you see that converge. Yes, it's also true that we expect the expense run rate to decline later in the year as we continue making progress on integration. Obviously, as I think as I mentioned to you last quarter, from a full year perspective you just have the offset of the full year calendarization effect. There's maybe an embedded question in there, too, about we had talked about \$2.5 billion of integration expense. And the integration is real, the expenses are real, and also the time spent on that is quite real. It's a lot of work for a lot of people. It's going well, but we're not done yet; and it takes a lot of effort. But broadly, I think that our expectations for integration expense are probably coming in a bit lower than we originally assumed on the morning of the deal, for a couple of reasons. One is that the framework around the time was understandably quite conservative and sort of assumes that we would kind of lose a meaningful portion of the franchise, and would sort of need to size the expense base accordingly. And of course, it's worked out, to your point, quite a bit better than that. And therefore, the amount of expenses that is necessary to keep this bigger franchise is higher. And that means, less integration expense associated with taking down those numbers. It's probably also true that the integration assumptions were conservative. They were based on kind of more typical type of bank M&A; assumptions as opposed to the particular nature of this deal including the FDIC and so on and so forth. So, yeah, I think that probably is a pretty complete answer to your question. Thanks, Charlie.

Explanation: The analyst expresses a negative sentiment, concerned about the high annualized cost savings and questioning the sustainability of the \$2.7 billion, \$2.8 billion figure, while the management response is neutral, acknowledging the positive aspects but also highlighting the complexity and uncertainty of the integration process. The analyst is worried about the potential for reduced accretion and the need to avoid extrapolating the high savings, while the management is cautious about providing specific guidance and points out that the initial assumptions for integration expenses were conservative, which may lead to lower actual expenses. The risk areas to focus on to the regulator include the sustainability of the cost savings, the accuracy of the accretion projections, and the potential for unforeseen integration challenges that could impact the financial performance.

Year: 2024, Quarter: 2

Analyst Question (Sentiment: Negative): Hi. Jeremy, you said it's too early to end the overearning narrative and you highlighted higher deposit costs and the impact of lower rates and lower NII and DCM pull-forward and credit costs going higher. Anything I'm missing in that list? And what would cause you to end the overearning narrative?

Management Answer (Sentiment: Neutral): No. Actually, I think that is the right list, Mike. I mean, frankly, I think one thing that would end the overearning narrative is if our annual returns were closer to 17%. I mean, to the extent that that is the through the cycle number that we believe and that we're currently producing more than that, that's one very simple way to look at that. But the pieces of that are the pieces that you talked about and the single most important piece is the deposit margin. Our deposit margins are well above historical norms, and that is a big part of the reason that we still are emphasizing the overearning narrative.

Explanation: The analyst expresses a negative sentiment, concerned about the impact of higher deposit costs, lower net interest income (NII), and credit costs, while management maintains a neutral stance, indicating that the overearning narrative could end if annual returns approach 17%. The divergence in sentiment arises from the analyst's focus on current financial pressures and the management's confidence in achieving higher returns, which would justify the continued overearning narrative. Risk areas to focus on: Monitor the impact of higher deposit costs and credit costs on profitability, assess the potential for lower NII, and evaluate the feasibility of achieving the targeted 17% annual returns.

Year: 2024, Quarter: 2

Analyst Question (Sentiment: Negative): Jeremy, I know you touched on deposits earlier in the call in response to a question. I noticed on the average balances the non-interest-bearing deposits were relatively stable quarter-to-quarter versus prior quarters when they've steadily declined. And this is one of the areas, of course, investors are focused on in terms of the future of the net interest margin for you and your peers. Can you elaborate, if you can, what you're seeing in that non-interest-bearing deposit account? I know this is average and not period, and the end number may actually be lower. But what are you guys seeing here?

Management Answer (Sentiment: Neutral): Yeah. Good question, Gerard. I have to be honest, I hadn't focused on that particular sequential explain, i.e., quarter-on-quarter change and average non-interest-bearing deposits. But I think the more important question is the big picture question, which is what do we expect? How are we thinking about ongoing migration of non-interest-bearing into interest-bearing in the current environment and how that affects our NII outlook and our expectation for weighted average rate paid on deposits? And the answer to that question is that, we do continue to expect that migration to happen. So, if you think about it, in the Wholesale space, you have a bunch of clients with some balances and non-interest-bearing accounts, and over time for a variety of reasons, we do see them moving those balances into interest-bearing. So, we do continue to expect that migration to happen and therefore, that will be a source of headwinds. And that migration sometimes happens internally, i.e., out of non-interest-bearing into interest-bearing or into CDs. Sometimes, it goes into money markets or into investments, which is what we see happening in our Wealth Management business and some of it does leave the company. But one of the things that we're encouraged by is the extent to which we are actually capturing a large portion of that yield-seeking flow through CDs and money market offerings, et cetera, across our various franchises. So, big picture. I do think that migration out of Jeremy Barnum Chief Financial Officer, JPMorgan Chase & Co. A non-interest-bearing into interest-bearing will continue to be a thing and that is a contributor to the modest headwinds that we expect for NII right now. But, yeah, I'll leave it at that, I guess.

Explanation: The analyst expresses concern about the stability of non-interest-bearing deposits, which could negatively impact net interest margin, while management focuses on the broader picture of deposit migration and its effects on net interest income, indicating a neutral sentiment. Risk areas to focus on: Deposit stability, interest rate risk, and migration of deposits.

Year: 2024, Quarter: 3

Analyst Question (Sentiment: Negative): Hey, good morning. So, Jeremy, as you highlighted, full year NII guidance implies a sizable drop in Q4 NII ex. Markets about 6%. So, can you just maybe discuss what are the largest drivers of the sequential decline including any initial thoughts on deposit behavior and pricing since the 50 basis point cut? And since it's related, I'll just throw out my follow-up question. I realize the forward curve is moving around a lot, but since Dan brought it up a month ago, can you frame how you're thinking about the NII trajectory for 2025? Thanks.

Management Answer (Sentiment: Neutral): Yeah. Sure, Jim. I'll try to answer both questions together to the best of my ability. So, as we sit here today, the biggest single driver of the sequential decline is, in fact – that we're expecting –

is, in fact, the yield curve. So, that yield curve has changed a little bit since Daniel made his comments at the conference earlier in the quarter, but not that significantly. In terms of deposit balances, which is obviously another important factor here in light of the Fed starting the cutting cycle, it feels to us like right now, as I mentioned in my prepared remarks for Consumer, we're pretty much in the trough right now as we speak. When you look at yield-seeking behavior that has come down quite a bit, so that's no longer as much of a headwind all else being equal. And then if you look at checking account balances, those have been pretty stable for some time, which we see as an indication that consumers are kind of done spending down their cash buffers. So that's kind of supportive for consumer deposit balances. And in that context, the other relevant point is the CD mix where, with the rate cuts coming, we expect CD balances to price down with pretty high betas and probably the CD mix actually peaking around now. And then as we move to Wholesale, we've actually already been seeing a little bit of growth there, and when you combine that with the sort of increasing view that many people in the market have that it's likely that the end of QT will be announced sometime soon, that's also a little bit supportive for deposit balances. So, maybe, I'll – well, I guess then you also asked me a little bit about next year. So, I guess one thing to say, right, is that we did have a sequential increase in NII this quarter and, as you may recall, at Investor Day, I said that there was some chance that we would see sequential increases followed by sequential declines and that people should avoid kind of drawing the conclusion that we'd hit the trough when that happens. So that's essentially exactly what we're seeing now. But from where we sit now, given the yield curve, assuming the yield curve materializes obviously, we do see a pretty clear picture of sequential declines in NII ex. Markets, but the trough may be happening sometime in the middle of next year, at which point the combination of balances, Card revolve growth and other factors can return us to sequential growth, obviously. We're guessing it's pretty far out in the future, and we'll give you formal guidance on all this stuff next quarter, but I think that gives you a better framework to work with.

Explanation: The analyst expresses concern about a significant drop in NII due to market conditions and questions the management's outlook, while management provides a neutral response, citing the yield curve and other factors as drivers of the decline. The analyst's negative sentiment stems from the expected drop in NII, while the management's neutral sentiment reflects their confidence in the company's ability to navigate the current market conditions. The risk areas to focus on to the regulator include the impact of the yield curve on NII, the stability of deposit balances, and the potential for sequential declines in NII ex. Markets. The regulator should also monitor the company's ability to adapt to changing market conditions and maintain profitability.

Year: 2024, **Quarter:** 3

Analyst Question (Sentiment: Negative): My first question, and thank you very much for answering all the NII questions so far, Jeremy, is just I guess another follow-up. As you can imagine, once Daniel said what he said on stage in September, everyone is trying to figure out the over/under for net interest income next year. So maybe a two-part first question, the second being inspired by what Jamie just said. Erika Najarian Analyst, UBS Securities LLC Q Number one, NII is expected to be down 6% sequentially in fourth quarter. I think year-over-year in 2025, consensus has it down 4% from your new level. So it sounds like consensus still has room to come down, and based on the forward curve, Jeremy, it could be a little bit worse year-over-year than the fourth quarter sequential rate. But that being said, as Jamie noted, we have no idea what the curve is going to look like. Right? It's gyrated so much. And so as we think about the curve, is it better for JPM organ to have more cuts in the short end but steepness or less cuts but a little bit of a flatter curve?

Management Answer (Sentiment: Neutral): Right. Okay. You threw a curve ball at the end there, Erika. I wasn't expecting that to be the end of your question. But let me answer the beginning of your question, and then I'll also answer the end of your question. So we see the current 2025 consensus for NII ex. Markets to be currently at \$87 billion, which is obviously lower than it was at the conference earlier in the quarter. So we're happy to see that move a little bit more in line to us. That still looks a little topy, but it's definitely in the ballpark. Now that consists of, I already mentioned previously that we sort of expect the NII trough sometime in the middle of the year, so you can kind of assemble the parts. You've got a fourth quarter run rate, you've got some sequential declines, you've got a trough in the middle of the year, and you've got a rough ballpark for the full year. So you can imagine that the trough probably is a little lower than those numbers and then to the extent that growth revolve resumes in the back half of the year in both deposit balances and the ongoing tailwind of Card revolve, although that tailwind will be a little bit less than you might have otherwise thought. I mean, sorry. A little bit less than it was this year but still a tailwind. Obviously, the mix of those things will play out in different ways, and as you point out, who knows what the yield curve will wind up doing. But on our current assumptions, on the current yield curve, and remembering that we're in the third quarter now, so we're doing this kind of early, that's what we think.

Explanation: The analyst expresses concern about a potential decline in net interest income (NII) due to market expectations and the unpredictable nature of the yield curve, while the management response is more measured,

acknowledging the current consensus and explaining their expectations based on their own analysis. The sentiment divergence arises from the analyst's focus on external market expectations and the potential for a steeper yield curve, which could negatively impact NII, versus the management's confidence in their own projections and the factors they believe will influence NII outcomes. Risk areas to focus on to the regulator: 1. Yield Curve Volatility: The management acknowledges the unpredictability of the yield curve, which could significantly impact NII. The regulator should monitor the bank's exposure to interest rate risk and its ability to manage the potential volatility in the yield curve. 2. Market Expectations vs. Internal Projections: The analyst's concerns about market expectations and the potential for a steeper yield curve highlight the importance of aligning internal projections with market sentiment. The regulator should ensure that the bank has robust processes in place to assess and manage the impact of market expectations on its financial performance. 3. NII Projections: The analyst's question about the NII outlook for 2025 and the management's response suggest that there may be uncertainty about the bank's future NII performance. The regulator should review the bank's NII projections and stress testing to ensure they are realistic and account for potential risks.

Year: 2024, **Quarter:** 3

Analyst Question (Sentiment: Negative): Hey. Good morning. I'm not going to ask about a specific NII in 2025, but I did want to delve into the how to think about your deposit margin in volume dynamics in the CCB over the next few years. You have seen a decent amount of pressure in the deposit margin, 2.6%, down about 30 basis points as deposit balances have come down, so it put some pressure on deposit NII. But deposit margins are still well above where they were when rates were at levels that are consistent with where the forward curve now has been going. So I guess how do we think about both volumes and margin dynamics if rates do come down, say, to the level that are consistent with the forward curve? I know the forward curve is likely going to be long, but that's the reference point we have. And conversely, volume offset. You mentioned, Jeremy, the retail deposits becoming a tailwind. But, I guess, how much of a tailwind could they be, especially as you are expecting to gain quite a bit of market share in retail deposits? So just give us a sense of sort of the push and pull of these dynamics that really help drive the deposit, the value of the deposit franchise.

Management Answer (Sentiment: Neutral): Sure. Yeah, thanks for the question, Saul. And I think you've laid out the building blocks there already. Just for simplicity, I'm going to try to answer your question without referring to the disclosed CCB deposit margin number, just because that number is obviously the combination of the rate paid on the CCB deposits and the internal FTP into that. And that is a complicated thing that evolves as a function of the modeling of the betas and other things. So I think it's actually more helpful to look at this simply from a Firmwide perspective and look at the evolution of the rate paid in the context of the policy rates roughly, and just set aside the duration management and all those sort of factors. And I think when you do that, what you see is we've been saying for a while that the deposit margin defined for these purposes is simply the difference between the policy rate and the weighted-average rate paid of the consumer deposits, was unsustainably high. And that was going to have to correct one way or the other. Either deposits were going to reprice at the product level through checking and savings, and/or we were going to see a ton of internal migration, i.e. growth in the CD mix, and/or we would see a lower policy rate. So as we sit here right now, of course, we make pricing decisions in the context of market competition at any given moment looking at what the environment is for deposits, but we have not needed to reprice in order to retain primary bank relationships which was also our core strategy. We were never going to chase sort of the hot money at the margin. We've leaned in heavily to CDs and gotten to the current level of CD mix, and that's been a good strategy. And from where we sit now, we now have the margin coming down as a result of the policy rate coming down. It seems that, that puts us in a pretty comfortable position from a pricing perspective. We think the CD mix has probably peaked. Now, on the way down, it's not going to go back down to zero, where it was at the beginning of the cycle. That's an important thing to realize. So all else equal, that creates a little bit of margin compression. And then through all of that, obviously, a lower yield environment should mean that there's a little bit less outflow from consumer deposits, as I mentioned. We're seeing a lot less yield-seeking behavior. So then when you overlay on to that what you mentioned, which is our long-term share growth in CCB deposits, in no small part as a function of the brand strategy and the buildout and the fact that only about a quarter of our top 125 markets in CCB are at that 15% share number, so we believe there's big opportunity to grow the rest of it and be on track at the type of average annual share growth of the order of 30 basis points or 40 Jeremy Barnum Chief Financial Officer, JPMorgan Chase & Co. A basis points that we've seen historically. That's how you kind of assemble a tailwind from normalized deposit margin and balance growth in Consumer.

Explanation: The analyst expresses concern about the pressure on deposit margins and the potential impact of declining rates on the bank's deposit net interest income (NII), while the management response is more neutral, focusing on the bank's strategic positioning and the expected decline in policy rates. The analyst is worried about the negative impact of lower rates on the bank's deposit margins and NII, while the management is more focused on the bank's strategic positioning and the expected decline in policy rates. The analyst is concerned about the potential

Management Answer (Sentiment: Neutral): Yeah, it's a good question, Matt. I guess maybe let me try to frame this from a couple different perspectives. So, on the one hand, you're right. If you look at the NII guidance that we're giving you, including the notion that subject to the yield curve panning out in line with the current forwards, which, as we know, is the one thing that we know won't happen. But if you want to assume something, if you assume the forwards, we're sort of telling you that we might return to sequential growth in the back half of the year, again, based on all of our current assumptions, all else being equal. And you could draw the conclusion that that means that the overearning narrative is no longer applicable. I think if you take a big step back, by historical standards, the difference between the policy rate and the weighted average rate paid on consumer deposits remains quite elevated for a variety of reasons and subject to

the fact that in the end, deposit pricing is always going to be a response to the competitive environment that we experience in the field, the current structure of the yield curve is such that, for the time being anyway, when we do the math, that's what we see. Do we think that's truly, truly, truly sustainable through the cycle? Unclear. But I guess we'll cross that bridge when we come to it. For now, this is the outlook for the coming year.

Explanation: The analyst expresses a negative sentiment, questioning the company's over-earning narrative on net interest income due to a higher rate environment and deposit pricing assumptions, while the management response is neutral, acknowledging the concerns but emphasizing the current yield curve structure and the uncertainty of its sustainability. The sentiment divergence arises from the analyst's skepticism about the company's financial outlook and the management's cautious optimism based on current market conditions. Risk areas to focus on: The sustainability of the current yield curve structure, the company's ability to adapt to a higher rate environment, and the potential impact on deposit pricing and consumer behavior.

Year: 2025, **Quarter:** 1

Analyst Question (Sentiment: Negative): No, and you also mentioned hundreds of billions of dollars of extra lending if you reduce the CET1 ratio, I guess, back down by one-fifth.

Management Answer (Sentiment: Neutral): If you do all – you have to fix LCR, G-SIFI, CCAR, SLR, and I think would free up hundreds of billions of dollars for JPMorgan annually of various types of lending to the system. Some would be markets, some would be middle market loans, et cetera. And I pointed out, if you wanted to look at the big numbers, that loans to deposits are now 70% for the banking system writ large. That used to be 100%, and the reason for that isn't – it's not just capital. It is also LCR, it is also G-SIFI, also – and the question you should ask because you are very smart, Mike, is could you have the same – and I believe you have a safer system, lend more money, have more liquidity, eliminate bank runs, eliminate what happened to First Republic and Silicon Valley, and you could accomplish all of that with completely rational and thoughtful regulations. That's what I would like to see them do. I don't know what's going to happen. We're going to...

Explanation: The analyst expresses concern about the potential negative impact of reducing the CET1 ratio, fearing it could lead to excessive lending and financial instability, while management takes a more optimistic view, suggesting that regulatory changes could allow for increased lending and liquidity without compromising safety. The risk areas to focus on include the potential for excessive lending, the impact of regulatory changes on financial stability, and the effectiveness of current regulations in preventing bank runs and financial crises.

Goldman Sachs Analysis Results

Year: 2022, Quarter: 1

Analyst Question (Sentiment: Negative): okay . terrific. thanks for the color . quick follow-up just on the operating leverage in the model and maybe just starting on comp ratio. i know it's very the year , so it's hard to give much of a prediction. but comp ratio net provision was 100 basis points lower than the first quarter of last year , even with, i would say , kind of an unfavorable mix. so is there anything we should read into that just around kind of how to think about the full year and just overall leverage on comp relative to revenues based on the current backdrop?

Management Answer (Sentiment: Neutral): well, as we've said always, we're a pay-for-performance culture. this is our best estimate is the right comp ratio based on the performance and the mix in the first quarter . we manage this very closely . we're comfortable that we will pay people appropriately and competitively . and we will also obviously pay for performance. so i'm not going to speculate going forward, but you have data points from our behavior set on this over a long period of time. and we obviously -- the one thing i'd just highlight is our focus on our efficiency ratio, and that's something we want to think more about is comp and noncomp and driving to the efficiency ratio. and so that also affects our decision-making as we move forward.

Explanation: The analyst expresses concern about the company's operating leverage and the implications of a lower net provision on the overall financial health, while management remains neutral, emphasizing their pay-for-performance culture and focus on efficiency ratio. The analyst's negative sentiment stems from uncertainty about the company's financial stability and potential risks, while management's neutral stance reflects confidence in their established practices and long-term data points. The risk area to focus on is the company's ability to maintain its efficiency ratio and manage its operating leverage effectively, especially in a challenging economic backdrop.

Year: 2022, Quarter: 2

Analyst Question (Sentiment: Negative): okay . very much appreciated. and then one quick follow-up, obviously , ecm and dcm pipelines are down a lot given what we have seen. but you noted that your advisory backlog is actually up. i wonder if you could expand on that a little bit, because we haven't seen a lot of activity these days in m&a;? thanks.

Management Answer (Sentiment: Positive): what i would say in terms of the overall advisory performance, you can see the headline number , which is quite significant at \$1.2 billion. and we have our sustained number one market share position across both announced and completed actually increasing our lead versus certain other competitors. i think this is an environment where our clients are turning to us and looking for advice on how they can execute on what's particularly strategic for them. the nature of the transactions that they maybe considering could very well be different in their complexion than a year ago, but nevertheless, our robust global client base have strategic needs and they trust us to help them navigate the market. so, we do continue to see high levels of strategic dialogue and client engagement. there is no question if the overall operating environment were to deteriorate further or if confidence were impaired, we could see some softening even in our advisory activities. but to-date, they have been strong. on the underwriting side, that's much more a reflection of the current capital markets' receptivity , and again, strong levels of client engagement. we like our backlog, but it is -- there will be a better market environment required in order for many of our clients to choose to access those markets and for us to deliver on certain aspects of that backlog.

Explanation: The analyst expresses concern about the decline in ECM and DCM pipelines, indicating a negative sentiment due to a perceived lack of M&A; activity, while management highlights strong advisory performance and market share, showing a positive sentiment based on their robust client base and strategic engagement. The risk area to focus on is the potential for a further deterioration in the operating environment, which could impact client confidence and engagement, affecting the company's ability to deliver on its backlog.

Year: 2022, Quarter: 2

Analyst Question (Sentiment: Negative): hi, i guess i'm thinking in terms of the trade-offs that you have to make, david, in terms of both capital and expenses. on capital, i mean, you talked about a broader , diverse, resilient, more annuity-like business stream, but then we get the fed stress test results and you guys finished in last place, albeit better than last year but still last place. so i guess the regulators don't see it the same way that you do. and the trade-off between managing for lower regulatory capital requirements versus the loss of revenues. and then the other dynamic decision is managing expenses lower . as you said you're taking a closer look at that, the trade-off between ensuring good profit margins but at the risk of maybe losing revenues if things come back.

Management Answer (Sentiment: Neutral): i'm not sure there was a question there. i think there was a fair balance of exactly what we wrestle with. i mean i would highlight, while it's a fair comment that our scb is higher than everyone else's because of our current business mix, if that's what you refer to as last place, i would comment for the stress test we came in first place is that we were the only firm that actually saw their scb decrease and many institutions saw their scb increase very meaningfully. now i don't take that as a victory lap. we're early in the journey of taking assets off our balance sheet, but i still do think, mike, one of the big attributes we have, as you look ahead over the next few years, is we are going to continue to make that business much less resource dense. and i do think, as indicated by the step forward we took in this stress test, that we will hopefully take other steps forward and future tests as we continue to change that mix. i am not satisfied with where we are on the journey of making the firm more fee-based and more resilient. but i am satisfied that we've made meaningful progress. and i think the results this quarter show the diversity of the business in a positive light in what was a really tough operating environment. and so as someone who's followed the industry and our firm for quite some time, i think the performance in this environment is reflective of the beginning of that evolution. but you're exactly right. we have to constantly balance between investing in the future and providing resources to serve clients when they are active and driving those shareholder returns that kind of are – is our true north of what we're trying to drive towards. so yes, it's a balance. i think we're trying to strike that balance appropriately, and we're going to continue to be laser-focused on making sure we do as good a job as we can, striking that balance effectively.

Explanation: The analyst expresses concern over the bank's capital and expense management, highlighting a perceived negative trade-off between regulatory capital requirements and revenue loss, while the management response is more positive, emphasizing progress in stress test results and a strategic shift towards a less risky, more fee-based business model. The sentiment divergence arises from the analyst's focus on current performance and regulatory challenges, while management is looking at long-term strategic goals and recent improvements. The regulator should focus on the bank's ability to manage regulatory capital effectively, the sustainability of its business model shift, and the potential impact of economic conditions on its revenue streams.

Year: 2022, **Quarter:** 2

Analyst Question (Sentiment: Negative): okay, great. thanks for that color, denis. appreciate it. and for the second question, i am curious, we have seen – you talked a lot about m&a; and how, obviously, your investment bank franchise is holding up really well. but just sort of a question around the environment and we have seen riskier debt issuance slow a lot year-to-date and started to hear chatter that availability has actually continued to become challenging. so, curious whether or not that's also what you are seeing and whether or not there is any concern that, that availability, lesser availability might become a challenge and lead to some pockets of stress for some of the more levered borrowers?

Management Answer (Sentiment: Neutral): i think it's a good – i think it's an appropriate thing to look at carefully. i would say, at the moment, real availability issues are limited to some very, very stressed borrowers or some very, very out-of-favor sectors. but i do think sometimes people confuse availability with acceptance of the new and reset price. and so i would say, at the moment, the bigger thing that's slowing down capital markets activity is people accepting of the new price environment. ultimately, companies need to raise capital. they find that new clearing price. but i do think if the environment stays very, very difficult from an economic perspective, there are certain sectors where availability is an issue. and there are a couple of them now. i would point to retail as one where certainly capacity and leverage levels have constrained meaningfully. and so i think we will watch this very cautiously. but again, i would tell you that there is a mindset when you go through this in a resetting that's going on, and i think ultimately, markets find clearing prices. and capital markets, there is certainly plenty of capital, plenty of liquidity available in markets for people who are doing reasonable deals at reasonable prices. the most levered companies will have a tougher time in this environment.

Explanation: The analyst expresses concern about the slowing of riskier debt issuance and potential challenges for more leveraged borrowers, while management acknowledges limited availability issues but attributes the slowdown to the acceptance of new price environments. The sentiment divergence arises from the analyst's focus on potential stress for borrowers due to less availability, while management emphasizes the broader market's ability to find clearing prices despite economic difficulties. Risk areas to focus on include the impact of the new price environment on capital markets activity, the potential stress on highly leveraged borrowers, and the specific challenges faced by sectors like retail with constrained capacity and leverage levels.

Year: 2022, **Quarter:** 2

Analyst Question (Sentiment: Negative): okay , great. thanks. and then a follow-up here, denis just touched on this, but we heard a lot about trading client deleveraging through the second quarter that drove down prime brokerage and margin balances at a number of firms in the industry . it didn't seem to impact your trading or financing results. but can you give us any sense of where you think we are on deleveraging more broadly? is there another leg that could exist here or clients now operating at lower levels of leverage relative to recent history and how that interplays with your trading outlook as well?

Management Answer (Sentiment: Positive): sure. i appreciate the question. i mean connecting it back to some of the comments that dave has made looking back over the course of the last couple of years, we have gone through an extraordinary period. we see an ongoing transition into a new type of market environment. i am sure there are some clients that have looked to de-lever themselves and position for the current operating environment. we continue to see very high levels of client opportunity . there was a lot of engagement in the second quarter particularly in the macro businesses clients approaching us to help them intermediate risk, other clients looking for financing, which is why we had record performance in financial financing. and i think as we look forward, we are obviously starting the quarter with a buffer to our minimum capital position. we remain very focused on the environment to deploy capital in the second half. we think there should be some good opportunities and there may be clients that incrementally turned to us to help them navigate the opportunities. so, i think we are – we feel well set up, and we are optimistic about the opportunities with clients going into the second half.

Explanation: The analyst expresses concern about the industry-wide deleveraging trend and its potential impact on the company's trading and financing results, while management remains optimistic, highlighting strong client engagement and record performance in financing, as well as a buffer to the minimum capital position. The sentiment divergence arises from the analyst's focus on industry-wide challenges and potential risks, while management emphasizes their own strong performance and preparedness for the second half of the year. Risk areas to focus on include the potential impact of industry-wide deleveraging on the company's trading and financing results, as well as the company's ability to navigate a changing market environment and maintain strong client engagement.

Year: 2022, Quarter: 2

Analyst Question (Sentiment: Negative): hey. good morning. can i just – i just want to circle back to your comment on managing to a 3% gsib and sort of your comments about lower client activity versus last year . but i think on the flip side, you guys are pretty optimistic around growing – still growing the financing business. it looks like trading assets are up year-over-year or flat year-over-year . loans are up, balance sheet is up. so, is this just something about balance sheet and rwa growth slowing or is there specific areas you think will shrink or you can cut?

Management Answer (Sentiment: Positive): so, i think we are looking at this holistically . a lot of the questions speak to our strategic plan, our ability to execute to hit targets over time, given the environment that we are in right now , we see an opportunity to target a 3% gsib. obviously , it's for the benefit of 2024, and beyond, but the decision to be made is a current one. and so in terms of our ability to target that level, given what we have seen in terms of various balances, levels of client activity , etcetera, we think we can do that reasonably efficiently . we have had discussions with our business leaders. they know that, that's the plan. that's what they are working on. david did make a comment that should the environment change significantly or the needs of our clients change we would reevaluate. but the current plan is to target that level of gsib. and we have been obviously growing resource deployment, and that will constrain some of that resource deployment. but in addition to targeting a 3% gsib we can, at the same time, deploy other financial resources to attractive client opportunities. so, our expectation is that we will be able to continue to support clients with attractive and accretive business activities while targeting a 3% gsib.

Explanation: The analyst expresses concern about the bank's ability to manage a 3% GSIB given the slower growth in balance sheet and RWA, while management remains optimistic about their strategic plan and resource deployment to achieve this target. The risk area to focus on is the bank's ability to manage its GSIB ratio effectively while maintaining growth in the financing business and client activities.

Year: 2022, Quarter: 4

Analyst Question (Sentiment: Negative): okay . great. thanks. a follow-up here just on the market's financing opportunity . so, that's already obviously been a nice part of the story for goldman. what do you need to do to grow financing further? is it just a lot of the same kind of blocking and tackling, or are there specific things you could point to that could drive kind of another step function there? and then just kind of more near-term, you talked about prime brokerage balances being down and declining through the quarter . has that changed at all just to start this year with risk appetite to maybe a bit better today than through most of the fourth quarter?

Management Answer (Sentiment: Positive): yes. a couple of comments i would make. so, i think as it relates to the financialing, we have a very good opportunity set in front of us. the progress that we have made with the client franchise and our market shares and given the overall backdrop and the availability of financialing in the world right now , our clients continue to come to us. and given the capital position that we sit with at the beginning of the year, we have capacity to fuel incremental financialing activities in the financial business. on the equity side of the equation, obviously , asset markets moved around quite severely , particularly in the end of the year , which drives prime brokerage balances. but as you know , we are also working very hard to reduce our financial resource footprint, particularly our g-sib level. that brought with it significant reductions. and it was not really the environment that we were pushing on growth, certainly in the fourth quarter . i think as we turn the page on a new year, there is lots of opportunity for us to continue to drive our equity financialing activities, and we have less constraints given that we have now achieved the 3% g-sib target.

Explanation: The analyst expresses concern about the potential for Goldman Sachs to grow its financing further, questioning whether it will require the same "blocking and tackling" or if there are specific factors that could drive significant growth. In contrast, management expresses optimism, citing a strong opportunity set, good client franchise, and the ability to fuel incremental financing activities due to a strong capital position and reduced financial resource footprint. The analyst's negative sentiment stems from concerns about declining prime brokerage balances and the need for growth, while management's positive sentiment is driven by the company's strong capital position, reduced regulatory constraints, and the potential for continued growth in financing activities. Risk areas to focus on to the regulator: The analyst's concerns about declining prime brokerage balances and the need for growth could indicate potential risks in the company's ability to maintain profitability and manage its financial resources effectively. The regulator should monitor the company's ability to manage its capital position, reduce its financial resource footprint, and continue to grow its financing activities while maintaining a strong client franchise. Additionally, the regulator should assess the potential impact of market volatility on the company's prime brokerage business and its ability to manage risks associated with asset market movements.

Year: 2023, **Quarter:** 2

Analyst Question (Sentiment: Negative): so the scb obviously came down very nicely this year and has been trending down for a couple of years now . we are getting some questions on how some of the consumer loan portfolios have impacted that. and specifically with the sale of the marcus loans and potentially sale of greensky loans and again, according to the media, potentially exit the credit card. i guess the question is, do those loans actually help bring down the scb? or what are the puts and takes there as you think about the impact of those loan portfolios in aggregate on the annual f aca.

Management Answer (Sentiment: Neutral): sure. so look, you're familiar with the process as we are. there's various levels of transparency that you get through the process. obviously , those contributions from lending activities which roll into components of the test. but the big driver for us and what we feel has been enabling us to meaningfully move down our scb towards the 5% area that we've been discussing is really attributable to the on-balance sheet investments. we think that has a very , very meaningful impact for us. and the thing i would remind you is that the impact that was just revealed in this year's test with this scb of 5.5% due to be implemented in october , that's based on the snapshot of activity that the fed took last year which means that all the activities that we're discussing on this call are going to be considered in the next test. and assuming that the test is similar next year to the test this year which i don't know . but if it is, we will continue to see benefit from our reduction of these on balance sheet investments. so the reason why we remain so focused on setting those targets and providing so much transparency about our trajectory and our path is that we really believe that, that's a very , very meaningful way to understand our trajectory in terms of minimum capital ratios until, obviously , any new news on that front.

Explanation: The analyst expresses concern about the impact of consumer loan portfolios on the bank's capital adequacy ratio (CAR), while management emphasizes the positive effect of on-balance sheet investments on CAR. The sentiment divergence arises from the analyst's focus on potential risks associated with loan portfolios, while management highlights the benefits of their investment strategy. Risk areas to focus on include the performance of consumer loan portfolios, potential sales of loans, and the impact of on-balance sheet investments on CAR.

Year: 2023, **Quarter:** 3

Analyst Question (Sentiment: Negative): hi. just a clarification on my prior question. so if i have this right, you reduced your pe investments by \$3 billion quarter-over-quarter , and that allowed a \$2.5 billion reduction in capital allocated to the asset management and wealth segment. i mean, is that completely correlated. so if you get rid of the \$21 billion of remaining principal investments, would that free up, say , \$16 billion? is that ballpark right?

Management Answer (Sentiment: Neutral): no. mike, i think when we started talking about the reduction of our historical principal investments over time, we gave a number of about \$9 billion of capital release for the entire portfolio. so i don't think -- i'd be happy to get on with you and sort of work through your numbers, but i don't think we have \$16 billion incremental on the forward, significantly less than that.

Explanation: The analyst's negative sentiment stems from a concern about the correlation between reduced principal investments and the potential for significant capital release, while the management's neutral response indicates that the actual capital release is less than the analyst's estimate, leading to a divergence in sentiment. Risk areas to focus on: The regulator should monitor the bank's capital allocation and release strategies, as well as the accuracy of financial projections and assumptions used in earnings calls. Additionally, the regulator should assess the bank's risk management practices related to principal investments and capital release.

Year: 2023, **Quarter:** 4

Analyst Question (Sentiment: Negative): i just wanted to spend some time on the ficc business. so if i'm looking at the right numbers, it feels like ficc revenues are now back to pre-covid levels if you go back to 1q of '19. maybe if you can unpack it, just looking at slide 13, seemed like most products were quite weak. give us some perspective around does both -- the intermediation piece of ficc, does that feel like we are close to trough, and unlike seasonality, we should see some improvement in ficc from here, if you can just provide some perspective there.

Management Answer (Sentiment: Neutral): sure. i mean, at a high level, what i would say, this quarter, intermediation activity was quiet, and particularly in the back half of the quarter, kind of late november and december, clients were quiet. if you look at the whole year, i don't think it's fair, i don't have the numbers in front of me, but i don't think it's fair to say the whole year is back to '19 levels. the overall activity levels were up and down during the year. we have a big diversified business. when our clients are active, we execute on it, we continue to grow the financing revenues, which make it overall more durable. but it was a quiet quarter, particularly the back half, in terms of intermediation. i don't expect it to continue at that pace. i think denis' comments in the opening, we're seeing more activity in the first few weeks of the year. but we'll watch it. and as you know, that activity, particularly in that segment, can move up and down based on what's going on in the macro environment.

Explanation: The analyst expresses concern about the intermediation piece of FICC business, suggesting it may be nearing a trough and not showing expected improvement, while management acknowledges a quiet quarter but emphasizes the overall year's activity levels and the business's diversified nature, indicating a more optimistic outlook. The sentiment divergence arises from the analyst's focus on recent weak performance and potential long-term issues, while management highlights the broader context and potential for future growth. Risk areas to focus on: 1. Intermediation activity: Monitor the performance and trends in the intermediation segment, as it may indicate potential issues in the business's core operations. 2. Seasonality: Assess the impact of seasonality on the business's performance and whether it affects the overall growth and stability. 3. Diversification: Evaluate the effectiveness of the business's diversification strategy and its ability to sustain growth in different market conditions. 4. Macroeconomic factors: Keep an eye on the macroeconomic environment and its potential impact on the business's activity levels and performance.

Year: 2024, **Quarter:** 1

Analyst Question (Sentiment: Negative): hi. thanks very much. it's a tough one because you are definitely executing on a lot of the objectives you laid out. and of course, the sustainability of banking is what it is. i noticed your lower pipeline. but the real question i have is, the sustainability of the whole package, meaning, you just had really strong revenue across the board on everything. comp was up with that normally, but non-comp is down, the provision is down and rwa didn't increase even though you were growing your financing. so i'm giving you a softball here and just saying, what of that package can continue to stick?

Management Answer (Sentiment: Positive): well, i appreciate it, glenn. and i think there are a bunch of things that continue to stick because one of the things you know that we've been focused on is building a more durable business and that there are a handful of things when you look across the whole package. we've made significant progress over the course of the last five years. certainly, building our financing business in our markets business is something that's more durable and more sustainable. we still think there's lots of room to grow. and look, the world is growing and when the world grows and our clients grow, they need us to finance them. we've got the capital to deploy as long as we can drive attractive returns with that client base. and so we stay focused on that. we've doubled our management fees on our asset & wealth management business over the last five years and we continue to be very focused on fundraising, our ability to deliver on that. those are more durable revenues. and there's operating leverage around that business that

we still think we have yet to achieve. you've seen the margin improvement obviously in that business, but that business still has a higher capital density than we'd like that business to have and we continue to focus on our historical principal investments and making progress there. overall, i think, we've meaningfully improved the client franchise and taken wallet share, and we're just very , very focused on our relative participation in the market opportunity that exists with our big institutional clients. and we've said over the course of the last few years and there have been lots of questions on it, are those wallet shares sticky? i think the wallet shares are. what i can't tell you for sure is what the opportunity set is on every quarter-to- quarter . but when you look at the breadth, the leadership position, the global nature of these businesses and you look at the whole package, these are durable businesses that produce accretive returns where we're very well-positioned. and we continue to focus on executing and enhancing that position.

Explanation: The analyst expresses concern about the sustainability of the bank's revenue package, noting a decrease in non-competing interest income and stable or declining weighted average cost of capital (WACC), while management remains positive, highlighting their focus on building a more durable business and the growth of their financing and asset & wealth management businesses. The sentiment divergence arises from the analyst's focus on the potential risks associated with the bank's revenue mix and capital structure, while management emphasizes their strategic investments and the growth potential of their client base. Risk areas to focus on include the bank's reliance on non-competing interest income, the stability of WACC, and the sustainability of their client franchise and market opportunity.

Year: 2024, **Quarter:** 3

Analyst Question (Sentiment: Negative): question on just the alternative asset management fundraising. and looking at the fee rates. so, the largest at bucket corporate equity is seeing a declining fee rate since the end of 2022. i know there were some legacy funds in there that are sensing, but it would just be great to get an update on the outlook for the fee rates, just given all that fundraising that you've done in alts in recent years. and just when we should think about the infection occurring as recently raised aum moves into fee earnings? and then we should think about kind of the right steady state because it would seem like out there.

Management Answer (Sentiment: Neutral): sure. thank you. appreciate the question. obviously , we put that disclosure out there, so you can track it and follow it over time. it's obviously very much mix dependent in terms of the nature of the particular at assets that are coming in thing which is a strategic initiative that is very valuable to growth of our asset management franchise, an important to a lot of our investment in our clients are the services we provide through our ocio of ferings. but in certain of those portfolios, we do bring on board some alts assets and the effective fee associated with that is lower than paid goldman sachs fund generated alternative fee. so, we have a multichannel asset accumulation strategy that we're deploying to grow the overall scale and scope of that business. and for us, having scale is an important contributor , ultimately , to driving margins, eficiencies and returns in the business, but not each of the channels comes with the same exact effective fee. so, you may see some slight variation in that over time.

Explanation: The analyst expresses concern over declining fee rates in the alternative asset management sector, while management provides a neutral response, highlighting the strategic value of the initiative and the varying effective fees across different channels. The sentiment divergence arises from the analyst's focus on potential negative financial implications of lower fees, while management emphasizes the long-term benefits and strategic growth of the business. Risk areas to focus on include the impact of declining fee rates on profitability and the potential challenges in maintaining margins and efficiencies as the business scales.

Year: 2025, **Quarter:** 1

Analyst Question (Sentiment: Negative): okay . thanks so much. denis, one for you on v ar, value-at-risk. this quarter was down broadly throughout the dif ferent categories q-on-q, which i thought was interesting given the heightened volatility that we had across a variety of dif ferent markets. can you remind us how volatility impacts v ar and how we should be thinking about v ar eficiency , which clearly went up dramatically , and just wanted to understand how to think about that on a go-forward basis? thanks.

Management Answer (Sentiment: Positive): sure. thanks, betsy . good question. so obviously , there's multiple components to var across the various asset classes and then a diversiication ef fect as well. over the course of the first quarter for our average daily v ar, we had reduced exposures offset by elevated levels of volatility . so you obviously have both factors across asset classes that factor into the calculation. but to your question, obviously increased or persistent levels of volatility could have upward pressure on a v ar measure.

Explanation: The analyst expresses concern about the increased volatility impacting Value-at-Risk (VaR) and its implications for the bank's risk management, while management acknowledges the volatility but highlights their reduced

exposures and diversification effects, suggesting a more positive outlook on managing risk. The risk area to focus on is the bank's ability to effectively manage and mitigate the impact of persistent volatility on its VaR and overall risk profile.

Year: 2025, **Quarter:** 1

Analyst Question (Sentiment: Negative): hi, good morning. thank you for taking my question. i hate to beat a dead horse here on capital, but i did want to follow up on betsy and matt's questions, and what they mean for r wa progression? r wa is up slightly this quarter . your peers had much bigger increases. markets r wa is down, v ar is down. if i look at r wa density on a standardized basis, it came down quite a bit. it's at its lowest level i think that i can see in recent history . so just is there anything unusual in terms of r wa progression or v ars or exposures? and how do we just rethink about r wa density and r wa progression from here because obviously it does matter in terms of forecasting cet1 ratios and the level of excess capital over time?

Management Answer (Sentiment: Neutral): sure. so, again, you're not beating a dead horse, but i think what we would say is we look at that very , very carefully . when we set our own business planning, we use our own form of r wa projections, we think about our own capacity to step in and support client activities. and we are meaningfully focused on those exposures that have high density versus low density . you can see us sort of moving out of certain exposures that have high capital density . best example would be some of the historical principal investments. and we are feeding other activities, i can stay in the same segment for the moment like private wealth lending, which have a lower capital density and have an attractive recurring revenue component to them and also brings forth other types of activities with those clients. so we look across the entirety of the firm. we look across each and every segment. and we look at which of our client base activities are more or less capital consumptive and we try and make sure that we're supporting the clients with the products that they demand from us and doing it as a capital- efficient fashion as we can.

Explanation: The analyst expresses concern about the low RWA density and its implications for forecasting CET1 ratios and excess capital, while management remains neutral, focusing on their own business planning and capital-efficient strategies. The sentiment divergence arises from the analyst's worry about the firm's capital position and forecasting, while management emphasizes their proactive approach to managing capital density and client activities. Risk areas to focus on: Capital efficiency, forecasting accuracy, and exposure management.
