JPMorgan Chase
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Speaker 2
0s

Good morning, ladies and gentlemen. Welcome to JPMorgan Chase's second quarter 2025 earnings call. This call is being recorded. Your line will be muted for the duration of the call. We will now go live to the presentation. The presentation is available on JPMorgan Chase's website. Please refer to the disclaimer in the back concerning forward-looking statements. Please stand by. At this time, I would like to turn the call over to JPMorgan Chase's Chairman and CEO, Jamie Dimon, and Chief Financial Officer, Jeremy Barnum. Mr. Barnum, please go ahead.

Speaker 9
36s

Thank you very much, and good morning, everyone. This quarter, the firm reported net income of $15 billion, EPS of $5.24, on revenue of $45.7 billion, and ROTCE of 21%. These results included an income tax benefit of $774 million, which we describe in more detail in the earnings press release. On the next page, we have some more detail. The firm reported revenue of $45.7 billion, down $5.3 billion, or 10% year-on-year. IIX Markets was down $185 million, or 1%, driven by the impact of lower rates and deposit margin compression, predominantly offset by higher wholesale deposits, higher revolving balances in card, as well as the impact of securities activity, including from prior quarters. IRX Markets was down $6.3 billion, or 31%, and excluding the net gain related to Visa shares and net investment securities losses in the prior year, was up $1 billion, or 8%, driven by higher asset management fees, higher auto lease income, higher investment banking fees, and higher payments fees. Markets revenue was up $1.1 billion, or 15%. Expenses of $23.8 billion were up $66 million, and excluding last year's Visa stock contribution to the firm's foundation, was up $1.1 billion, or 5%, primarily driven by compensation, higher brokerage and distribution fees, as well as higher auto lease depreciation.

Speaker 9
2m 11s

Credit costs were $2.8 billion, with net charge-offs of $2.4 billion and a net reserve build of $439 million. The build was driven by new lending activity, largely offset by a decrease in the probabilities that we attached to the adverse scenarios in the allowance estimation. Onto the balance sheet on page three. We ended the quarter with a CET1 ratio of 15%, down 40 basis points versus the prior quarter, as net income was more than offset by capital distributions and higher RWA. This quarter's higher RWA is primarily driven by an increase in wholesale lending across both CIB markets and banking, an increase in other markets activity, as well as an increase in card loans. As you know, we completed CCAR a couple of weeks ago, and the current rules are indicative SCB is floored at 2.5% and goes into effect in April 2025. Our new SCB also reflects the board's intention to increase the dividend to $1.50 per share in the third quarter. Now let's go to our businesses, starting with CCB. CCB reported net income of $5.2 billion on revenue of $18.8 billion, which was up 6% year-on-year. In banking and wealth management, revenue was up 3%, largely driven by growth in wealth management revenue, with deposit and NII relatively flat.

Speaker 9
3m 35s

Average deposits were down 1% year-on-year and flat sequentially. Client investment assets were up 14% year-on-year, driven by market performance and continued healthy flows into managed products. In home lending, revenue was down 5% year-on-year, predominantly driven by lower NII. Turning to card services and auto, revenue was up 15% year-on-year, predominantly driven by card and NII on higher revolving balances, as well as higher operating lease income in auto. Card outstandings were up 9% due to strong account acquisition. In auto, originations were up 5%, driven by higher lease volume. Expenses of $9.9 billion were up 5% year-on-year, largely driven by growth in technology and auto lease depreciation. Credit costs were $2.1 billion, reflecting net charge-offs of $2.1 billion, relatively flat year-on-year, in line with expectations. Next, the commercial and investment bank. CIB reported net income of $6.7 billion on revenue of $19.5 billion, which was up 9% year-on-year. IV fees were up 7% year-on-year, and we continue to rank number one with a wallet share of 8.9%. Advisory fees were up 8%, benefiting from increased sponsor activity. Debt underwriting fees were up 12%, primarily driven by a few large deals. Equity underwriting fees were down 6% year-on-year. Our pipeline remains robust, and the outlook, along with the market tone and sentiment, is notably more upbeat.

Speaker 9
5m 11s

Payments revenue was up 3% year-on-year, excluding equity investments, driven by higher deposit balances and fee growth, predominantly offset by deposit margin compression. Lending revenue was down 6% year-on-year, reflecting higher losses on hedges. Moving to markets, total revenue was up 15% year-on-year. Fixed income was up 14%, with improved performance in currencies and emerging markets, rates, and commodities. This was partially offset by fewer opportunities in securitized products and fixed income financing. Equities was up 15%. We continue to see strong performance across products, most notably in derivatives. Security services revenue was up 12% year-on-year, driven by higher deposit balances and fee growth. Expenses of $9.6 billion were up 5% year-on-year, driven by higher compensation, brokerage, and technology expense, partially offset by lower legal expense. Average banking and payments loans were down 2% year-on-year and up 2% quarter on quarter, with sequential growth primarily driven by new loans with larger corporates. Average client deposits were up 16% year-on-year and up 5% sequentially, reflecting increased activity across payments and security services. Finally, credit costs were $696 million, driven by builds in our CNI portfolio, including new lending activity and downgrades to a handful of names, partially offset by the scenario probability adjustment I mentioned upfront.

Speaker 9
6m 44s

Turning to asset and wealth management to complete our lines of business, AWM reported net income of $1.5 billion, with a pre-tax margin of 34%. Revenue of $5.8 billion was up 10% year-on-year, driven by growth in management fees on strong net inflows and higher average market levels, as well as higher brokerage activity and higher deposit balances. Expenses of $3.7 billion were up 5% year-on-year, driven by higher compensation, including revenue-related compensation, and continued growth in our private banking advisor teams, as well as higher distribution fees. Long-term net inflows were $31 billion for the quarter, led by fixed income and equities. In liquidity, we saw net inflows of $5 billion. AUM of $4.3 trillion was up 18% year-on-year, and client assets of $6.4 trillion were up 19% year-on-year, driven by continued net inflows and higher market levels. Finally, loans were up 7% year-on-year and 3% quarter on quarter, and deposits were up 9% year-on-year and 2% sequentially. Turning to corporate, corporate reported net income of $1.7 billion and includes the tax item I mentioned upfront. Revenue was $1.5 billion for the quarter. NII was $1.5 billion, down $875 million year-on-year. NIR was a net gain of $49 million, up $148 million year-on-year, excluding the prior year's Visa-related gain.

Speaker 9
8m 15s

Expenses of $547 million were down $32 million year-on-year, excluding the foundation contributions from the prior year that I mentioned earlier. To finish up, I'll touch on the outlook. You'll recall that at Investor Day, I made a couple of comments previewing the potential evolution of the outlook, so now let me formalize that and give you updated guidance. First, we now expect NIIX Markets to be approximately $92 billion, with the increase driven by changes in the forward curve and strong deposit growth in payments, security services, as well as balance growth in card. Total NII guidance is now about $95.5 billion, implying $3.5 billion of markets NII. Second, on adjusted expense, we now expect it to be about $95.5 billion, primarily driven by the impact of the weaker dollar, which is largely bottom-line neutral. Finally, on credit, we continue to expect the card net charge-off rate to be approximately 3.6%. Reflecting on the quarter, while the environment remains extremely dynamic, in many ways, navigating uncertainty is the norm for both us and our clients. We're now happy to take your questions, so let's open the line for Q&A.

Speaker 2
9m 33s

Thank you. Please stand by. Our first question will come from Christopher McGrady with KBW. Your line is open.

Speaker 7
10m 0s

Great. Good morning. Thanks for the question. Jamie, relative to three months ago, there's a lot of optimism. Yeah. Great. Thanks for having me. Just wanted to welcome you to the call before we get started. Great. Thanks so much. Relative to three months ago, there's a lot of optimism on financial deregulation and really going to break in the bank's favor. I'm interested if you agree, number one, with this optimism and anything specifically you could point to. Secondarily, on capital, I'm interested in what's on or off the table in terms of uses of capital, what do you need to see from the macro regulatory, and how should we be thinking about the timing? Thank you.

Speaker 9
10m 39s

me take the second part of that first. We have our centered capital hierarchy that we recite a lot, and I do not want to bore you by reciting it again, but I think it is important because it does serve as a guide in this context, right? We deploy our capital against organic and inorganic growth, and we ensure a sustainable dividend, and with what is left, we do buybacks. We have talked about how excess capital's earnings in store. You saw this quarter that we actually had some financial resource usage that came through and actually meant that despite keeping the buybacks relatively constant and having the organic capital generation be relatively constant, the CET1 ratio dropped a little bit as a function of increased usage organically showing up in our RWA expansion. We're doing what we want to do, but clearly it is a big amount of excess, and that does mean that everything is on the table, as it always is, and that includes potentially inorganic things. Now, obviously, that needs to be done carefully. I think acquisitions have a high bar, both financially, strategically, and importantly, in some cases, culturally. We also need to think carefully about things that work outside the regulated perimeter might not work inside the regulated perimeter as well.

Speaker 9
12m 5s

We have learned some lessons. We do not want to overlearn those lessons. In the end, sometimes we lean in a little more, sometimes we lean in a little less, but we would not be doing our jobs if we were not thinking about it. I don't particularly think, other than fundamentally whether things are permissible or not, that the regulatory environment right now particularly shapes our thinking on that front.

Speaker 6
12m 31s

Can I say just a broader point about regulations? I think it is very important that the regulators step back and kind of look at the big picture now, not just one thing. Nothing's happened yet. I think they should be looking at all these things. If you look at SLR, CCAR, Basel III, FSRT, the overlap, the duplication, I actually believe that you can make the system simpler, cheaper, more effective, more transparent, and safer. Things like Silicon Valley Bank and First Republic did not need to happen if you just modified some things, and you create more liquidity, more loans, and a safer system. That's really what they should be looking at, not just SLR. I'm hoping that over time they do that. The second thing they add to that, which I think is even maybe more important, is they should answer the question, "What do they actually want in our public markets versus our private markets, etc.?" We have gone from 8,000 public companies, I am talking about like 25 years ago, to 4,000 today. That has happened overseas. Public markets overseas have gotten smaller and smaller. Obviously, I am not against private credit. Private credit is growing. How do you really want to structure this?

Speaker 6
13m 45s

Why is it happening? Is that a good thing for America? It is time that they take a step back. I hear sometimes from some pundits that there has been relaxing of rules and regulations. Absolutely not. There has been nothing but increasing them for the better part of 15 years. They should take a deep breath, step back, and look at the system and answer the question, "How can we make it better and stronger for the economy and all involved?

Speaker 9
14m 15s

Yeah. Maybe you've sort of gone a bit long here, but just to expand and go into a little bit of detail there, I will note that Vice Chair Bowman gave a speech on her vision having come into the new seat for ongoing work and regulation. I think it's a speech that's pretty comprehensive and lays out some of what Jamie's saying in terms of the to-do list. I think at the margin, we do understand the desire to sort of knock some things off the to-do list that have been on it for a long time and clearly need to be addressed, like SLR. At the same time that that happens, the holistic review done properly across not only capital, but also liquidity, resolution, etc., is clearly quite important. More narrowly, in the near term, I think we continue to feel very strongly that of all the things that are out there, one of the worst is GSIB in the sense of both the original gold plating, the sort of deep conceptual flaws in the framework itself, and the failure to recalibrate it for growth since it was put into effect. I think one of the things that's maybe a little bit under-discussed there is the extent to which it specifically creates strong disincentives for American banks to be strong and globally competitive.

Speaker 9
15m 35s

That seems to me the exact opposite of what we want. That's really one of the ones that needs to get attacked pretty aggressively, I would say.

Speaker 7
15m 45s

I appreciate all the color. If I could ask on a follow-up, the inorganic comments, I'm interested in capital allocation between your businesses, where you think if that were to present an opportunity, which businesses would most likely be the use of that capital. Thanks.I

Speaker 9
16m 3s

mean, we've talked about that a little bit over time. Obviously, we're not fundamentally capital constrained right now. So I mean, in addition to the fact that capital isn't the only financial resource that we need to allocate, I would say the larger point is that any good franchise business that makes sense from a risk perspective and clears the cost of equity is going to get done within reason, subject to obvious caveats.

Speaker 6
16m 32s

Inorganic, it's a good discipline to always be looking. I wouldn't have high expectations. That will be how I use a lot of capital. I think it's a very big plus that we grow organically in every business we're in without having to stretch.

Speaker 7
16m 48s

Great. Thanks again.

Speaker 2
16m 51s

Thank you. Thank you. Next, we will go to the line of Betsy Grasek from Morgan Stanley. You may proceed.

Speaker 5
17m 0s

Hi. Good morning. Two questions. First, on the RWA utilization via organic, as you described, I wanted to understand in wholesale lending where you highlighted the CIB was a driver of much of this. Could you speak to the drivers of those drivers? In other words, is it private credit? Is it M&A financing? Is it inventory? What are you seeing in the market here that you're delivering on that's raising that lending profile?

Speaker 9
17m 39s

It's all of the above, Betsy, because we are the switcheroo end of financing. We do everything, and we saw a lot of activity come in late in the quarter.

Speaker 5
17m 50s

Okay. Oh, great. All right. Thank you. Jamie, there has been a lot of discussion around stablecoin, how stablecoin is going to be impacting banks. I believe you have an opinion on this. Would love to hear if you could highlight how JPM is thinking about utilizing, leveraging, competing with stablecoin, and how the JPM deposit token feeds into all of this as well. Thank you.

Speaker 6
18m 26s

A deposit token is effectively the same thing. You're moving money by token. You could pay interest. It's JPMorgan Deposit. Stablecoins, we're going to be involved in both JPMorgan Deposit Coin and stablecoins to understand it, to be good at it. We don't know exactly how it's going to go. I think they're real, but I don't know why you'd want a stablecoin as opposed to just a payment. I do think you have fintech. These guys are very smart. They're trying to figure out a way to create bank accounts and get into payment systems and rewards programs. We have to be cognizant of that. way to be cognizant is to be involved. We're going to be in it and learning a lot and a player.

Speaker 5
19m 6s

Okay. Super. Then separately on the topic of open banking, I think that's on hold right now with the CFPB, on hold right now, but just wanted to understand, does this hold period give you an opportunity to change how you're pricing for your open banking and fintech relationships here?

Speaker 6
19m 30s

This is very important. If we get pricing for a second, we are in favor of the customer. We think the customer has the right to, if they want to, share their information. What we ask people to do is, do they actually know it's being shared? What is actually being shared? It shouldn't be everything. It should be what their customer wants. It should have a time limit because some of these things went on for years. It should not be remarketed or resold to third parties. We are in favor of all that, done properly. The payment, it just costs a lot of money to set up the APIs and stuff like that to run the systems, protection. We just think it should be done and done right. That's the main part. It's not like you can't do it. The last thing is a liability shift. I mean, I don't think JPMorgan should be responsible if you've given your bank passcodes to third parties who market it and do a whole bunch of stuff with it, and then you get scammed or fraud through them. They should be responsible. We want real clarity about that. If you see today, a lot of these scams and frauds run through third-party social media and stuff like that.

Speaker 6
20m 35s

There should be a little more responsibility on their part so we can all do a better job for the customer. That's why.

Speaker 5
20m 43s

Excellent. Okay. Thank you so much for that.

Speaker 9
20m 47s

Thanks, Betsy.

Speaker 2
20m 49s

Thank you. Next, we will go to the line of Steven Alexopoulos from TD Cowen. You may proceed.

Speaker 1
20m 56s

Hey, good morning, everyone. I wanted to start, Jeremy, going back to your comments on inorganic things being on the table in terms of use of excess capital. When I look at the company, you're the largest U.S. bank by assets. You're also the largest in terms of the data you see every day. You may or may not have seen that Apple is looking at possibly their shadow getting into the AI game more by looking at a company such as Perplexity. Just thinking out loud here, would it make sense for JPMorgan to consider acquiring an LLM? The last two quarters of buybacks are about the last valuation round for Perplexity. I'm thinking of you guys. You could become the LLM for the financial services industry. What are your thoughts on this?

Speaker 6
21m 44s

We use LLMs, and we're going to be agnostic about that too. There's no reason for us to own one. At least we can't figure out why that would make sense.

Speaker 9
21m 52s

Yeah. I wouldn't.

Speaker 6
21m 54s

We will use it, and we will obviously be important in using our data to help our customers.

Speaker 9
22m 0s

Yeah. On the question of inorganic deployment, I would sort of blend my comments with Jamie's. Right? In the end, I'm just asserting that, of course, we need to look at inorganic opportunities. Of course, that's a question that comes up given our current excess capital position. Jamie said clearly that he doesn't think that's particularly likely for some of the reasons that you emphasize. It's not easy to imagine a deal that would actually make sense.

Speaker 6
22m 26s

We do a lot of small ones, by the way, which you've seen.

Speaker 1
22m 29s

Yeah. Yeah. Okay. Then going back, Jamie, to your answer to Betsy's question on the tokenized deposit, I get it how that makes sense in terms of the customers that are inside your walled garden, but it doesn't help them much in terms of dealing with customers outside of your garden. What's holding up you guys and the other banks getting together to issue something joint, similar somewhat to what you've done with Zelle, and prevent these stablecoin companies like Circle coming in, offering a more convenient solution to your customers?

Speaker 6
23m 3s

That's a great question, and we'll leave it remaining as a question.

Speaker 1
23m 9s

Without an answer.

Speaker 6
23m 13s

You're raising a very important point about interoperability of stablecoins and deposits and movement of money and what problem you're trying to solve. You're raising a great point. You can assume we're thinking about all that.

Speaker 1
23m 24s

Okay. Fair enough. Thanks for taking my questions.

Speaker 2
23m 30s

Thank you. Next, we will go to the line of Ibrahim Poonawalla from Bank of America Merrill Lynch. You may proceed.

Speaker 11
23m 39s

Good morning. This almost sounds like a fintech and AI call. Maybe just switching gears, I think, Jamie, your comments in the press release give us a sense when we think about middle market businesses in the U.S., what's the state of play there when we think about interest rates, tariffs, consumer spending slowing? Should we be concerned in terms of credit quality outlook looking out 6, 9, 12 months? Just what's your take based on all the data that you all look at?

Speaker 6
24m 12s

You can ask the thing about the data, but very important, we love the middle market business. It drives a lot of business. We built, I think, 500 banks as an innovation economy, which is kind of new to us. Think of what Silicon Valley Bank used to do and things like that. We still have a huge addressable market in the middle market business. We provide not just lending, and that can be leveraged lending, direct lending, but payment services, custody services, asset management services, FX services. We are going to grow that business regardless of what we predict the environment is going to be in the next 6 to 9 months.

Speaker 11
24m 48s

Got it. I guess just as a follow-on.

Speaker 6
24m 50s

ahead, Jeremy. Yep.

Speaker 9
24m 53s

No, no. Go ahead. Ask your follow-up.

Speaker 11
24m 56s

I was just wondering in terms of your sense of just the state of play, the health of the balance sheets of these customers, and also if you can expand that into the consumer, any areas of stress from a credit quality perspective that you are beginning to get more concerned today versus three or six months ago?

Speaker 9
25m 15s

Yeah. Right. Okay. Because that is what I was going to try to clarify. I just was not sure if you were doing consumer, wholesale, or both. Let us do consumer quickly. I think we talk about this every quarter. It is obviously a very important question. We look at it very closely. It obviously matters a lot for us as a company. We continue to struggle to see signs of weakness. The consumer basically seems to be fine. Now, a few things are true. If you look at indicators of stress, not surprisingly, you see a little bit more stress in the lower-income bands than you see in the higher-income bands. That is always true. That is pretty much definitionally true. Nothing there is out of line with our expectations. Our delinquency rates are also in line with expectations. You saw that we kept our net charge-off guidance unchanged. All of that looks kind of fine. To be honest, as we've said before, fundamentally, while there are nuances around the edges, consumer credit is primarily about the labor market. In a world with a 4.1% unemployment rate, it's just going to be hard, especially in our portfolio, to see a lot of weakness.

Speaker 9
26m 24s

It is true that if you look at not our data, but the government's data, I think I was looking at this the other day. First half real consumer spending of this year versus second half of last year is down. It's still positive. It's still growing, but it's down. It's kind of consistent, this sort of soft landing narrative, which is also consistent with the sort of GDP outlook that our economists are publishing. Our own data, looked sort of in nominal terms on a cohort basis, actually shows spending up a little bit over the same period. It is kind of the same narrative of things being fine with different signals pointing in slightly different directions, but nothing particularly concerning.

Speaker 11
27m 12s

That was helpful. Would you say the same about commercial?I

Speaker 9
27m 17s

mean, basically, yes. You see some idiosyncratic things here and there. On the point of tariffs, I guess, obviously, you recall the slide that we did on Investor Day kind of highlighting that different sectors are going to have different experiences as a function of their margins, their sensitivity to input cost, their amount of pricing power, the amount of leverage, and where the rules actually land. People are obviously getting some time to adjust, and we're watching it very closely. We will see.

Speaker 5
27m 49s

Excellent. Thank you.

Speaker 9
27m 52s

Thanks.

Speaker 2
27m 53s

Thank you. Thank you. Our next question comes from John McDonald with Truist Securities. Your line is open.

Speaker 4
28m 3s

Hi. Good morning. Jeremy, quick follow-up on the consumer credit, broader comments taken there. In terms of the NPAs, the non-accruals and consumers seem to have a bit of a jump. Is there something technical there? Maybe just talk to that.

Speaker 9
28m 18s

Yeah. Thanks for that, John. I'm glad to get a chance to clarify this. There is something technical, which has to do with customers in the home lending customers in the Los Angeles area using our forbearance availability as a result of the wildfires. That is resulting in an uptick in the non-performing. When you think about land value and the insurance there, the actual loss expectation is de minimis, I would say.

Speaker 6
28m 47s

We always do that for customers when they have real difficult times.

Speaker 9
28m 50s

Exactly. So that's what's driving that one.

Speaker 4
28m 54s

Okay. Great. I wanted to ask for some more color on retail deposits, maybe in the context of Marianne's presentation from Investor Day. Could you remind us of what's given you incremental confidence in seeing some improvement in deposit margin and kind of producing that mid to upper single-digit deposit growth that Marianne talked about?

Speaker 9
29m 14s

Yeah. Sure. I think what you're referring to is a slide where Marianne talked about kind of the potential for 6% consumer deposit growth next year. That's a nice number. As you've written, that would produce some nice revenue consequences, all else being equal. The way I think about that number is to kind of build it up step by step. You start with, in general, the consumer deposit base in the system has grown probably slightly above nominal GDP. A thing that's been true for us recently is that as a result of our market position and our pricing choices, we've probably lost a little bit of share during the rate hiking cycle sort of in isolation from yield-seeking flows. With the yield-seeking flows having abated a little bit, that relative headwind is kind of behind us or increasingly behind us. You have got some core growth reasserting itself. You saw us call out the growth in net new accounts and consumer checking this quarter. That is one of the key drivers. As you know well, when you look at the franchise, we kind of have, number one, ongoing expansion. Number two, seasoning of the old expansion. Number three, deepening in the core markets.

Speaker 9
30m 34s

When you put all that together and you look at sort of the history of the growth, macro environment, etc., that is how you get to that type of 6% number. Obviously, things could change quite dramatically to produce a different number among other things. You will recall that Marianne's slide also talked about a stress scenario with lower rates, which perhaps somewhat non-intuitively would produce actually higher growth as a result of even less yield-seeking flow and a higher consumer savings rate. The flip side of that is also true, which is an unexpectedly high-rate environment would probably lead to lower balance growth, all else equal in consumer. We like to say those are all else being equal type numbers, but all else is never equal.

Speaker 4
31m 22s

Got it. Great. Thank you.

Speaker 9
31m 25s

Thanks a lot, John.

Speaker 2
31m 28s

Thank you. Next, we will go to the line of Mike Mayo with Wells Fargo. Your line is open.

Speaker 8
31m 35s

Hey, Jeremy, can you talk about why commercial loan growth was much stronger in the second quarter and any strength by geography? Jamie, can you address what regulators could do to potentially have banks lend more in the future consistent with what the Treasury Secretary said is his goal? Thanks.

Speaker 9
31m 59s

Yeah. Thanks, Mike. On loan growth, as you know, it's useful to sort of break this down between what I would think of as relationship lending that kind of drives the whole franchise. We sometimes look at it maybe as an indicator of the health of the corporate sector in some sense. People like to look at it as a rate across for the smaller banks, etc. That part of the franchise remains fine but sort of muted as customers have access to capital markets, and revolving utilization is sort of flat-ish in general. As I noted, I think previously, and as you see coming through the IBP performance, there was just quite a bit of deal activity in the second half of the quarter, a lot of which is well-known and public. Some of that is on our balance sheet, and we're very happy to have it there.

Speaker 6
32m 50s

Just answer your other question, Mike, some of the I'm going to go give you some things that you can actually do. I think you should do them and reduce risk in the system. I'm only going to talk about how they increase lending for a second. GSIB, if you look at it, both a little bit of lending and a little bit of market making. LCR inhibits both because it's a very rigid way of looking at a bank balance sheet. It doesn't really give you credit for potential access to the window and things like that. CCAR, in some cases, we talk about CCARness, but there's a lot of CCARness from small business loans and stuff like that where people kind of hold that back a little bit because it creates too much volatility. And CCAR Capital, the FSRT, the fundamental book. When you look at all these things, I think you can create more lending, more liquidity, more flexibility, and reduce the risk in the system. Also just CET1, just capital usage, etc. Reducing the risk in the system, I think it also makes it friendlier for community banks, which we do want to do. If you look at total loan to deposits, they used to be 100%.

Speaker 6
33m 58s

They're now 70%. That is a huge difference. That took place over 10 or 15 years. Can you get that back to 85% and have the banking system be just safe and sound? Absolutely.

Speaker 8
34m 12s

You didn't mention the cost to make a loan. Is there a potential for streamlining there?

Speaker 6
34m 17s

Yeah. Yes. I'd put securitization in that category. We need a more active securitization market, and all these things could reduce the actual cost of making a loan. I've pointed out in the past that mortgages probably cost 30 or 40 or 50 basis points more because of excessive securitization, origination, and servicing requirements. Those could be changed and would dramatically help mortgages, particularly for low-income individuals. We just have failed to do it for 10 years. It wouldn't create any additional risk. We can show you data that shows that.

Speaker 8
34m 50s

Last one, when you say inorganic growth, would you buy a private credit firm? Is that something you'd at least consider?

Speaker 6
35m 0s

I would say it's not high on my list because we can do it ourselves. Buying people and comp plans. I also think you may have seen peak private credit a little bit. I don't know that, but we already do it. If it was the right people and the right price, the right shoe, we should look at it. I think, Mike, you should always be open-minded when people come to you with something you hadn't thought about before. You just get smarter by looking at these things.

Speaker 8
35m 29s

Actually, I can't leave on that comment.

Speaker 6
35m 33s

What?

Speaker 8
35m 34s

Peak private credit, I can't leave on those three words. What do you mean by peak private credit?

Speaker 6
35m 40s

I've mentioned that credit spreads are very low. It's grown dramatically over time. You have to pay up a lot for it. I'm not saying it's not going to grow some more, but I would have a slight reluctance depending on who it was. Your bankers might come to us with something tomorrow that we just hadn't thought about that is a complete natural fit for us, natural fit being product and people and culture.

Speaker 8
36m 8s

Sorry, Jeremy.

Speaker 9
36m 11s

No, I was literally going to say what Jamie just said. So we're good.

Speaker 8
36m 15s

right. Thank you.

Speaker 2
36m 19s

Thank you. Next, we will go to the line of Erica Najarian with UBS. You may proceed.

Speaker 3
36m 26s

Hey, good morning. Jamie and Jeremy, you've talked about simplifying the regulatory construct. It seems like, based on the progress so far, we'll mostly get there, particularly with Basel's Rewind Game and GSIB, which impacts you so much. To that end, if we do get a more simplified regulatory construct that addresses both the capital and liquidity constraints, does that move up JPMorgan's natural ROTCE? You talk about 17% through the cycle a lot. Obviously, perhaps we would optimize the denominator. Why wouldn't that be additive to your natural ROTCE? Does this get passed back on to your clients in terms of pricing?

Speaker 6
37m 23s

In a competitive world, it is irrational to think that, and when it applies to all the competitors, that everyone's just going to make a lot more money and keep it as opposed to compete in the marketplace. Hopefully, we'll still have a good competitive position relative to everybody else. No, I don't think you should automatically say it's going to increase your returns. Remember, Jeff Bezos says, "Your margin is my opportunity." That would be a huge opportunity for fintech, private credit, alternative players, etc. You have to be a little careful to think that would happen. I think it's a good thing for the system, though.

Speaker 9
37m 58s

Yeah. Exactly. As we always say, Erica, the market's very competitive and the returns are high. You know this, but I would just refer you to the slide that I delivered at Investor Day about how, in some cases, it makes all else equal compared to buying back shares at these prices. Doing healthy, well-underwritten, compelling franchise business with a 14% return, we're definitely supposed to do that, actually. If we do a lot of that, it will dilute down the weighted average ROTCE of the company in ways that are nonetheless clearly accretive to shareholders.

Speaker 6
38m 37s

Jeremy showed you a little thing about business units that earn high returns to low returns. I think you should do the lower return ones because they fit hand in glove with other stuff. If you did not do it, you might lose the other. There are some businesses out there with very high returns that we deploy capital by adding bankers or branches or products, not directly by deploying capital. Just think of branches. That does our private banking or things like that.

Speaker 3
39m 3s

Yep. For sure. I think that's a big discussion point with investors in terms of talking about actually the EPS gains rather than just ROTCE improvement. The second question I had is you mentioned, and clearly we saw it in the numbers, a late in the quarter pickup in activity levels. I'm wondering, as we think about sentiment and what this means for the second half, did activity levels pick up because it felt like we were taking extreme outcomes from tariff policy off the table? Is it the tax bill certainty? I guess I'm just wondering, have some of the issues that prevented activity levels or really stunted it in April and early May, have those fully been taken out of your clients' thinking as we think about the second half of the year and activity levels continuing from here?

Speaker 6
40m 0s

Jeremy, you might want to say, I'll just answer the question by saying, honestly, we don't know. You've seen how rapidly pipelines can grow and shrink. That lesson we've learned over and over, and it may stay wide open for a year and a half. Something may happen geopolitically that all of a sudden that pipeline slows a little bit. I'm always a little cautious to guess what that's going to be. If it continues this way, yeah, you're going to have really active markets.

Speaker 9
40m 28s

Yeah. My version of that, Erica, would be to say that you talked about certain of the tail risks getting taken completely off the table. That is clearly not true, right? All the tail risks are all still there quite prominently and in many cases in the daily news flow. Maybe at the margin, the tails are a little bit less fat right now. I think it is also true that in terms of the things that we have said about our investment banking pipeline have been consistently quite cautious. At a certain point, when you have the type of outperformance that you have this quarter, it starts to make your cautiousness seem less credible. We wanted to take a hard look at ourselves and say, "What do we really think?" It is like, yeah, the sentiment is better. As Jamie says, that can change overnight, and there are a lot of risks there.I

Speaker 6
41m 16s

do think that extending the tax bill for business to know what their taxes are going to be is a positive going forward. That does reduce the risk that the bill did not get done. I also think when it comes to tariffs, I think the initial liberation day, now there is more talk, there are more things getting done. A couple have been announced, a couple have been delayed. That reduces that risk a little bit. Hopefully, they will get done. There is still risk out there, but I am hopeful that of these frameworks are completed soon, at least before August 1.

Speaker 3
41m 47s

Got it. Thank you.

Speaker 2
41m 50s

Thank you. Next, we will go to the line of Jim Mitchell with Seaport Global Securities. Your line is open.

Speaker 5
41m 58s

Hey, good morning. Thanks for taking the questions. Maybe just on Jeremy, if I look at your 10Q and 10K rate sensitivity disclosures, it looks like you guys have done a lot to reduce your asset sensitivity to the short end of the curve. Can you talk about what you've been doing to change the positioning of the balance sheet, whether extending duration or hedges? Is there more you can do to desensitize the balance sheet before rate cuts begin to kick in, as I guess the markets expect later this year? Thanks.

Speaker 9
42m 30s

Yeah.

Speaker 6
42m 31s

Before he goes on, the market expect is almost never what happens.

Speaker 5
42m 37s

Fair enough.

Speaker 9
42m 41s

right. So it's a good question, Jim. But yeah, as Jamie points out, just remember that the extent of the market is sufficient, which maybe it's not, but you can't really hedge ahead of cuts that are already priced in, right? So that's what I'm saying out loud. But I mean, you can decrease volatility, but it's just a question of now or later. Having said that, on the question of decreasing volatility, we did, in fact, add some duration this quarter with the usual mix of instruments and strategies, but primarily in the front end of the yield curve, which was designed to essentially balance out the tails a little bit so that we were a little bit less exposed to a classic recessionary type scenario with much lower rates in exchange for accepting a little bit less good outcomes in higher rate scenarios, at least narrowly through the lens of NII. As we've talked about a little bit over time, though, I like the way you framed it in terms of having the capacity. I think the way to think about it there is that, in general, it's almost impossible to get your assets for a bank like us, it's almost impossible to get your asset sensitivity, your actual asset sensitivity down to zero because you wind up constrained by other things.

Speaker 9
44m 1s

We are in the quarter, and we're okay with where we are right now.

Speaker 5
44m 8s

Okay. Thanks. Maybe just one more on the regulatory front. I think regulators look at reducing the SLR as a way to encourage banks or open up an avenue to expand your balance sheets into lower-risk assets. Do you see that? Is it really just a supply issue, or how do you think about the demand-supply dynamic? Is there really opportunities for you to grow? I would imagine, I guess, with an SLR not being constrained, maybe it's better return in lower margin areas. Just your thoughts.

Speaker 9
44m 44s

Yeah. It's a good question. You may recall I actually got a version of this question at Investor Day. I'll more or less repeat my answer here, which is that, as we know, fixing SLR has been on the list for a long time. It behaved very much not the way it was designed in the moment of big QE when it became binding, and it had bad impacts on the system. It's the opposite of what we want for these backstop measures. We don't want regulators to need to make unusual corrections mid-crisis. It's just not the right way to run the railroad. I think everyone has agreed on that for a long time. In that context, it's been sort of disappointing that something as obvious as this has taken as long as this to get fixed. It is a good sign that it is now out there. We certainly support the proposal. There are some nuances that are common, have been requested, but at a high level, it is a good proposal. It is the right thing to do. It is the right thing to do from the perspective of the resilience of the system for the next time that we have got that type of expansion in the size of the system that could make it binding in the wrong way for the wrong reasons.

Speaker 9
45m 52s

Yeah, as you noted and as we have said, we are not really bound by it. I think other actors in the market may be a little bit more bound by it. There are also some nuances about impact on portfolio activity, which I would expect to be very small, versus impact on low-risk intermediation in the market-making businesses, which is maybe where you would hope to see the effect. It is a good thing. Hopefully, it will help. Obviously, it is pretty fully priced in at this point. I do not think you are going to see a big pop one way or the other as a function of its eventually being finalized because I think everyone is assuming it will go in roughly in its current form.

Speaker 6
46m 30s

I'm like a broken record. It's not SLR. It's LCR. It's GCFE. It's CCAR. It's Basel IV. It's the gold plating. You really got to step back and look at all of them. And how you use the discount window, etc., and even how you measure liquidity, which is different in one measure than it is in resolution and recovery. They should look at all of that if they really want to fix the system.

Speaker 5
46m 57s

Right. Thanks for the color.

Speaker 9
47m 0s

Thanks.

Speaker 2
47m 2s

Thank you. Next, we will go to the line of Ken Leon from Autonomous. You may proceed.

Speaker 7
47m 11s

Thanks. Good morning. First question is I just wanted to ask you about the recent Sapphire price changes and just what you're seeing in terms of initial response and just how that fits in strategically with the competitive landscape on card and your growth opportunity.

Speaker 9
47m 30s

Yeah, sure. Let me just answer the question of how it's going for us.

Speaker 6
47m 35s

So far, going fine. We're happy. In terms of the strategic aspects of this and the competitive landscape, I think the way we think about this is as a normal course refresh of one of our important products and the way that all of our products get refreshed periodically. Obviously, this is a relatively high-profile product. Many of us have the card. We see the ads everywhere. It sort of punches above its weight in that respect in terms of visibility. In terms of the competitive landscape, I think a thing that we feel really great about is the dramatic increase in the customer value proposition associated with the card. In particular, one of the things that we look at is the ratio of the customer value to the annual fee, which is clearly market-leading at this point. I've got a lot of comments that people from friends of my kids and stuff like that that, "Man, you've already raised the card, but they have to keep it for their guaio lounge." That's the value added.

Speaker 9
48m 38s

There is a lot of value added.

Speaker 6
48m 39s

Yes, exactly.

Speaker 9
48m 40s

Yeah. Yeah. Obviously, I mean, we're not going to talk too much about competitors, but as you know, the card space is very competitive and very dynamic. We exist in a competitive landscape, and this is our best foot forward on this product at this moment in time.

Speaker 7
49m 0s

Got it. It is quite a nice lounge. On the trading side, just wondering how much the strong results this quarter, the quarter changed a lot from April to June. I am just wondering how much you think that was environmental. Has it calmed down at all? Also, how much is just your ability to kind of use the balance sheet to boost results also? Could that make it more sustainable regardless of what the environment is doing? Thanks a lot.

Speaker 9
49m 31s

Good question. Honestly, I think it's kind of all of the above, basically. No question that the tone shifted. Obviously, it shifted in investment banking. I think I personally was a little bit surprised by the resilience of the market's revenues in the second half of the quarter because I was sort of expecting a little bit of an offset between the two.I

Speaker 6
49m 51s

was not surprised.

Speaker 9
49m 52s

Okay. There you have it. It is not like I thought it would do badly, but it sort of did quite well in the volatility in the first half of the quarter, and then it got quiet. Despite that, we still did nicely. I think the point, actually, sort of to your question is that, yes, we are seeing opportunities to deploy capital and other resources. Yeah, maybe at the margin, that does contribute a little bit to durability. We have talked over time about the market's revenues and the dramatic increase. I mean, obviously, 2019 is a long time ago at this point, and we expect those revenues to grow with GDP anyway. We worried a lot in certain moments about the revenues dropping back to some old run rate. We kind of stopped worrying about that. Of course, they've gone up to new highs, so maybe we should be worried again. A thing I like to remind myself of, to your point, is that while the revenues have gone up a lot, the resource usage has also gone up a lot. We are deploying a lot of capital and other resources in this business, and we're earning good returns on it, but the revenue growth is not coming for free.

Speaker 9
51m 0s

It's us running the place, basically.

Speaker 7
51m 5s

Okay. Thank you, Jeremy.

Speaker 9
51m 8s

Thanks a lot.

Speaker 2
51m 10s

Thank you. Next, we will go to the line of Matt O'Connor with Deutsche Bank. Your line is open.

Speaker 1
51m 17s

Good morning. Some regional banks have come in.

Speaker 9
51m 21s

Matt.

Speaker 9
51m 22s

You've got some major stock on the line. I don't know if we're going to be able to hear you. Give it a shot. Give it a shot.

Speaker 11
51m 29s

Can you hear me better now?

Speaker 9
51m 32s

Not really, but let's try. Let's try.

Speaker 11
51m 36s

I just wanted to ask about any pressure from commercial and corporate customers to try to offset the tariff impact. Some regional banks have pointed to deposit pricing pressure on the commercial side and wonder if you're seeing any signs of that or more broadly speaking. Thank you.I

Speaker 9
51m 57s

think if I heard the question correctly, you were asking.

Speaker 6
51m 59s

You were saying tariff pressure with pressure on loans or deposits. The answer is no.

Speaker 9
52m 4s

answer is no, yeah.

Speaker 1
52m 9s

Okay. Thank you.

Speaker 9
52m 10s

I wish we could say more, but we think the answer is no.

Speaker 6
52m 14s

No, I mean, there's always pressure in some of those other things.I

Speaker 9
52m 18s

mean, it's a competitive market, right? There is ongoing deposits are very, very competitive, and there are always pricing conversations, as there should be. It's hard to know in any given moment what's driving it, but I haven't heard anything to support the tariff-linked narrative.

Speaker 2
52m 36s

Thank you. Next, we will go to the line of Glenn Schorr with Evercore. Your line is open.

Speaker 4
52m 43s

Hi, thanks. Just two quick follow-ups. On the conversation about the noticeably upbeat robust pipelines, I know we've been here before, and markets can give it and take it away, but there is a time value in there, meaning corporates and, more importantly, sponsors need to get stuff done. There is a ton of dry powder. So I'm curious if there's a higher level of confidence, meaning if the market doesn't take from us, is it really happening this time? We've been kind of waiting for these pipelines to come through in fuller force for a couple of years now. Does it feel more doable as long as the market doesn't take the rug out from under us?I

Speaker 6
53m 28s

think it separates sponsor-owned companies from IPOs. They're companies going public. They're in the pipeline. They want to go public, etc. Sponsors are still, at least from what I can tell, anecdotally, still reluctant to use the public markets. There may obviously be maybe more of it, but it hasn't been a mountain of stuff coming out.

Speaker 9
53m 49s

Yeah. I think that's right in the IPO space, at least for now. I have heard some things to support some elements of your narrative plan, the effect of that there is pressure to kind of recycle capital and get things done. Yeah, sure. After the initial shock of the tariff policy changes, everyone kind of went on hold. As we've noted in our comments a few times today, at a certain moment, you just have to move on with life. It does feel like some of that is happening just because you can't delay forever.I

Speaker 4
54m 23s

hear you. The follow-up on the capital conversation, obviously impressive to see big returns on even higher capital bases. There's more to come. I think trend is your friend on DREG. The question is, you keep making a lot of money. Your capital base keeps rising. You've talked about arresting the growth of CET1 in the past, but I guess my blunt question is, is there any valuation limitation towards that arresting of CET1?

Speaker 9
54m 58s

Okay. Wait. I want to say a couple of things, and then I want to clarify an aspect of your question, Glenn. First, on arresting the growth, what I actually said, not to nitpick on you, but I said arresting the growth of excess capital, which I agree is reasonable to interpret as keeping a roughly constant CET1. As it happened this quarter, you see the CET1 actually dropping about 40 basis points, and that was in no small part a function of significant late quarter growth in RWA usage, which we were frankly very happy to see, in fact. That is all to the good in some sense. Now, the other part of your question, can you just repeat it? I want to make sure I understand it.

Speaker 4
55m 46s

I'm just curious if there's a valuation limitation to the thinking, meaning as valuation goes up, are you just going to do you keep buying back?

Speaker 9
55m 56s

Meaning would we go back to a moment of reducing buybacks and starting to build again if the stock gets even more expensive? I mean, I think that's the question for the boss, but I don't know. I guess we always reserve the right to do whatever we want on buybacks, basically.

Speaker 6
56m 12s

We reserve the right. We're not going to tell you. Obviously, it's stuck pricing. I mean, I don't like buying back the stock at almost three times tangible book. No one's going to convince me that's a brilliant thing to do, but it is wise to use our balance sheet for customers, which we're doing, and we can maybe possibly do more. It is probably wise to not increase the excess capital anymore since we have plenty, and it's going to be going up. Look, I'm completely convinced if you take out of your mindset 12 months, we will use the capital wisely for shareholders.

Speaker 4
56m 48s

Always do. All right. Thank you.

Speaker 9
56m 52s

Thanks, Glenn.

Speaker 6
56m 54s

The best way is organic growth, which I wouldn't rule out that we can find more ways to grow clients, basically.

Speaker 2
57m 4s

Thank you. Our next question comes from Gerard Cassidy with RBC Capital Markets. Your line is open.

Speaker 8
57m 12s

Hi, Jeremy. Hi, Jamie. I'd like to circle back to the return on tangible common equity topic that you guys have discussed. Obviously, you had a very strong number this quarter, 20% when you adjusted for the one-time effect. You go back to your investor day, and you pointed out 17% is what the targeted level is. If we turn back the clock and go back to 2020, you had the same 17% goal for the ROTCE, but your CET1 ratio back then was guidance, excuse me, guidance was 11.5%-12%. My question is, has the business for you folks changed so much that now it's just inherently a more profitable business, or are there some one-time—not one-time items, but are there some tailwinds that are artificially—I hate to use that word, but are they inflating the ROTCE, which is why you guys are very cautious about lifting that goal from 17%?

Speaker 6
58m 16s

Jeremy, if you can answer this, it might really be an important point. The value to shareholders is that we can not just earn 17% ROTCE, it is that we can reinvest money at 17% ROTCE. That's the value. If you're just going to earn 17%, you're a bond. You will trade at three times tangible book, but that's it for the rest of your life. The goal is to find opportunities to grow and expand your franchise, which we are doing. If you look at it, we are doing that with branches and bankers and internationally. When we look at the mid-cap business we're doing in Europe, it's been great. The innovation economy has been great. We're gaining shares in a lot of places. Chase Wealth Management and the private bank, the international private payment systems. We're investing in all those things to grow our franchises, and that's the best way to use your capital. Forget the timetable of that. That is the best way to use it.

Speaker 9
59m 11s

Yeah. Gerard, I guess on your other question, it's an interesting question. I don't think the answer is really knowable, and I feel like it's kind of all of the above. Let me say what I mean. On the one hand, I think if you look at the current market environment, it's hard to imagine a set of conditions that would be any better for us, right? Rates are at a good level for us. Deal activity is high. Capital markets are very strong. Consumer credit is excellent. Wholesale credit is excellent. Wealth management, asset management. I mean, essentially, every part of the company is firing. We're essentially firing on all cylinders with some very minor exceptions of certain businesses that are extremely rate-sensitive, like home lending, where they're still doing a great job in what is a very tough market. When you see that, you're like, "Well, that's not normal." Normally, you would have some pockets doing a little better, some pockets doing a little worse, and that's part of what makes you think that some aspects of this are maybe not sustainable. On the other hand, it's also true that core elements of the strategy are working very well.

Speaker 9
1h 0m

We've been investing for a long time, very successfully, and kind of leaning in even in moments where from the outside, there wasn't that much appetite for us to be investing in all of the things that Jamie's talking about. Some of those investments in various ways are paying off.

Speaker 6
1h 0m

I got to say that you have all of our major bank competitors are back and growing and expanding. You have the fintech folks who are quite capable and quite smart who want to take big chunks of your business. Everything we do is kind of competitive around the world. The notion that somehow we're not going to deal with competitors, which protects JPMorgan Chase if we don't get complacent, we don't get arrogant, we don't get bureaucratic, and we keep on finding that you got to have to fight for it every day. We are quite cautious to just declare victory like somehow we're entitled to these returns forever. I also pointed out, if you could compound at 17%, because I had Jeremy do this number one point, if you compounded at 17% for 20 years, you probably would have a good chunk of the GDP of the United States of America for 40 years, maybe.

Speaker 9
1h 1m

Yeah. I always have to go put new batteries in my HP12C when you ask me that question. All right. Yeah.

Speaker 1
1h 1m

Jeremy, I'm glad you're still using HP12C. That's good. Just as a follow-up.

Speaker 6
1h 1m

He just uses his big brain. He doesn't need the 12C.

Speaker 9
1h 1m

Okay. Thanks, Jeremy.

Speaker 1
1h 1m

As a quick follow-up, Jeremy, you touched on.

Speaker 6
1h 1m

Don't do 17% before you do it. It's not true because you're not going to do that.

Speaker 8
1h 2m

Just as a quick follow-up, Jeremy, in the markets comment that you made, you said that there were fewer opportunities in securitized products and fixed income financing. Can you expand upon that or give us any color there? Thank you.

Speaker 9
1h 2m

Yeah, sure. I mean, it's just normal diversification inside the markets business. Those businesses are doing great, but at the margin in the second half of the quarter, that stuff was a little quieter relative to emerging markets and the macro space, which was a little bit better.

Speaker 1
1h 2m

Thank you.

Speaker 9
1h 2m

Nothing too dramatic.

Speaker 1
1h 2m

Thank you.

Speaker 2
1h 2m

Thank you. Our next question, it comes from Sal Martinez with HSBC. Your line is open.

Speaker 5
1h 2m

Hey, good morning. Thanks for taking my question. Just one for me. I just want to follow up on Ken's question about sales and trading. I think you kind of addressed this, Jeremy, but you had another strong quarter there on the back of a pretty exceptional Q1, on the back of a really strong 2024. I mean, how are you thinking about how much of this is the result of an exceptional trading environment versus something that's more durable and presumably less volatility, good for investment banking? Would you see some sort of normalization in sales and trading as a result, or do you think there's still opportunities to grow certain businesses and take share? I'm just curious how you think about what's exceptional versus what's more durable here.

Speaker 9
1h 3m

Yeah. I mean, one thing I'll say is that there's no weird exceptional thing happening in this particular quarter driving the results. It's pretty broad-based, and it's not particularly lumpy. As I said, I think it is true, and I think we've shared some of this in different ways, including in my slide at Investor Day, that we are deploying quite a bit of capital and other resources like GCIP capacity and liquidity in some cases to generate that revenue. We're happy with the returns, but it's sort of it's not just like growing without any inputs, essentially. I guess on the one hand, you might say that that's a bit more durable for that reason, but it is important to realize that it's coming with that use of resources, essentially. I mean, we've gotten over time a little bit more relaxed about talking about the markets business as something that has relatively uncorrelated and reasonably recurring revenues. It's obviously extremely client-centric. There's a lot of financing of various types that's being supplied, and it seems to, if anything, more often than not be countercyclical rather than procyclical. It's still markets, right? Things can happen. It's volatile. There's risk-taking involved.

Speaker 9
1h 5m

That's part of the point that we built. Sorry to hedge the answer, but that's kind of how we think about it.

Speaker 5
1h 5m

That's fine. Thanks a lot, guys.

Speaker 2
1h 5m

Thank you. Our final question comes from Chris Kotowski with Oppenheimer. Your line is open.

Speaker 3
1h 5m

Yeah. Good morning and thanks. Kind of an old-school bank analyst question. After a long time of kind of bemoaning slow C&I loan growth, you had this extraordinary growth this quarter, $33 billion in average and more than 6% quarter over quarter. When we look at the P&L in the commercial and investment bank, net interest income is down 2% and lending income is down 4%. I know there's hedges and other complicated things, but it just kind of doesn't compute that you'd have such strong loan growth and not have revenue growth associated with that.

Speaker 9
1h 6m

Yeah. I mean, the hedges are definitely part of it, and a lot of the assets came on the balance sheet quite late in the quarter. I don't know. I might be missing something.

Speaker 6
1h 6m

Oh, and there's probably some markets.

Speaker 9
1h 6m

Markets and NII piece of it too. I do not know. Michael can follow up with you, but I think the loan thing is part of it, markets and NII is part of it, and late quarter balance sheet.

Speaker 6
1h 6m

Hedges.

Speaker 9
1h 6m

Hedges for sure. Yeah. Yeah.

Speaker 3
1h 6m

Okay. All righty. Thank you.

Speaker 9
1h 6m

Thanks.

Speaker 2
1h 6m

Thank you. We have no further questions.

Speaker 9
1h 7m

Thanks very much.

Speaker 6
1h 7m

Thank you.

Speaker 2
1h 7m

Thank you all for participating in today's conference. You may disconnect at this time and have a great rest of your day.