Q1 2021 Earnings Call

Company Participants

- Jamie Dimon, Chairman of the Board and Chief Executive Officer
- Jennifer Piepszak, Chief Financial Officer

Other Participants

- Andrew Lim, Analyst
- Betsy Graseck, Analyst
- Brian Kleinhanzl, Analyst
- Charles Peabody, Analyst
- Erika Najarian, Analyst
- Gerard Cassidy, Analyst
- Glenn Schorr, Analyst
- Jim Mitchell, Analyst
- John McDonald, Analyst
- Ken Usdin, Analyst
- Matt O'Connor, Analyst
- Mike Mayo, Analyst

Presentation

Operator

Good morning, ladies and gentlemen, welcome to JPMorgan Chase's First Quarter 2021 Earnings Call. This call is being recorded. Your line will be muted for the duration of the call. We will now go live to the presentation. Please standby.

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

Jennifer Piepszak {BIO 19013293 <GO>}

Thank you, operator. Good morning, everyone. I'll take you through the presentation, which as always is available on our website and we ask that you please refer to the disclaimer at the back.

Starting on page one. The firm reported net income of $14.3 billion, EPS of $4.50 on revenue of $33.1 billion and delivered a return on tangible common equity of 29%.

Included in these results are two significant items; $5.2 billion of net credit reserve releases, which I'll cover in more detail shortly and a $550 million contribution to the firm's foundation in the form of equity investments.

Touching on a few highlights. We saw another strong quarter in CIB. In fact, net income was an all-time record with IB fees up 57% year-on-year, reflecting continued robust activity and markets up 25% year-on-year as the environment remained favorable in January and February, although, it did start to normalize in March. In AWM we had record net long-term inflows of $48 billion this quarter and deposits of $2.2 trillion were up 36% year-on-year and 5% sequentially as the Fed balance sheet continues to expand. But loan growth remains muted, up 1% year-on-year and 2% quarter-on-quarter with the bright spots being AWM and secured lending in CIB.

On to page two for more detail on our results. When looking at this quarter's performance, there is a lot of noise in the year-on-year comparisons, particularly given what happened in March of last year. And so it's important to remember a few key points here about March of 2020. Effectively, investment banking activity stopped or got delayed except for investment grade debt issuance. We recorded $950 million of losses in credit adjustments in other in CIB as well as a $900 million markdown on our bridge book. And in credit we built $6.8 billion of reserves relative to this quarter's release of $5.2 billion.

So with that in mind, revenue of $33.1 billion was up $4.1 billion or 14% year-on-year. Net interest income was down $1.6 billion or 11%, primarily driven by lower rates and noninterest revenue was up $5.7 billion or 39%. While this comparison is in part impacted by several of the items I just mentioned, in absolute terms, we saw a strong fee generation across the franchise, including in investment banking, AWM and home Lending as well as a strong performance in markets. Expenses of $18.7 billion were up 12% year-on-year on higher volume and revenue-related expenses, the contribution to the foundation that I just mentioned, as well as continued investments. And credit costs were a net benefit of $4.2 billion, driven by reserve releases. And here, it's worth noting that charge-offs were down about $400 million year-on-year or 28% and continue to trend near historical lows.

Turning to page three for more detail on our reserves. We released approximately $5.2 billion of reserves this quarter as recent economic data has been consistently positive indicating that the recovery maybe accelerating faster than we would have thought just a few months ago. Starting with consumer, in Card we released $3.5 billion, as the employment picture have continued to improve, the round three stimulus has provided another level of support and early stage delinquencies remained very low. And in Home Lending, we released $625 million, primarily driven by continued improvement in HPI expectations and to a lesser extent portfolio runoff and then in Wholesale, we released approximately $700 million.

While a strong recovery seems in motion, we're also prepared for more adverse outcomes given remaining uncertainties around the impact of new virus strains and the health of the underlying labor markets. So for now, we remain cautious and are still weighted to our downside scenarios. And at about $26 billion, we're reserved at approximately $7 billion above the current base case. However, it's worth noting that even in a more normalized environment we wouldn't expect to be 100% weighted to base case as we'll always have some weighting on alternative scenarios.

Now moving to balance sheet and capital on page four. We ended the quarter with a CET1 ratio of 13.1%, flat versus the prior quarter as net growth in retained earnings was offset by lower AOCI and higher RWA. Perhaps the more interesting ratio right now is SLR, which is up 5.5% excluding the temporary relief that just expired. As we've said all along, we were never going to rely on short-term temporary relief as a long-term planning matter and this is evidenced by actions we've taken. We've already engaged with our wholesale deposit clients to explore solutions and we issued $1.5 billion of preferred stock in the first quarter. Having said that it's worth reinforcing a few points here. First, it's important to remember that the SLR is a leverage-based requirement, not a risk-based requirement. The growth in bank leverage has been driven by deposits and therefore cannot be cured by reducing lending, in fact, the opposite would be true. If we had more loan growth, it would help, because it would absorb excess risk-based capital.

The issue is that we've had muted loan demand to date and even if it starts to pick up, it's hard to envision that organic loan growth could keep pace with further QE. And therefore we expect this leverage issue to persist for some time. And finally, when a bank is leverage constrained this lowers the marginal value of any deposits regardless if it is wholesale or retail, operational or non-operational. And regulators should consider whether requiring banks to hold additional capital for further deposit growth is the right outcome.

As we told you last quarter, we have levers to manage SLR and we will. However, raising capital against deposits and/or turning away deposits are unnatural actions for banks and cannot be good for the system in the long run. And then just to wrap up on capital regarding distributions, the limitations were extended another quarter. So, based on our income that corresponds to buyback capacity of about $7.4 billion in the second quarter after paying our $0.90 dividend. Given the preferreds we plan to issue and the work underway around excess client deposits, while of course this could become more challenging, we believe that we should be able to buyback most if not all of that capacity.

Now let's go to our businesses, starting with Consumer and Community Banking on page five. CCB reported net income of $6.7 billion, including reserve releases of $4.6 billion. Starting with the key drivers of year-on-year financial performance, which I'll just note have generally been consistent over the last few quarters against a backdrop of strong consumer balance sheets with higher savings rates and investments as well as healthy deleveraging. Deposit growth was 32% or $240 billion as existing customers balances remain elevated and we also continue to acquire new customers.

Client investment assets were up 44%, driven by market appreciation and positive net flows across our advisor and digital channels. Home Lending originations were $39 billion, up 40% in an overall larger market. And auto loan and lease originations were $11.2 billion, up 35% with March being the best month on record. However, loans were down 7% as outstandings in Card remain lower even as spend is recovering to pre-COVID levels. This is in addition to the continued run-off of the mortgage portfolio and partially offset by PPP additions. Mobile users grew 9% to nearly 42 million and the customer migration to digital continued with branch transaction still down double-digits.

In Consumer Banking, approximately 50% of new checking and savings accounts were opened digitally and that's up more than 10 percentage points year-on-year. Notably, we're also seeing a few emerging trends worth covering. Consumer sentiment has returned to more normalized levels, reflecting increased optimism. We've seen debit and credit card spend return to pre-pandemic levels, up 9% year-on-year and 14% versus 1Q '19, despite T&E remaining significantly lower. That said, we are seeing strong momentum in T&E with spend up more than 50% in March compared to February and similar growth across the X loyalty and ultimate reward travel bookings.

With higher rates mortgage lock margins have tightened and refi applications have slowed but the overall market is still robust. And on credit government stimulus and industry forbearance programs have provided confidence that the bridge is likely going to be long enough and strong enough. Taken together with the pace of the vaccine rollout, we believe there is some permanent to the loss mitigation and while 1Q '21 Card losses are higher quarter-on-quarter, we do expect losses to decrease in the second and third quarters.

In summary, revenue of $12.5 billion was down 6% year-on-year, driven by deposit margin compression and lower Card NII on lower balances largely offset by strong deposit growth and higher Home Lending production revenue. Expenses of $7.2 billion were down 1% as we self-fund our investments and credit costs were a net benefit of $3.6 billion, driven by the $4.6 billion of reserve releases, I previously mentioned, partially offset by net charge-offs of $1 billion.

Now turning to the Corporate and Investment Bank on page six. CIB reported net income of $5.7 billion and an ROE of 27% on record first quarter revenue of $14.6 billion. Investment Banking revenue of $2.9 billion was up 67% year-on-year, excluding the impact of the bridge book markdown last year. IB fees of $3 billion were up 57% and while we now rank number two largely due to SPAC IPOs, we maintained our global IB wallet share of 9%. The quarter's performance was an all-time record driven by the continued momentum in the equity issuance markets as well as robust activity in M&A and DCM.

In Advisory, we were up 35%, benefiting from a surge in announcement activity in the second half of 2020. Debt underwriting fees were up 17%, driven by leverage finance activity and here we maintained our number one rank and lead less position. And in equity underwriting, fees were up more than 200%, primarily driven by IPOs as clients continue to take advantage of strong market conditions. Looking forward, the IPO calendar is expected to remain active with M&A momentum likely to continue and while the pipeline is higher than it's ever been, the number of flow deals outside of the pipeline, both this year and last year, make it difficult to predict the second quarter. So, at this point I'd say we expect IB fees to be about flat year-on-year.

Moving to markets, total revenue was $9.1 billion, up 25% against a strong prior-year quarter. In January and February we saw a robust trading environment and client activity remained elevated with the positive momentum from the end of 2020 carrying through to the start of the year. In March, our performance started to normalize but remained above pre-COVID levels. Fixed income was up 15%, with outperformance in securitized products and credit supported by active primary and secondary markets, partially offset by lower revenues and rates and currency in emerging markets against a tough compare in March of last year.

Equity markets was up 47%, an an all-time record driven by a favorable trading environment and equity derivatives as well as strong client activity across products. In terms of outlook, based on recent weeks, we would expect this quarter to be closer to the second quarter of 2019 as 2Q '20 was the best quarter on record for our markets franchise, but obviously it's still early. Wholesale Payments and Security Services revenues were $1.4 billion and $1.1 billion, respectively, both down 2% year-on-year with higher deposit balances more than offset by deposit margin compression. Expenses of $7.1 billion were up 19% year-on-year on higher revenue-related compensation, partially offset by lower legal expense. And credit costs were a net benefit of $331 million, driven by the reserve releases, I discussed earlier.

Now let's go to Commercial Banking on page seven. Commercial Banking reported net income of $1.2 billion and an ROE of 19%. Revenue of $2.4 billion was up 11% year-on-year with higher lending and investment banking revenue and the absence of a prior-year marked down in the bridge book, partially offset by lower deposit revenue. Record gross investment banking revenue of $1.1 billion was up 65%, with broad based strength as market conditions remain favorable. Expenses of $969 million were down 2%, driven by lower structural expenses. Deposits of $291 billion were up 54% year-on-year and 5% quarter-on-quarter as client balances remain elevated and loans were down 2% year-on-year and 3% sequentially.

C&I loans were down 4% from the prior quarter on lower revolver balances as clients continue to access capital markets for liquidity, partially offset by additional PPP funding and CRE loans were down 1% with continued low origination volumes in commercial term lending, partially offset by increased affordable housing activity. Finally, credit costs were a net benefit of $118 million, driven by reserve releases with net charge-offs of $29 million, driven by oil and gas.

Now on to Asset and Wealth Management on page eight. Asset and Wealth Management generated record net income of $1.2 billion with pre-tax margin of 40% and ROE of 35%. For the quarter revenue of $4.1 billion was up 20% year-on-year as higher management fees, growth in deposit and loan balances as well as investment valuation gains were partially offset by deposit margin compression. Expenses of $2.6 billion were up 6%, with higher volume and revenue related expenses, partially offset by lower structural expense and credit costs were a net benefit of $121 million, primarily due to reserve releases.

For the quarter, record net long-term inflows of $48 billion were again positive across all channels, asset classes and regions, with particular strength in equity. And in liquidity, we saw net inflows of $44 billion as banks encouraged clients to move excess deposits away from them. AUM of $2.8 trillion and overall client assets of $3.8 trillion, up 28% and 32% year-on-year, respectively were driven by higher market levels as well as strong net inflows. And finally, deposits were up 43% and loans were up 18% with strength in securities-based lending, custom lending and mortgages.

Now on to Corporate on page nine. Corporate reported a net loss of $580 million. Revenue was a loss of $473 million, down $639 million year-on-year. Net interest income was down nearly $700 million on lower rates as well as limited deployment opportunities on the back of continued deposit growth. And expenses of $876 million were up $730 million year-on-year, primarily driven by the contribution to the foundation, I mentioned earlier. The results for the quarter also include a tax benefit related to the impact of the firm's expected full year tax rate relative to the level of pre-tax income this quarter.

So with that moving to the outlook on page 10. You'll see here that our 2021 NII outlook of around $55 billion remains in line with our previous guidance, as the benefits of the steepening yield curve are being offset by customer behavior in Card. It's worth noting that forecasting NII is perhaps more challenging than it's been in a long time as many of the key inputs, market implied rates, deposit forecast, securities reinvestment and customer behavior in Card are all quite fluid. And as a reminder, while customer deleveraging and higher payment rates in Card is a headwind for NII, it's a tailwind for credit. And we now expect our Card net charge-off rate to be around 250 basis points for the year. And then on expenses, we've increased our guidance to approximately $70 billion, with the largest driver being higher volume and revenue-related expenses, which importantly, have offsets in revenue.

So, to wrap up, the year has gotten off to a strong start and a robust economic recovery seems underway. Of course, there are still risks and uncertainties ahead that we're preparing for as well as specific issues that we're facing, including the balance sheet dynamics I mentioned, the rate environment and tough year-on-year comparisons, among other things. Having said that, the earnings power of the franchise remains evident and we'll continue to use our resources to serve our clients, customers and communities.

And with that, operator, please open the line for Q&A.

Questions And Answers

Operator

(Operator Instructions) Your first question comes from the line of Erika Najarian with Bank of America Merrill Lynch.

A - Jennifer Piepszak {BIO 19013293 <GO>}

Hi, Erika.

Q - Erika Najarian {BIO 17048573 <GO>}

Hi, good morning. My first question is for Jamie. Jamie, you noted during a December conference that you believe that normalized ROTCE for JPMorgan would be about 17%

and investors are wondering as we think about JPMorgan perhaps cementing a higher G-SIB surcharge at 4% this year, is 17% still achievable under that context or constrained?

A - Jamie Dimon {BIO 1484062 <GO>}

Go ahead, Jenn.

A - Jennifer Piepszak {BIO 19013293 <GO>}

Yes. So, Erika, I'll start. So, just a couple of things to think about on capital. So, while we're -- we ended the year in the 4% bucket for G-SIB and it's probably worth mentioning given the continued expansion of the system through the Fed balance sheet even staying in 4% could become challenging for us, but just a couple of things to keep in mind there is, we believe that like we do have offsets in the stress capital buffer and we do believe that it's very possible that we'll see those come through in this round, of course, it's dependent upon the Fed models not our models. But we've talked about things that actions that we've taken sort of mechanical in nature in addition to moving investment securities into held to maturity that should give us some benefit on the SCB, of course, that's scenario dependent, but we do expect some benefit there that could offset.

It's also important to remember that we still are waiting for the Basel III end game and the indication from the Fed is that they will address G-SIB recalibration as part of that. And so, it's quite possible that we see G-SIB re calibration, but perhaps another -- another constraint that we'll be managing. So, there is a lot that we'll learn over probably the next year or two. And of course, the higher G-SIB, it doesn't come into effect until the first quarter of '23. So, we do think we have offsets. We're still thinking about 12% as being a target CET1 for us, of course, given what we know today, but we are still waiting for that Basel III end game to really understand what we're dealing with and at that 12% in a more normalized environment, which wouldn't just be about rates, it would also be about loan demand, 17% still feels achievable for us.

Q - Erika Najarian {BIO 17048573 <GO>}

Got it. And thank you for going through some of the leverage constraint now that SLR has been -- exemption has expired. The investors have also been wondering as you think about your opportunity to continue to facilitate the economic recovery globally, does the constraint on SLR and the moving pieces on G-SIB change your priorities in terms of timing or sizing of the $30 billion buyback or inorganic growth opportunities that you've mentioned in the past?

A - Jennifer Piepszak {BIO 19013293 <GO>}

I would say broadly speaking, no, but an important point there on SLR, we obviously, the levers we have are issuing preferreds, we can retain more common, but we're also working closely with wholesale clients in a very selective way as I mentioned, to find alternatives for excess deposits. So, it is true that common is one of the levers, although, I will say that while it might give us more flexibility, it comes at a much greater cost. So at this point, given what we know and what we expect, we don't expect that we would have to retain more common, we think we can manage this through issuing more preferreds and working closely with our clients to find alternatives. So, I would say broadly speaking, no. The G-SIB constraints as we've been saying for years now is one that will become increasingly challenging for us. And now, particularly with the expansion of the system, it's even more challenging than perhaps it was just a few years ago, but we're managing through that as well.

Operator

Your next question comes from the line of John McDonald with Autonomous Research.

A - Jennifer Piepszak {BIO 19013293 <GO>}

Hi, John.

Q - John McDonald {BIO 21440002 <GO>}

Hey, good morning, Jenn. I wanted to ask about expenses. Obviously, you've raised the outlook by $1 billion a few times the last couple of times you've spoken. I guess in terms of the increase that you announced today to the outlook, could you give a little more color on how much of that is volume and revenue-related as opposed to the other buckets you talked about in January, which were investments and structural?

A - Jennifer Piepszak {BIO 19013293 <GO>}

Sure, sure. So, the increase from the $69 billion, which was the guidance we gave in the K is almost entirely volume and revenue-related. And so there, I'll just make an important point that is volume and revenue-related. So, as an example, volumes in CCB just given the environment, they are very valuable for long-term franchise revenue growth, but we may not see that revenue growth in the near term. But as we always say, we don't manage this place for one quarter or even one year. So, there are expenses associated with volume growth that may not have the revenue growth you would anticipate over the long run, but it's almost entirely volume and revenue-related. There are few other things like marketing expense that given the strength of the recovery that we expect, we now expect to lean more in on marketing expense in the second half of the year. So, that's part of it as well.

Q - John McDonald {BIO 21440002 <GO>}

Okay. And I guess the follow-up would be, is that necessarily mean that it's more concentrated the increase in the first quarter because you had such a big quarter and are there COVID-related costs that you have in your numbers this year that might come out over time?

A - Jennifer Piepszak {BIO 19013293 <GO>}

Obviously, some of it is in the first quarter, but things like further volume-related expenses like I talked about or marketing they are less so in the first quarter and then what was your other question. COVID, those numbers are -- those numbers are lower than they were even last year and included in the outlook but not material in the grand scheme of things.

Operator

Your next question comes from the line of Glenn Schorr with Evercore ISI.

A - Jennifer Piepszak {BIO 19013293 <GO>}

Hi, Glenn.

Q - Glenn Schorr {BIO 1881019 <GO>}

Hello, there. So, if you're right on the economy, which I think a lot us think you are. We're starting to see the expense part of the pick up now, as you mentioned, across credit and debit and some of the T&E. So, my question is, how do you think about the staging of the lend part, both Consumer and Corporate are so flushed with all that liquidity? How do you think about the timing for loan growth and if I could get a consumables wholesale comment that would be be great?

A - Jennifer Piepszak {BIO 19013293 <GO>}

Sure. So, you used the right word, which is demand and it really is all about demand, which of course, is quite healthy, particularly as it relates to the consumer when you think about the amount of deleveraging that we've seen through this process. So there we do expect a second half pick up because as you say, we first have to see spend recover before we see re-levering on the consumer side. So, and then it is also true even for small business, which is obviously part of CCB, their demand has been very low given the support that's available through PPP and so that will likely pick up in the second half as well.

And then elsewhere AWM has been strong throughout and we see that continuing. And then on the CIB side, I mean that's always lumpy and deal dependent but that's active as well and we do see within secured lending opportunities there across asset classes. Again, that's a bit more opportunistic. And then in the commercial bank, given the level of support the amount of liquidity in the markets as well as the amount of cash on balance sheet, loan growth there has been muted and probably will be for some time, but again, that's incredibly healthy ultimately for the recovery. And so whether, we see that pick up later this year or next year remains to be seen, but it's all for good reasons.

Q - Glenn Schorr {BIO 1881019 <GO>}

I appreciate that. Maybe I'll just ask one follow-up on the deposit side, obviously deposit growth has been incredibly strong, so the two parter is, what do you think happens on the deposit side as the economy goes down the path that you've outlined? And what do you do with the deposit money in the meantime because I saw loud and clear Jamie's comments on, it's hard to justify the price of US debt, so what are we doing with all that liquidity in the meantime?

A - Jennifer Piepszak {BIO 19013293 <GO>}

So first of all, I would say that deposits are going to be driven by the Fed balance sheets and to some extent, obviously by bank lending, but given the demand picture there you can think of it in the near term as all being driven by Fed balance sheet expansion. And so we obviously continue to expect significant deposit growth, which is why we've been talking about this so much.

And then just in terms of how we deploy it, you will have seen that our cash balances are up quarter-over-quarter and there it's just -- it's just important to remember that for sure we are being patient in the investment securities portfolio that is true. I also mentioned that we are, because of the steepening of the yield curve, we are less short. Banks will drift long in a sell-off and so that has been part of the dynamic as well. But there is short-term cash deployment also. And so what we saw there was when repo markets fall below IOER, we're going to hold that short-term cash deployment in IOER relative to repo market. So, you'll see that dynamic on our balance sheet as well.

Operator

The next question comes from the line of Ken Usdin with Jefferies.

A - Jennifer Piepszak {BIO 19013293 <GO>}

Hi, Ken.

Q - Ken Usdin {BIO 3363625 <GO>}

Hey, Jenn. Thanks, good morning. Just wondering if you could elaborate on that. You mentioned the record investment banking pipeline and flattish year-over-year as a best guess. Just wondering if you could talk about the mix dynamics there. Obviously the first quarter was just ridiculously great in terms of the ECM markets and can you just give us a flavor of just where you see activity and how much is that underwriting activity potentially dampening what might be happening on the commercial loan side?

A - Jennifer Piepszak {BIO 19013293 <GO>}

Well, I'll start with the latter, which is, it's absolutely been very supportive of corporates and therefore, it has a lot to do with what we're seeing in terms of the muted loan demand from corporates. And then in terms of the mix, we expect ECM and M&A to continue, but on DCM, there's a lot of flow activity that doesn't necessarily get represented in a pipeline because it's high velocity type activity. We saw that in the second quarter of last year. We continue to see that now, which is why I said, it makes it a little bit difficult to predict the second quarter. So, while the pipeline is higher than it's ever been, there is still a lot of high velocity activity. And so that's why we think that the quarter will be flattish year-over-year despite the very high pipeline.

A - Jamie Dimon {BIO 1484062 <GO>}

Can you guys hear me?

A - Jennifer Piepszak {BIO 19013293 <GO>}

Yeah.

Q - Ken Usdin {BIO 3363625 <GO>}

Yeah.

A - Jamie Dimon {BIO 1484062 <GO>}

Because we can't hear you anymore.

A - Jennifer Piepszak {BIO 19013293 <GO>}

Oh.

A - Jamie Dimon {BIO 1484062 <GO>}

I'm going to put you on mute for a minute.

A - Jennifer Piepszak {BIO 19013293 <GO>}

Okay. Jamie is traveling, so we have him on Zoom. I know everybody can appreciate technology challenges because we've all had them over the last year.

Q - Ken Usdin {BIO 3363625 <GO>}

Okay, great. And my just -- my follow up --.

A - Jamie Dimon {BIO 1484062 <GO>}

Hey, Jenn, just keep on going because I can't hear the questions. I can hear you, but you're doing a great job and so you don't need me.

A - Jennifer Piepszak {BIO 19013293 <GO>}

Well, thank you. I'm sure I'll need you at some point. So, hope bear on that. Anyways, go ahead, I'm sorry.

Q - Ken Usdin {BIO 3363625 <GO>}

Yeah, no problem, Jenn. Okay. The second one is just with regards to the comments that you guys have made for a while about looking at acquisition opportunities. Just wondering just how is the interplay between everything you've talked about already on balance sheet capacity and ongoing deposit growth and limitations on CET1 and SLR versus how you make potential decisions around usage of capital in an acquisition capacity?

A - Jennifer Piepszak {BIO 19013293 <GO>}

Yeah, it's a great question. Interestingly, the issue is not that we don't have capital available to make those types of decisions. The issue is that we have the wrong binding constraint. So, the binding constraint is leverage not risk based. And so, it doesn't change the way we think about acquisitions at all. In fact, acquisitions and/or increased loan growth would help to kind of normalize the constraints between leverage and risk based and so we would -- we would love to be able to absorb some of our CET1 through acquisitions, because as I said, it's sort of just brings the balance back into focus. The issue is that, that it's leverage based constraint, that is the constraint and we're in a low rate environment with low loan demand and very strong deposit growth, so it's the combination of all of those things that makes leverage the binding constraint. But it doesn't change the way we're thinking about acquisitions.

Operator

Your next question comes from the line of Betsy Graseck with Morgan Stanley.

A - Jennifer Piepszak {BIO 19013293 <GO>}

Hi, Betsy.

Q - Betsy Graseck {BIO 4799503 <GO>}

Hey, Jenn. Hey, thanks for the time. Jenn, a question on Card and looking at the net charge-off. You gave us the full year of 2.5% and I know you spent a lot of time in Card earlier in your career. So, maybe you could give us some sense on how you're thinking about the "normalization" of that loss content over time. When I think back to the bankruptcy changes in the -- took many years for consumers to re-lever and I'm wondering, given your -- your background there, could you give us a sense as to what is different this time? And are there timeframes historically we should look at for what a normal course like re-leveraging back to normal of that Card loss content should be? How do you think about that?

A - Jennifer Piepszak {BIO 19013293 <GO>}

Sure. I would say, first of all, it's difficult to find a historical comparison that's totally relevant here because I don't think we've ever seen this amount of support in the system, which came of course, on top of an already reasonably healthy consumer. So, it's difficult to find the historical perspective. But I will say the 2.5%, I mean pre-COVID we would have thought that our loss rate in Card this year would have been 3.3%, 3.5%. So, it just gives you a sense there of that tailwind on credit is significant.

And in terms of what it's going to take for consumers to re-lever, I mean, we do expect there to be significant economic activity in the second half and so that could come quite naturally but it could come a little bit later given the amount of deleveraging we've seen. But the fact that we already see spend above pre-COVID levels and obviously we still have restrictions in place, particularly around T&E on consumers' ability to spend, when that comes back, we do think that we'll see spend tick even higher. And that will be -- that will be a point where perhaps we'll start to see that re-levering. But it is difficult to know, it's a great question.

Q - Betsy Graseck {BIO 4799503 <GO>}

Okay. And then the follow up I have, on your comments around the NII guide and the fact that it's hard to forecast. I got a couple of questions in this morning just on, hey, why do you think it's flat versus prior guide given the curve has steepened and also deposit growth should continue to be up significantly given QE is continuing this full year. So, is there some spread angle that you're, you know, kind of, thinking about that keeps you a little bit more muted? Is it more the loan growth? Maybe you could talk a little bit about those piece parts that you identified.

A - Jennifer Piepszak {BIO 19013293 <GO>}

Sure. I think it's probably all the above, Betsy. But starting with the steepening of the yield curve. So, if you look at the earnings at risk disclosure, I mean, where we did see the benefit roughly in line with what -- with what that disclosure shows, which is, since we last guided on NII, we steepened probably 25 basis points, 30 basis points. So, that is incorporated in the outlook, but it is completely offset by the fact that we continue to see consumer behavior in Card in terms of higher payment rates and we haven't started to see re-levering as we were just talking about even though spend has recovered. So Card, the impacts of Card completely offset the steepening of the yield curve.

You also mentioned loan growth, which is critically important to realizing the benefits of the steepening yield curve. And then I would just mention we have reflected in our outlook the fact that we have been patient on deploying further deposit growth into the securities portfolio in terms of duration and then also, it's probably worth noting that the marginal benefit of further deposit growth is quite small given the fact that deployment opportunities are minimal and so you can think about them as being something less than 10 basis points because we do have pay rates above zero. So, it's something less than 10 basis points. So, the marginal deposit growth from here doesn't add a whole a lot in this environment anyway.

Operator

Your next question comes from the line of Mike Mayo with Wells Fargo Securities.

A - Jennifer Piepszak {BIO 19013293 <GO>}

Hi, Mike.

Q - Mike Mayo {BIO 1494617 <GO>}

Hi. Hey, Jennifer. My question for Jamie and Jamie, your philosophy is to invest through a downturn and you're increasing your investments by one-fourth year-over-year. You already said that. But what's your philosophy about investing through a boom as you expect over the next three years? I mean if the pie is growing, do your investments go higher? It looks like that's not the case with the guidance you guys gave.

A - Jamie Dimon {BIO 1484062 <GO>}

Yeah. So, I think, Mike, the way to really look at it is pie doesn't get affected much by boom or bust as you think. So, you isolate opportunities like for, we announced we are going to hire 300 black financial advisors. We're going to do that, whether it's boom or bust. We're building new data centers, we're building new Agile, we're going into the cloud. So, I think it doesn't really change that much over time. I just think you'll probably see our investments go up over time, not go down because they are plain organic growth opportunities, which we want to invest in.

Q - Mike Mayo {BIO 1494617 <GO>}

And then how much you're spending in climate. Your 66 pages CEO letter was I guess like a could be a third of a book almost. But you really prepare [ph] the table on climate risk and what you guys need to do. How much you actually spending and what's the payback on that spending for shareholders, or is this really an ESG reputational benefit you're looking for?

A - Jennifer Piepszak {BIO 19013293 <GO>}

So, I'll start there, Mike, and then, Jamie, you can -- you can chime in. But -- climate is a long game obviously and we're investing a lot of effort in our ESG initiatives, not only because they have a positive impact on society and communities, but because they are also important to our clients, customers and our shareholders. So, we don't -- we don't exactly think about it that way, Mike. But we've also invested in multiple teams to help clients through the transition and we do recognize it's a transition and clients appreciate that.

We've also made the Paris Alliance financing commitment last year and we're going to release our annual ESG report next month, so, you'll see more there. And then we also committed to finance $200 billion towards climate action and sustainable development and we're continuing to grow those efforts as well. And in fact, your question is quite timely because we're planning to make an ambitious announcement tomorrow about long-term scaling of our financing efforts here, so much more detail to come shortly on that.

But Jamie, I don't know if you want to add anything.

Operator

Your next question comes from the line of Jim Mitchell with Seaport Global.

Q - Jim Mitchell {BIO 1877338 <GO>}

Hey, good morning.

A - Jennifer Piepszak {BIO 19013293 <GO>}

Good morning.

Q - Jim Mitchell {BIO 1877338 <GO>}

Maybe -- just maybe a question on the bank SLR, which I think was a bit more of a constraint even then the firm-wide SLR, just I guess two questions related to that. What kind of flexibility do you have to kind of manage the difference between the two moving assets out of the bank perhaps? And then just if you have any updates or thoughts on potential changes that regulators are discussing to kind of give maybe Relief 2.0 in a more permanent sense on the SLR?

A - Jennifer Piepszak {BIO 19013293 <GO>}

So, the bank SLR, I mean broadly speaking, it's going to be the same levers. We do have a little bit more flexibility as you note, because we can move things, we can inject capital into the banks from the holding company. So, it's a little bit more flexible, but generally speaking, the constraints and the levers are the same. And then in terms of changes, we know what you know and so we look forward to our proposal. The only thing I can mention is, of course, the difference between the US and Europe on Basel as it relates to SLR is there it's 3% plus half year G-SIB. And so we have a constant 2% buffer and so -- and with that you get the flexibility in a Basel compliant way to exclude deposits at Central Banks for a period of time. So, it's possible that it could look something like that but -- but we don't know.

Q - Jim Mitchell {BIO 1877338 <GO>}

Okay, thanks.

A - Jamie Dimon {BIO 1484062 <GO>}

(Technical Difficulty) We run the business doing great job servicing clients over time. We manage plenty of, in fact, God knows how many different capital liquidity preference. We have multiple levers to pull all the time to do that while serving our clients. If you've got to adjust our strategy going forward, so be it, we'll probably be fine. I think the question you should be asking isn't what it means for us, it what it means to the marketplace. I've already mentioned several times, with $1.5 trillion of cash and marketable securities, which we cannot deploy in a whole bunch of different ways intimately in the marketplace with repo, or just financing positions are helping people because of these constraints.

So, the constraints are more of a constraint on the economy then they are on JPMorgan Chase. We will find a way regardless of any constraints to do things. The other thing is G-SIB, SLR they're always lot of things, they need to be recalibrated. And I think people react and why -- how would you be helping do the best job to work the United States and the people in United States, not for JPMorgan. JPMorgan is fine either way.

Q - Jim Mitchell {BIO 1877338 <GO>}

Great, thanks.

Operator

Your next question comes from the line of Gerard Cassidy with RBC.

A - Jennifer Piepszak {BIO 19013293 <GO>}

Hi, Gerard.

Q - Gerard Cassidy {BIO 1505265 <GO>}

Hi, Jenn. How are you?

A - Jennifer Piepszak {BIO 19013293 <GO>}

Good.

Q - Gerard Cassidy {BIO 1505265 <GO>}

Question, I apologize if you addressed this, I had to jump off for a minute here. But can you share with us on the service -- mortgage servicing business? It looked like you had a small loss this quarter similar to the fourth quarter. Can you tell us some of the metrics that went into why the servicing business recorded a small loss?

A - Jennifer Piepszak {BIO 19013293 <GO>}

Oh, gosh, Gerard, I'm not even sure. Reggie and the team can follow up with you.

Q - Gerard Cassidy {BIO 1505265 <GO>}

Okay, very good. The second question has to do with, when we go back to the day one loan loss reserves, established in January 1, 2020 for you and your peers under CECL accounting, if I recall, I think your loan loss reserves to total loans at the time were approximately 1.87%, today they are approximately 2.42%. I know you guys gave some color on your outlook for what you think credit will look like you being a little more conservative. But can you share with us what would it take to bring the reserves back down to the day one levels that we saw in January 1, 2020?

A - Jennifer Piepszak {BIO 19013293 <GO>}

Well, it's very difficult to try to compare today to just taking our balance sheet today, taking the profile of our portfolio today and compare it to CECL day one because we are very far away way from that, in fact, in a very healthy way. So, that's very difficult to do. What I will say is that it is true that things have continued to improve even since we closed our process in the first quarter and we obviously expect things to be -- we expect that the recovery to be robust in the second half of the year.

And so, if we continue to see that, if we continue to see labor markets recover, if we continue to see the vaccine rollout be successful, we would have future releases from here and -- but I would note importantly that the $7 billion that is the distance between our reserve and the base case is just for context. We will always have weightings on alternative scenarios and so all else equal, which is, there is a lot in the all else equal bucket but we would release something less than $7 billion. So, difficult to compare back to CECL day one, but there could be further releases ahead.

A - Jamie Dimon {BIO 1484062 <GO>}

One of the negatives to CECL, which I had pointed out right at the beginning, when we spend a lot of time on these calls describing something -- to slightly something which is virtually irrelevant for the bank, which is these are multiple scenarios, hypothetical, probability based and obviously the more volatile the environment, the more volatile these numbers. If a base case was $20 billion and we now have something like $30 billion, we're not going to be taking down a lot of reserves now because you always, as Jenn said, you're always going to have extreme adverse case. Maybe kind of, like of CCAR test and you always have a percentage of reserves up for that permanently. And so, hopefully, I mean, my view is, we should waste a lot less time on CECL, it makes almost no difference for the company in general.

A - Jennifer Piepszak {BIO 19013293 <GO>}

And then, back on your servicing point, I got the answer. It's updates to the MSR model, so HPI updates, prepay updates. So, it's less about the operation and more about the MSR model updates.

Operator

Your next question comes from the line of Matt O'Connor with Deutsche Bank.

A - Jennifer Piepszak {BIO 19013293 <GO>}

Hi, Matt.

Q - Matt O'Connor

Good morning. I wanted to ask about the CEO letter, whether there was talk about being open to fintech deals, which was something you talked about in the past. But what type of deals would you be interested in and I guess could there be material to JPMorgan as we think about whether it's your strategy or financial impact?

A - Jamie Dimon {BIO 1484062 <GO>}

So, we'll look forward -- remember after paying a steady careful dividend and stuff like that, we might prefer to invest in our business organically, including the acquisitions and buyback stock. We're buying back stock because our cup run is over. We have 13.6% capital to risk weighted to advanced risk-weighted assets and we are earning a tremendous sum of money and really have no option right now. But I think the doors open to anything that makes sense.

So, we've already done InstaMed, which is electronic digital payments platform in providers and consumers in health care. We did 55ip, which is a tax way -- a tax efficient way of managing money and we're looking at 100 things or so, some we're building ourselves like Dynamo, some are going to be part of the -- we've got investments in probably 100 different (inaudible) to be partner with or like, so, completely open minded. It could be payments, it could be asset management, it could be adjacencies, it could be data, it could be anything like that but cannot be a US bank. So, we're just reminding people if you got great ideas for us, let us know.

Q - Matt O'Connor

And as a mentality in Fintech specifically is it to potentially accelerate from the investments that you would have done on your own or to add capabilities or maybe protect what you already have?

A - Jamie Dimon {BIO 1484062 <GO>}

So, it's a little of everything, because you see us adding Chase My Plan and Chase My Loan obviously competing a little bit of buy now pay later. You see us doing Chase Offer, we compete with people, you see us doing (inaudible) payments and we got tons of fabulous stuff coming. We did new invest a couple of years ago and it had a very good quarter. We're adding robo investing, which is just getting going. So, we're adding a broad set of capabilities across the full spectrum and you are going to see a lot more and you are going to see personalized -- personalization of apps. If you go into the payment system, you're going to see global wallets, you're going to see tons of stuff that's coming.

And like I said, the Fintech has done a great job. Like I told you, they live under different constraints, but they've done a great job, getting to the pain points, making automated, digitizing things using the cloud, it's incumbent upon us to go faster to the cloud. We already have 150 major AI projects but my guess is in five years, it will be 1,000 AI project. So, we're going as fast as we can to do a great job for customers and obviously Fintech will be a challenge. There's a lot of money there, they're very smart people. I want to be clear, we're not wishing regulations on them like in us, I think they would be bad for America. But we are wishing for a level playing field when it comes around certain products and services. Now I for one think it is grossly unfair that a neo-bank can have a small check-in account, earn $200 in a Durbin fees and we earn $100, but that just isn't right. And I can go on and on and on about some of the unfair things but let the regulators do it. I'm not expecting any change, we will just adjust our strategies accordingly.

Operator

Your next question comes from the line of Brian Kleinhanzl with KBW.

A - Jennifer Piepszak {BIO 19013293 <GO>}

Hi, Brian.

Q - Brian Kleinhanzl {BIO 15228405 <GO>}

Hey, good morning. I just have one quick question. I mean, as we start to look out to forward rates and market kind of, implying Fed moving somewhat in the near term or intermediate term. I mean how are you guys thinking about deposit betas this cycle and kind of, what's included in your NII sensitivity, both on the consumer and commercial deposits? Thanks.

A - Jennifer Piepszak {BIO 19013293 <GO>}

Sure. So --.

A - Jamie Dimon {BIO 1484062 <GO>}

I think -- so I think the way to answer is, the betas have gamma, meaning they change over time. And we have our best guess, the numbers that don't give you. So, obviously the beta is going up all the time and then it levels off.

A - Jennifer Piepszak {BIO 19013293 <GO>}

That's right. And so the betas have gamma, like, I'd say that it's, you can think of it as being non-linear, meaning the beta for the first 100 basis points will be lower than the beta for the second and third increments of 100 basis points. And so from here on the retail side, specifically, the first 100 basis points will be very valuable because there is a lower beta associated with it. So, that's really where we see the benefit in NII with short rates in an environment with low loan growth.

Operator

Your next question comes from the line of Charles Peabody with Portales Partners.

A - Jennifer Piepszak {BIO 19013293 <GO>}

Hello.

Operator

Mr. Peabody, your line is open, please ensure that you don't have your line on mute.

Q - Charles Peabody {BIO 2346511 <GO>}

Hello. Can you hear me now?

A - Jennifer Piepszak {BIO 19013293 <GO>}

Hello, go -- yeah, we can hear you, go ahead.

Q - Charles Peabody {BIO 2346511 <GO>}

Sorry about that. I had a question about the impact at negative rates at the short end of the yield curve might have on New York entity. Specifically, if we, you touched a little bit on the IOER rate and the overnight repo rate being raised, would that have any impact on your market-related NII if they had to raise by 5 basis points?

Secondly, if we do get negative rates at the short end, is that incorporated in your $55 billion NII guidance? And then thirdly, if we do get negative rates at the short end, does that have any implications for what loan demand might look like? Thank you.

A - Jennifer Piepszak {BIO 19013293 <GO>}

Sure. So, I'll just start by saying while we have seen repo go negative, at times it's been quarterly and so we don't -- we don't expect short rates to be negative for any longer period of time or -- and we certainly haven't seen spikes which is something you would worry about more. I think with the -- with the amount of capacity in the money market complex and the fact that the Fed increased their RRP facility, now that facility is at zero, so that certainly is supportive of ensuring short rates don't go negative for any meaningful period of time. They also obviously could increase that. And then for us, I would say not a meaningful impact because obviously we have 10 basis points of IOER as an option for us, but we do trade around it.

A - Jamie Dimon {BIO 1484062 <GO>}

And I would just add the why is far more important than the number like NII obviously, like in trading it goes in and out but all things being equal, no, it just shows up in different place. But if you go negative with NII because you are going back into recession because there is a negative variance, that's a whole different issue than then if it's a temporary timing thing. I would tell you, we would expect rates moving up over time and we expect a rather healthy very strong economy.

A - Jennifer Piepszak {BIO 19013293 <GO>}

Yeah, yeah. And what we've seen so far on the short end is not unhealthy or something we're worried about. It's a dynamic of so much cash chasing the supply.

Q - Charles Peabody {BIO 2346511 <GO>}

Thank you.

Operator

Your next question comes from the line of Andrew Lim with Societe Generale.

A - Jennifer Piepszak {BIO 19013293 <GO>}

Hi, Andrew.

Q - Andrew Lim {BIO 15232581 <GO>}

Hi, Jenn, Jamie, good morning. So, just circling back to the SLR, despite issuing $1.5 billion preferreds, you saw loss about 30 basis points on your SLR. I'm just wondering how you think about the ratio to three quarters out from now, whether issuing preferreds and having more discussion -- discussions with wholesale depositors is going to be enough to put a floor on the SLR at 5.5%, or whether you guys need to pull harder on that, on those levers or have to pull hard on other levers?

A - Jennifer Piepszak {BIO 19013293 <GO>}

Yeah. So, the minimum is 5%. So, we have some room. Naturally, we will have a buffer above the minimum as you always need to when you have binary consequences of going both [ph]. So, you can think about some management buffer above that, but we do still have room at 5.5% and we do think that we can manage this at this point through issuing. We will be in the market again with preferreds as well as the conversations that we've had with clients. So far, they have not been disruptive. We're hopeful that remains the case and that we can manage this.

Q - Andrew Lim {BIO 15232581 <GO>}

Okay. So, and what's your level of comfort for the buffer above the 5% and that's my follow-on? And then just another question, you gave an update a couple of quarters ago saying that you had a buffer or is it, let's say, excess provisions of about $10 billion versus your base case scenario economic outlook. Obviously you've released quite a lot of provision since then. Can you give an update on what that figure is now?

A - Jennifer Piepszak {BIO 19013293 <GO>}

Sure. So, you can think about a buffer on the SLR of, call it 25 basis points. There -- it is important to note, something like AOCI, is something that we have to incorporate into our thinking and the impact of AOCI as that's part of Tier 1 capital. So, we need to have a buffer to make sure that we can manage through any noise we might see there. So, that's why we have a buffer and 25 basis points is probably a reasonable one to think about. In terms of the -- on reserves, the distance between where we are in the base case, as I said in my prepared remarks that's now $7 billion. What's interesting to note is that, that was $10 billion. It was then $9 billion and we've released $8 billion and it's still $7 billion. So, the -- all of the scenarios have been moving and there are lots -- there is a lot that goes into how we think about reserves.

We've always just provided that as context for everyone particularly last year as we were managing through so much uncertainty in terms of the inputs into our reserves. So, I wouldn't put a lot of weight into that because what I also said on the $7 billion is that you shouldn't think about that is available for release because we will always have some waiting on alternative scenarios. And so even if everything plays out exactly as we expect based upon where we closed the books for the first quarter, it would be something less than $7 billion.

Operator

Your next question comes from the line of Mike Mayo with Wells Fargo Securities.

A - Jennifer Piepszak {BIO 19013293 <GO>}

Hi, Mike.

Q - Mike Mayo {BIO 1494617 <GO>}

Hi, I'm still wrestling with the deposit conundrum. So, I guess your national deposit share is something like 12% and over the last year I think your incremental deposit share gain is 20%. In other words, the industry deposits were up around $3 trillion and your deposits were up $600 billion. So, I'm just wondering how much of that was due to QE and how much of that is due to organic growth? And maybe you can fill us in because you're building out the branches in the lower 48 states and you're expanding commercial bankers and trying to build up all this organic growth at a time when you can't really monetize those deposits? Thanks.

A - Jennifer Piepszak {BIO 19013293 <GO>}

Sure. So first of all, as we always say, we are running the place for the long term and we don't expect this challenge to be a long-term challenge, maybe a short to medium term but not a long-term. And then I'll just say that yes there was certainly some organic growth, but it is Fed balance sheet and bank lending that create deposits and so that's what we are focused on and we do think given what we expect here that we can manage it, so and it certainly isn't going to change the way we think about market expansion or otherwise if that is long-term franchise value.

A - Jamie Dimon {BIO 1484062 <GO>}

(Multiple Speakers) I think Mike, with the $600 billion and it's really hard to, yeah, we think we're growing actual steer in almost every business deposits but $500 billion to $600 billion was the Fed balance sheet and we're big wholesale bank and a big consumer bank. So, obviously a big portion of that shows up inside our company and again, we try to -- the new branch is doing great, they are not going to move the needle quite like the Fed, adding $3 trillion of deposits in the system.

A - Jennifer Piepszak {BIO 19013293 <GO>}

That's right.

Q - Mike Mayo {BIO 1494617 <GO>}

And just the quick update on the build-out into the 48 lower states branches, you said by the middle of this year.

A - Jennifer Piepszak {BIO 19013293 <GO>}

Yeah, yeah. So, we'll be in all lower 48 by the end of July, is that right. Yeah. Reggie is confirming for me. We will be in all lower 48 by the end of July. We opened about 75 branches in market expansion. Last year, we got a little bit slowed down by COVID, but that's going to be about 150 this year. So, remain super excited about that. And all the opportunities that brings across the company not just in deposits, of course, because it brings incredible value to the commercial bank and to the private bank and so the business case there if you will, is not just about deposits.

Operator

Your next question comes from the line of Erika Najarian with Bank of America Merrill Lynch.

A - Jennifer Piepszak {BIO 19013293 <GO>}

Hi, Erika, again.

Q - Erika Najarian {BIO 17048573 <GO>}

Hi, apologies for prolonging the call. I just got this question a lot on Bloomberg from investors. Just wanted to re-ask the first question another way. It seems like we have been waiting for recalibration on the G-SIB for some time now. On the other hand, clearly the expansion of your balance sheet comes with additional revenue generation and market share taking income opportunities and so investors are wondering if we don't get any sort of calibration that's meaningful and that CET1 floor guys have to move up from 12%. What is the sensitivity of the normalized broad fee outlook if any at all, is that 12% does have to move up in 50 basis point improvement?

A - Jennifer Piepszak {BIO 19013293 <GO>}

Okay. So, if the 12% has to move up Erika that would obviously have an impact, but there is so much between here and there and that being a reality that we can't really comment on it because not only -- I know we've been waiting for G-SIB recalibration for a long time, but it has been made very clear that G-SIB recalibration will be part of the Basel III end game, which we have also been waiting for, for a very long time and so there will be potential offsets that we yet are not -- we're unable to manage because we don't know what they are yet. So, we continue to wait for Basel III end game. And then as I said, we do believe we can manage the stress capital buffer, again, it's scenario dependent, but we do believe we can manage that to be closer to 2.5%, which helps an awful lot in terms of an offset to, to G-SIB constraints. So, we are thinking about that 12% number until we know something is different.

A - Jamie Dimon {BIO 1484062 <GO>}

I was going to add, we're going to finally keep it at 12% and we're pretty sure we can do it. So, I'm not that worried about it. But I don't know what confusion is. If it did go up like, if our earnings is 20% tangible equity and our capital goes up by 5% and we get no return to 5%, our ROE goes to 19%. So, I don't understand the confusion. The underlying results are still fabulous and great and yes slightly overturned. But I think they'll be temporary. We will over time find strategies and tactics to get -- to be fair to our shareholders.

So, the most important thing about those returns, we have great business, great branches, great products, good services, good margins, good service, good ops, good controls, good -- and also what we really build over time. It's just this other stuff that's just managing around capital is granted, no. It's a shame that this is, I mean this is not the way to run a railroad anymore. We're spending time on this call on CECL and SLR and it's a shame and it does distract from growing the American economy. I've mentioned over and over, we have $2.2 trillion deposits, $1 trillion loans, $1.5 trillion of cash and marketable securities, much of it cannot be deployed to intermediate or lend. How conservative do you want to get.

Q - Erika Najarian {BIO 17048573 <GO>}

No, I agree. I think the market needed to hear that. Thank you.

A - Jennifer Piepszak {BIO 19013293 <GO>}

Thank you.

Operator

There are no further questions at this time.

A - Jennifer Piepszak {BIO 19013293 <GO>}

Thank you. Thanks, everyone. Thanks, operator.

A - Jamie Dimon {BIO 1484062 <GO>}

Thank you.

Operator

Thank you for participating in today's call. You may now disconnect.