4Q25 FINANCIAL RESULTS

EARNINGS CALL TRANSCRIPT

January 13, 2026

JPMorganChase

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen. Welcome to JPMorganChase's Fourth 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 JPMorganChase's website. Please refer to the disclaimer in the back concerning forward-looking statements. Please stand by.

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

Jeremy Barnum

Chief Financial Officer, JPMorganChase

Thank you, and good morning, everyone. This quarter, the Firm reported net income of $13 billion and EPS of $4.63, with an ROTCE of 18%. These results included the previously announced reserve build of $2.2 billion in CCB related to the forward purchase commitment of the Apple Card portfolio. Revenue of $46.8 billion was up 7% year-on-year on higher Markets revenue, as well as higher asset management fees and auto lease income. The increase in NII ex. Markets was primarily driven by higher Firmwide deposit balances and revolving balances in Card, largely offset by the impact of lower rates. Expenses of $24 billion were up 5% year-on-year, predominantly driven by higher volume and revenue-related expenses and compensation growth including front office hiring, partially offset by the release of an FDIC special assessment accrual.

Turning to the full year results, I'll remind you that there were a few significant items in 2025, which are listed in the footnote. Excluding those items, the Firm reported full year net income of $57.5 billion, EPS of $20.18, revenue of $185 billion, with an ROTCE of 20%. And in terms of the balance sheet, we ended the quarter with a standardized CET1 ratio of 14.5%, down 30 basis points versus the prior quarter, as net income was more than offset by capital distributions and higher RWA. This quarter's higher standardized RWA is driven by increases in lending across both Wholesale and retail, including the Apple Card purchase commitment, which contributed about $23 billion of standardized RWA, partially offset by lower market risk RWA. You'll see that, sequentially, the advanced RWA is up more significantly than standardized.

And as you know, our SCB is now at the 2.5% floor, which makes advanced RWA more relevant, so we have added it to the page. The Apple Card transaction's advanced RWA contribution was about $110 billion based on the sum of expected drawn balances and undrawn lines on closing. The elevated level of advanced RWA is temporary and is expected to reduce to approximately $30 billion in the near-term. Moving to our businesses, CCB reported net income of $3.6 billion or $5.3 billion excluding the reserve build for the Apple Card portfolio. Revenue of $19.4 billion was up 6% year-on-year, predominantly driven by higher NII on higher revolving balances in Card and a higher deposit margin in Banking & Wealth Management.

A few points to highlight. Consumers and small businesses remain resilient. We continue to monitor leading indicators for any signs of stress, and despite weak consumer sentiment, trends in our data are largely consistent with historical norms and we are not currently seeing deterioration. Across income groups, debit and credit sales volume continued to perform well, up 7% year-on-year. For the full year, we had strong growth in our franchise with 1.7 million net new checking accounts, 10.4 million new card accounts, and record households in wealth management across digital and advised channels. Next, the CIB reported net income of $7.3 billion. Revenue of $19.4 billion was up 10% year-on-year, driven by higher revenues in Markets, Payments and Securities Services. To give a bit more color, IB fees were down 5% year-on-year, reflecting a strong prior year compare and the timing of some deals that were pushed to 2026.

In terms of the outlook, we expect strong client engagement and deal activity in 2026, supported by constructive market dynamics, which is reflected in our pipeline. In Markets, Fixed Income was up 7% year-on-year, with strong performance in Securitized Products, Rates and Currencies & Emerging Markets, largely offset by lower revenue in Credit trading. Equities was up 40%, with robust performance across the franchise, particularly in Prime. Turning to Asset & Wealth Management, AWM reported net income of $1.8 billion with pre-tax margin of 38%. Revenue of $6.5 billion was up 13% year-on-year, predominantly driven by growth in management fees on higher average market levels and strong net inflows, as well as higher performance fees. Long-term net inflows were $52 billion for the quarter and $209 billion for the full year, positive across all channels, regions and asset classes.

In liquidity, we saw net inflows of $105 billion for the quarter and $183 billion for the year. And we saw record client asset net inflows of $553 billion for the year. To finish up the fourth quarter results, Corporate reported net income of $307 million and revenue of $1.5 billion. Before I cover the outlook, I want to make a few points on non-bank financial institution lending, given the attention it received last quarter. When we look at NBFI lending internally, we use a narrower definition than what the Call Report uses. Our definition focuses on exposure to non-bank financial institutions that is collateralized by the loans the NBFIs are making to end borrowers.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

At the top of the page, we provided a reconciliation of the regulatory definition to our definition. And as you can see, that results in excluding, for example, subscription lending to private equity funds, resulting in about $160 billion of exposure as of the fourth quarter.

We've also given you categories of the exposure that we believe are a bit more intuitive and mapped to recognizable industry categories and business models of the NBFIs. Now, looking at the bottom left, you can see that even though our narrower definition produces a smaller absolute number, the growth over the last seven years has been quite significant no matter how you look at it. And the drivers of that growth are well-understood in terms of market dynamics and regulatory pressures. In terms of risk, on the bottom right of the page, we've given you some detail on the structural features associated with different versions of this lending and the different asset classes. Given the significant amount of credit enhancement involved in this activity, as well as the absence of a traditional credit cycle during the period, it's not surprising that when we look at the loss history since 2018, we've only seen one charge-off, the one related to apparent fraud.

Stepping back, in light of the growth and the novel elements of some components of this activity, we are quite mindful of the risk. But given the structural protections, you would generally expect losses in this NBFI category to appear either as a result of additional instances of fraud-like problems or as a result of a particularly deep recession that erodes all the credit enhancement. In that scenario, losses associated with traditional lending to end borrowers would likely be the greater concern for the industry. Now, turning to the outlook for 2026, we continue to expect NII ex. Markets to be about $95 billion. The drivers we explained last quarter remain largely the same, so I'll cover them quickly. As usual, the outlook follows the forward curve, which currently assumes two rate cuts. Offsetting that is the expectation for continued loan growth in Card, although slightly less than last year, as the revolve normalization tailwind is behind us, as well as modest Firmwide deposit growth.

For completeness, we expect total NII to be about $103 billion for the year as a function of Markets NII increasing to about $8 billion due to lower funding costs from the rate cuts, which you should think of as being primarily offset in NIR. On expense, as we told you at an industry conference in December, we expect 2026 adjusted expense to be about $105 billion. Broadly, the expense growth continues to align with where we see the greatest opportunities across our businesses. The details of the thematic drivers are listed on the page and are broadly consistent with what we've told you before. On the slide, we've shown you 2024 and 2025 as well as 2026 and called out the Foundation contribution and the FDIC special assessment. When adjusting for those, the 2026 growth looks a bit more in line.

So, 2026 in isolation clearly represents meaningful expense growth in both dollar and percentage terms, and that growth reflects our structural optimism about the opportunity set for the company when we look through the cycle, as well as some optimism about the near-term revenue outlook. More generally, the environment is only getting more competitive, and so it remains critical to ensure that we are making the necessary investments to secure our position against both traditional and nontraditional competitors. To wrap up, on credit, we expect the 2026 Card net charge-off rate to be approximately 3.4% on favorable delinquency trends, driven by the continued resilience of the consumer.

We're now happy to take your questions. So, let's open the line for Q&A.

QUESTION AND ANSWER SECTION

Operator: Thank you. Please stand by. Our first question comes from the line of Glenn Schorr with Evercore. Your line is open.

Glenn Schorr
Analyst, Evercore ISI

Q

Hi. Thanks very much. So, I want to ask on the stablecoin issue. This week, we're going to have some markings up and talk in Congress. I saw the ABA letter this week talking about the immediacy of the issue and whether or not they can close the loophole on interest on stablecoin. And I think they've estimated that – or Treasury estimated that it's like $6.6 trillion of bank deposits could be at risk if they don't close that loophole. So, my question is, it was written from the ABA standpoint, the community bank standpoint. Is there any reason why it wouldn't be all banks, you specifically? And then, how big of a deal for the banking system if they're not successful closing that hole, because it does put people at risk of not having insurance and all that stuff? So, I'll let you opine. Thanks.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

Right. Okay. Thanks, Glenn. I guess I'll start by saying you probably know more about this than I do. And I think Marianne is really the expert at this point, and she did give some comments about this at a recent industry conference. But I'll give you my brief take, broken into a couple of pieces. So, one, it's worth saying, although it's not directly responsive to your question, that as a company, we've been quite involved in the whole blockchain technology space for some time, and through our Kinexys offering, are doing a bunch of kind of really cool stuff across both Wholesale – as you know, we launched our first tokenized money market fund. And so, that's a capability that we've developed over a long period of time. We have really cutting-edge thinkers in there, and we're kind of using that kind of across the whole company as we engage more in that ecosystem.

On a related point, also I think in CCB, we're plugging in a little bit more to the crypto ecosystem, and we have an agreement with Coinbase, and it's going to be possible to buy crypto in the CCB ecosystem too. So, I say that all by way of saying that like we see the interesting developments in the space, the technological innovation. We're engaged, we're watching, we care. On – yeah, Jamie, go ahead.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

I would just add one quick thing.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

Yeah.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

That letter was signed by the ABA, the FSF, the ICBA. It was all banks. It wasn't a handful of banks.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

Okay. I didn't actually know that, so helpful. And I think that what I was going to say narrowly about that point is there – I think it's a two-part answer to your question. One, I think it's very clear, and it's in the spirit of the GENIUS Act legislation and everything that we're advocating for, that the creation of a parallel banking system that is sort of – has all the features of banking, including something that looks a lot like a deposit that pays interest without sort of the associated prudential safeguards that have been developed over hundreds of years of bank regulation is an obviously like dangerous and undesirable thing. And so, that is the core of our advocacy.

Your narrow question of like if this doesn't turn out the way we're arguing it should, what is the risk to banking system deposits, I actually think that's a pretty complicated question and it involves a lot of nuances about where does the money come from, where does it go, what securities are purchased from whom, what is the impact on system-wide deposits, and how does that sort of move between consumer and wholesale. But clearly, there is some risk for some firms, maybe for many firms, and some version of a threat to the business model. And I think we always embrace competition. So, this is not about saying that we don't want to compete, but it's about avoiding the creation of a parallel ecosystem that has all the same economic properties and risks without appropriate regulation.

And so – and the final point to say, I guess, is that in the end all of our thinking around this from a customer perspective and from an investment and from a franchise perspective is organized around the question of what actual benefit does the consumer get. So, as much as like the technology is cool and there's interesting stuff there, in the end you have to ask yourself how does this actually make the consumer experience better. And in the cases where it does, we either need to get involved or improve our own service offering. In the case where it doesn't, you sort of – sometimes it's a little bit of a solution in search of a problem. So, I think the question of the risk to existing business models and banking system deposits needs to be looked at through that lens. But it's obviously an important question, and our CCB folks are spending a lot of time on that.

Glenn Schorr
Analyst, Evercore ISI

Q

I appreciate that. I have a very short narrow follow-up. You noted the 1.7 million net-new checking accounts opened for the year. And deposit growth is small, but I also noted the 17% growth in client investment assets. Is that all of it or are there other things at play that's limiting deposit growth despite all this great checking account growth?

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

Oh, interesting. So, I think what you're saying implicitly is like is the reason that the growth in checking account balances is relatively muted that sort of investment flows are competing that away in some sense. Good question. I would say partially but not really. I guess, the broader narrative is about sort of a tension between the very robust franchise growth which you've alluded to with the 1.7 million net-new accounts, offset against the persistence, albeit at a much lower level, of yield-seeking flows. So, to the extent that you consider flows into investments, yield-seeking flows, I think there is a relationship between the two. But I would probably put more traditional yield-seeking flows higher up the list relative to investments, but it's clearly both. And so, yeah, as we talked about over the prior few quarters, like the level of yield-seeking flows dropped off a lot but it's not zero.

And so, as we talked about last quarter, when you combine that with a slightly lower savings rate and a couple of other dynamics, that sort of moment where we were expecting the balance per account number in CCB to start growing again has just been pushed out a little bit. And so, that's the reason that we talked about previously, I think last quarter, that our expectations for consumer deposit growth in 2026 are lower than they had been in our scenario analysis at Investor Day, and that remains the case.

Glenn Schorr
Analyst, Evercore ISI

Q

All right. That was awesome. Thank you.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

Thanks, Glenn.

Operator: Thank you. Our next question comes from Ken Usdin with Autonomous. Your line is open.

Ken Usdin
Analyst, Autonomous Research

Q

Thanks. Hi. Good morning. Hey, Jeremy, you mentioned when you were talking about the expense outlook that there's obviously part of the investment cycle there. You mentioned that the revenue growth outlook in there also looks pretty good. I was just wondering – and we can see that in the volume-based parts of the growth. But I'm just wondering we have your NII outlook, we have your expenses. Just what parts of the fees are you expecting to be strong? You mentioned some deals pushed out in IB. If you can kind of just help us flavor – kind of understand like just where the biggest drivers of fee revenue growth are going to be as you look across the businesses to help us kind of fill in a little bit. Thank you.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

Sure. Yeah, good question. So – and I sort of chose my words carefully there because I think there are two versions of this in terms of expenses and investments in terms of like short-term versus long-term. So narrowly, when you look at 2026 we do show you there volume and revenue-related expense, which is what we traditionally describe as good expense, and certainly that is a driver of the overall growth in expenses. We do also note in there that a significant chunk of that is auto lease depreciation, which is essentially should be thought of as primarily a contra-revenue item or whatever. So, there's some optimism about the fee environment embedded there.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

So, to answer your question directly, breaking down 2026, I obviously don't want to kind of break our tradition of not guiding on fees/NIR given how market-dependent they are and volatile they are.

But you won't be surprised to hear that we're obviously optimistic on Investment Banking fees generally. I would say on Markets, we're very optimistic about the franchise and the environment is quite supportive, but it was an exceptionally strong year this year. So, as we always say in Markets, the number will be whatever it'll be and we'll fight to make it as big as possible. And on the rest of the kind of fee items, the sort of broad wealth management, asset management across both CCB and AWM, again, we're very optimistic about the position of the franchise there and the associated implications for fees. But we're a little bit cautious about sort of market appreciation drivers, given kind of where we're launching from and given the type of year that it's been this year. So, it's a little bit of a balanced story, I would say, in terms of fee outlook for 2026, not for any particularly negative reason, but just because 2025 was so exceptionally strong.

And then, just to briefly pivot to the larger point, the distinction I'm drawing too is the relationship between 2026 projected expense growth and the associated 2026 revenues versus the broader category of investments in long-term growth of the franchise, kind of the top bar of the page, across bankers, branches, product capabilities, et cetera, which is also a reflection of optimism, but long-term optimism that this is a franchise that rewards investment across all of its parts.

Ken Usdin
Analyst, Autonomous Research

Q

Excellent. Thank you for that, Jeremy. And to follow up, that balancing act also is – I think you guys have been more than fine not counting on positive operating leverage every year. How do you balance where your efficiency ratio versus your ROE outputs are, given that you're still in this really strong upper-teen zone that is obviously still generating tons of capital and allowing you to do a lot with the company?

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

Yeah. I mean, I guess I would sort of anchor my answer on that one on the word outputs that you used, so – on a couple of dimensions. So, if you remember my Investor Day presentation, we talked a little bit about the way that we think about capital deployment sort of across the descending stack of marginal return opportunities and the fact that we will very much deploy large amounts of capital below 17%, because the alternative is to buy back stock at implied returns that are much, much, much lower than that. And that's a good thing and we don't apologize for that, and we think it's shareholder-accretive. And so, for that reason, we really are starting to pivot much more to really discuss the through-the-cycle ROTCE target as simply an output of like our overall business strategy and the intelligent deployment of our financial resources and our investments across the entire opportunity set.

And in some respects, that's also true about the efficiency ratio. In the end, we do what need to do to compete, we're going to invest where we need to invest to secure the future of the company and to drive the revenue growth that we need to drive. And as long as what we're doing is still expected to be long-term profitable, in some sense, the efficiency ratio is a bit of an output. Jamie always says that perennially expanding – the notion of constant operating leverage mathematically implies perennially expanding margins, which is an obvious impossibility in a highly competitive business that we operate in. So, it is a good sanity check. When that number drifts high, maybe you'll have to look a little harder at your expenses and make sure that everything that you're doing is what you want it to be with the maximum possible efficiency. But we sort of do that all the time anyway. So, that's what I would say in response to that.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

I would just add that capital is invested to get a good return through the cycle, which means sometimes you have a better efficiency ratio, sometimes you have a worse efficiency ratio. It's kind of more of an outcome of the decisions you make.

Ken Usdin
Analyst, Autonomous Research

Q

100%. Thanks a lot.

Operator: Thank you. Our next...

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

Thanks, Ken.

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

John McDonald
Analyst, Truist Securities, Inc.

Q

Thanks. Good morning. I wanted to ask a little bit about the credit card business. I mean, I guess first, in terms of the Apple Card acquisition, maybe you could talk about the attraction of that business to you guys, both the actual book and also what you're hoping to get out of the co-brand partnership and the platform more broadly?

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

Yeah, absolutely. So, let me start by pointing out what I think is obvious, but it's worth saying in light of how much attention this deal has gotten, which is that, as you say, like from a narrow perspective, just in terms of the portfolio and the transaction, this is an economically compelling transaction for us as a co-brand deal. And I think someone described it as a win-win-win for all three parties, and I think that's very much how we feel about it. So, that's a good starting point. And then, in addition to that, obviously, you're talking here about a partnership with a firm, Apple, that is a leader in payments innovation and user experience, and it's obviously like a very compelling distribution channel for Card. And so, it's going to be challenging for us. The integration is going to take two years for a reason.

We feel confident that we'll get it done successfully, and I think the process of getting it done, in the narrow sense, is going to make us better, just generally accelerate and challenge our modernization agenda and the user friendliness of everything that we do in the Card business. And beyond that, we'll see, we'll see what comes out of the partnership. But obviously, anyone should be thrilled to be in a partnership with Apple.

John McDonald
Analyst, Truist Securities, Inc.

Q

Okay. Thanks, Jeremy. And then, maybe you or Jamie could provide some thoughts on the idea of regulators putting caps on credit card APRs, just potential impacts on the industry and how you would think through strategic reactions as a big issuer.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

Yeah. Thanks, John. And I appreciate the way you framed the question, because the thing that I'm sort of trying to avoid doing is spend a lot of energy or time speculating on the probability that this does or doesn't happen in whatever form it does or doesn't happen. So, I think for the purposes of this call – and obviously, you can assume that institutionally, we'll be doing all the relevant contingency planning. But for the purposes of this call, given how little we know at this point, the way I would prefer to talk about it is just assume for the sake of argument that something in the general mode of price controls on credit card interest rates goes through, what would be the consequences of that. And I think the first thing to say, which you obviously know very well, is that the card ecosystem is an exceptionally competitive ecosystem. It's among the most competitive businesses that we operate in.

And that's true for all levels of borrower credit score from a high FICO to low FICO. And so, in that context, just basic economics, when you start with that as your starting point, the right assumption about what the response of the system is going to be to the imposition of price controls is not that you will simply compress the profit margins, which are already at their sort of competitively optimal level, and thereby, pass on benefits to consumers. What's actually simply going to happen is that the provision of the service will change dramatically. Specifically, people will lose access to credit like on a very, very extensive and broad basis, especially the people who need it the most, ironically.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

And so, that's a pretty severely negative consequence for consumers, and frankly, probably also a negative consequence for the economy as a whole right now. I don't want to let this pass without saying that I think it should be obvious that that would also be bad for us. I'm not going to get into quantifying.

But in a narrow sense, this is a big business for us. It's a very competitive business, but we wouldn't be in it if it weren't a good business for us. And in a world where price controls make it no longer a good business, that would present a significant challenge, clearly. Beyond that, the way we actually respond would have a lot to do with the details, and I just don't think we have enough information at this point.

John McDonald
Analyst, Truist Securities, Inc.

Q

Okay. Thanks, Jeremy.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

Thanks, John.

Operator: Thank you. Our next question comes from Betsy Graseck with Morgan Stanley. Your line is open.

Betsy L. Graseck
Analyst, Morgan Stanley & Co. LLC

Q

Hi. Good morning. Okay. So, just one follow-up to the last question is, does it impact how you're thinking about the co-brand cards you have, the rewards card? Because I think one of the media narratives here is that it would impact only revolvers, and I'm wondering if that's a view that you share or is this an impact on the entirety of the card book.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

Can I just – look. Obviously, it would impact prime less than subprime. It would be dramatic on subprime. In some of those co-brands, there are a lot of subprime, et cetera. So, you really have to go co-brand by co-brand, but you would have to adjust your model for the added risk by this and ongoing price controls and things like that. So, if it happened the way it was described, it would be dramatic. If it happens in a way where it was modified quite a bit, it would be less. And we don't know the number yet, but it would be very dramatic if it was just a cap.

Betsy L. Graseck
Analyst, Morgan Stanley & Co. LLC

Q

And then, on the Apple Card, two years to bring on, Jeremy, you mentioned for good reason. Is this primarily a function of the technology that Apple Card was built on, right? Like so, as far as I'm aware, the current offering had a built-for-purpose technology stack, and I understand – I guess my question is for you. Are you building out a whole new technology to enable that same interface with the users of Apple Card or are you able to take – are you able to enhance your current system to enable the users to come on to your current system? Or is it under a whole new tech stack? Or are there other reasons why it's a two-year process?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

There are no other reasons. It is – if it was a traditional credit card thing, we can fold it in rather quickly and just put it in our systems. But it's not. They actually built a completely different, integrated into iOS tech stack, and they did a good job. So, it's good stuff. But we have to integrate that inside our system, and to do that, it's going to take two years and cost a bit of money to meet the terms and standards. Those terms and standards are actually quite good. We looked at them and said, no, that's good.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

Apple wants to take very good care of those customers, and a lot of those things will be built directly into our system and we could obviously apply some of that customer service stuff in other places. And we want to do it right, and that's all it is. We have to rebuild what their tech stack is, embed it into our system.

Betsy L. Graseck
Analyst, Morgan Stanley & Co. LLC

Q

Excellent. Thank you.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

Thanks, Betsy.

Operator: Thank you. Our next question comes from Erika Najarian with UBS. Your line is open.

Erika Najarian
Analyst, UBS Securities LLC

Q

Hi. Good morning. My first question is for Jamie. Jamie, investors are feeling quite optimistic about the fundamental macro opportunities for the banks in 2026, paired with deregulation, of course. And I think this weekend sort of shook their confidence given the social media post by – about credit card rate caps, and of course, additionally, the DOJ subpoenas to Chair Powell. And investors kept saying over the weekend, we can't wait to hear what Jamie has to say about the 2026 outlook. So, if you could start there in terms of how you're seeing the macro backdrop unveil in 2026 for the banking industry and how you're considering the risks, whether it's executive overreach or the geopolitical situation at the moment.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

Yeah. So, I mean, I'll answer the question. But I think when you're guessing what the macro environment is going to be, if you ask me, in the short-run, call it, six months and nine months and even a year, it's pretty positive. Consumers have money. There's still jobs, even though it's weakened a little bit. There's a huge – there is a lot of stimulus coming from the One Big Beautiful Bill. Deregulation is a plus in general, not just for banks, but banks will be able to redeploy capital. But the backdrop is also important, but the timetables are different. Geopolitical is an enormous amount of risk. I don't have to go through each part of it. It's just a big amount of risk that may or may not be determining the state of the economy. The deficits in the United States and around the world are quite large. We don't know when that's going to bite. It will bite eventually, because you can't just keep on borrowing money endlessly. And so, early on, fine. Who knows?

And so, and of course, we have to deal with the world we got, not the world we want. And I've never – we don't guess about the outcome. We serve clients. We serve them left and right, and we'll deal and navigate with the politics and the issues that we have to deal with around the world and stuff like that. And we're comfortable we can build our business. I do think, if you look at things, the rising tide is lifting all boats a little bit. I'm quite conscious of that in how I look at the numbers at least. But it doesn't mean it's not going to – it does not mean it's going to stop this year.

Erika Najarian
Analyst, UBS Securities LLC

Q

Got it. And my follow-up question is for you, Jeremy. Underneath the $95 billion of NII ex. Markets for the year, could you give us a sense of what kind of balance sheet growth you think is underpinning that? And maybe some commentary on how you're thinking about deposit growth in 2026 relative to your earlier commentary about yield-seeking flows and how those statistics would compare to balance sheet growth of 8% in 2025 and average deposit growth of 5% in 2025.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

Sure. So, I mean, not to be pedantic here, Erika, but I'm going to pivot away from balance sheet growth per se and just talk about loans and deposits, recognizing that some non-trivial portion of balance sheet growth is coming from inside of Markets these days and that NIM on that stuff is variable and also not part of the NII ex. Markets. But taking a step back in terms of the big sort of balance sheet drivers – growth and mix drivers of the NII, number one, as the slide says and as I mentioned in my prepared remarks, Card loan growth is still a driver. I think we're expecting something like 6% or 7% Card loan growth for 2026, so that is lower than we've seen recently obviously. But we've been talking about that for some time as a function of the normalization of the revolve per account, so that as a tailwind is largely behind us.

And what we have now is just growth from overall system growth and consumer balance sheet growth as well as our optimism about share and client engagement, customer engagement across the card ecosystem. So, that's one important loan driver. On the deposit side, starting with wholesale, 2025 was an exceptionally strong year for wholesale deposit growth. So, as we look to 2026, we're still pretty optimistic about the wholesale deposit franchise and the payments franchise products, offerings, customer engagement and growth opportunities, et cetera. But it's going to be tough to beat the 2025 performance in wholesale deposit growth, so we have a more modest expectation for 2026 wholesale deposit growth. And then, I touched a little bit on what we're thinking about consumer deposit growth earlier.

But just to reiterate, the narrative there is that the balance between what is very robust engagement and franchise success manifested through the 1.7 million net-new accounts that were originated this year and the fact that the balances per account are sort of not growing quite as fast as we had thought earlier in the year as a function of yield-seeking flows that are much, much lower than they were at the peak but are still not exactly zero. So, there's a kind of tension between those two things. And at this point, we're sort of expecting that inflection in balance per account to kick in in the second half of 2026, at which point you would start to see kind of a re-assertion of the consumer deposit growth, which would get us to modest deposit growth for CCB in 2026 but certainly lower than that 6% scenario that we talked about at Investor Day, which is stuff we already told you about last quarter and that Marianne has discussed.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

And can I just add one more factor which is the Fed? They don't call it QE, but they're talking about doing $40 billion a month of buying T-bills. That adds $40 billion a month, all things being equal, into bank reserves. And most of that initially shows up in wholesale deposits and then maybe gets redeployed. So, we'll see how that plays out, too. But it does create more liquidity in the system, which I should have mentioned is another tailwind for the economy.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

Yeah, yeah. No, that's exactly right. And I think in our sort of crude framework, as Jamie says, we'd initially tend to assume that that growth in system-wide deposits would accrue to extremely high beta wholesale deposits and is therefore not going to tend to be a big driver of the NII story year-on-year. But it's significant in terms of the system and the functioning of the money market.

Operator: Does that conclude your question, Erika?

Erika Najarian
Analyst, UBS Securities LLC

Q

Yes. Thank you. Yes. Thank you.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

Thanks, Erika.

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

Gerard Cassidy Q
Analyst, RBC Capital Markets LLC

Good morning, Jeremy, and good morning, Jamie. Jeremy, thank you for the data around the NBFI portfolio. Can you share with us an expansion? You talked about the growth over the last seven years has been significant and the drivers of the growth are the market dynamics and regulatory pressures. Can you expand upon that to give us a little more color of what's behind that?

Jeremy Barnum A
Chief Financial Officer, JPMorganChase

Yeah. Oh, you want to take that? Go ahead, Jamie.

Jamie Dimon A
Chairman & Chief Executive Officer, JPMorganChase

Well, look, it is – we obviously do things that we think are safe and proper and stuff like that. But it is arbitrage, we participate in that. We're better off from regulatory capital holding AAA piece of something on top of something else as opposed to doing the direct loan itself. That's what it is. It's also arbitrage between banks and insurance companies and stuff like that, and that is leading to some of that growth. One of the things I always tell the regulators is when you see arbitrage, you should look at it and always ask the question why you're better off doing it that way as opposed to another way.

Jeremy Barnum A
Chief Financial Officer, JPMorganChase

Yeah, exactly.

Jamie Dimon A
Chairman & Chief Executive Officer, JPMorganChase

There's nothing mystical about the loans that all these NBFIs are making, and this stuff has been going on for a long period of time. It's just bigger now.

Jeremy Barnum A
Chief Financial Officer, JPMorganChase

Yeah, exactly. On the point of nothing mystical, my version of that, Gerard, and part of the reason that I chose those words in the prepared remarks is to ask the question, well, like what's the narrative here if you go back in terms of regulation and competitive dynamics with the private credit ecosystem in particular and what has led to what and how has that all evolved. And I think it's well-understood that in addition to the regulatory capital factors, there's also the leveraged lending guidelines which really did meaningfully constrain bank lending into this type of space when those were released. And I think there's an argument to say that that seeded or accelerated the growth of this ecosystem in ways that otherwise might not have happened. But at some level, that is what it is.

And I think as we've been talking about for the last couple years, there's no reason that we can't compete head-to-head in that space. So, the whole direct lending initiative and the realization that in many cases what sponsors want is like a quick execution of a unitranche structure where they don't have to negotiate with a syndicate, but other times they want to go through the syndication process. And that's why we really leaned into this whole product-agnostic strategy that we talk about. And at the same time, in the cases where we don't wind up being the lender, yeah, sometimes we're competing with these folks. Sometimes they're our clients, sometimes, they're both. And done properly, as we talk about on the slide, we're very happy to be lenders to them. So, it's all part of a competitive partner ecosystem and, yeah, we just wanted to frame it out a little bit given all the questions last quarter.

Gerard Cassidy Q
Analyst, RBC Capital Markets LLC

No, that was very helpful. Appreciate it. And as the follow-up question, you guys obviously have given us the guidance for NII with and without Markets. And when you go back to the Markets number in 2024, I think you guys put up about $1 billion in revenues.

Gerard Cassidy
Analyst, RBC Capital Markets LLC

Q

You show us 2025 at $3.3 billion. And market conditions, of course, will impact your guidance on the $8 billion. But what's the strategy of growing that business from where it was in 2024 to where we are today?

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

Yeah, good question. So, a couple things about this. So, number one, broadly speaking, over short periods of time that Markets NII number is going to fluctuate primarily as a function of rates and is liability-sensitive. So in other words, at higher rates the number is lower. So, what we saw, if you sort of – and we show the number every quarter. If you plot the evolution of that number as a function of the policy rate, you're going to see that relationship very strongly. It's also true, as I pointed out in different moments, that part of the reason that we de-emphasize it is that if there are particular mix changes in any given moment, Brazilian futures versus cash or something, high interest rate countries, you can get pretty big swings in the number in ways that have essentially no bottom line impact, which is the reason we deemphasize the change.

But third piece is just that, as has been noted, the Markets balance sheet has grown a lot over time. And so, as we extend more financing to clients, the size of this effect gets bigger, which is all the more reason that we find it useful to carve it out and make it clear that in general, short-term fluctuations don't have any bottom line impact. And Jamie, you wanted to add something.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

Yeah. We don't run the business at all trying to grow NII in particular because if you just look at the revenues created by the trade, sometimes it's NII, sometimes it's net revenue. But growing the business is important. We have the best FICC business in the world, one of the best equity businesses in the world. We have extraordinary people around the world. We grow the business by building technology, adding research, adding sales, doing a better job in parts of the world where we don't have a great market share, but someone else is doing better than us. So, we're going to grow that business. We're quite good at it. It's critical to the capital markets of the world, and the capital markets of the world are going to grow dramatically over the next 20 years. So, that's how we build the business. NII is just an outcome. On itself, almost irrelevant.

Gerard Cassidy
Analyst, RBC Capital Markets LLC

Q

Very good. Thank you.

Operator: Thank you. Our next question comes from Mike Mayo with Wells Fargo Securities. Your line is open.

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

Hi. I think I get it, JPMorgan spends for growth. You're getting growth, up 7% year-over-year in the fourth quarter, and you're willing to sacrifice returns for more growth, I guess, because that increases SVA. But like it is a wow, the $9 billion increase in expenses, your guide year-over-year, and I get it that some of that is simply because revenues are likely to come in higher than expected. But if we could please have some more details on the rest? This is the first time we have a chance to address that $9 billion increase in expense guide. So, maybe some areas. Jeremy, as far as tech spending, I think you went up $17 billion to $18 billion last year, went up even more after you include the savings that you achieved and especially since you're past peak modernization, where you expect tech spend to be in 2026? And as it relates to AI, what was your spend last year and where do you expect that to go and what sort of payoffs?

And then, Jamie, since you're upping the bar, upping the stakes with the $9 billion of investments, the degree of your confidence that you're going to get the desired returns and outcomes from that? Thank you.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

I would tell you we're not going to give – Mike, we owe you all, as shareholders, as much information we can give you, but we're not going to give you information which I think puts us at a competitive disadvantage. So, we've been quite blunt with you guys. First of all, we tried to put everything in there, everything. So, even the Apple spending was in there, inflation is in there, the expectation that revenues might go up is in there. So, if revenues don't go up, that number won't be as big. But for the most part – and tech is going to go up. But the good news is when we look at the world, we see huge opportunity. We're opening rural branches which we think will be good. We're opening more branches in foreign countries. We're building better payment systems. We're adding better personalization in consumer banking, credit card. We're adding AI across the company. And those are all opportunities.

And I understand your issue or concern about the $9 billion. But I think you should be saying, if you really believe they're real, you should be doing that. That's the right way to grow a company. And you look at the complexity of the world, the amount capital requirements, the – our SRI initiative. I think that SRI initiative may be far bigger than we thought, and that's in there. So, it'll be justified by the results, but we're not going to be giving detail on every single thing every single quarter, and you're going to have just, part of you has to trust me, I'm sorry.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

All right. Well, I guess I could probably just leave it there. I do have a couple – a little bit more color, if you want, Mike. I would also point out we do have Company Update coming. So, that's an opportunity to talk in a bit more detail on this. I do think we highlighted the vast majority of the major thematic drivers on the page, subject to Jamie's caveat about not giving away too much competitive information. Maybe I'll just do one minute of like a little bit of additional context. I think one thing that's notable is that we did do a big kind of living within our means thing last year, and we did that, and we're going to continue to do that. So, I think as a company, we still, generally speaking, want to make sure that when someone needs to get something done, whether it's in technology or elsewhere, their first reaction is not hire more people.

Having said that, the process of emphasizing that a little bit more last year did give us some confidence that we were actually using resources optimally. And now, as we look ahead, there's a lot that we want to get done. There's a lot that we need to get done. The Apple Card is part of that, but there's other stuff too. And so, at the margin, we are allowing ourselves to at least plan for some additional hiring in technology in order to support what Jamie is saying, like the long-term investment initiative, in particular in the businesses where we need to develop and deliver products and features. And yeah, AI is a little bit of that, but there are other things too. There's maybe one other thing I would say, which I don't think is competitively sensitive and is important, which is that if you think about what's happened to the headcount of the company over, say, the last five or six years, it's grown a lot. And that happened during an obviously complicated period.

There was the whole return to the office, hot-desking, remote work, all the stuff. The end result of that is that the amount of real estate square footage over that period grew a lot more slowly than the head count. And at the same time, as we've decided as a company to be an in-office company, we've realized it's obviously the case that we need to provide employees a reasonable in-office experience. And that, in some cases, means a little bit of de-densification and catching up on some space renovations around the world, now we're not just talking about Midtown Manhattan here, for all of our 320,000 employees that we're a little bit overdue. So, I would call that a little bit of catch-up to the headcount growth.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

Jeremy, don't scare them.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

It's not a big driver of the total.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

It's a very small number.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

It's a small number.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

Okay.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

But I think it's thematically interesting.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

And healthcare is $300 million. And you can go item-by-item, but everyone is going to have healthcare inflation. But the real estate is a very small number, so we shouldn't expound too much on it.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

Yeah. I don't want to overemphasize it. I just thought it was thematically interesting...

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

Yeah.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

...and not, I would say, competitively sensitive.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

Right.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

So, that's what we got. We may give you a bit more color at Company Update.

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

All right. If I can just – I guess, as you know, for any analyst, it's trust, but verify, right? So, if I could just try one follow-up, just what do you think about your tech spending or AI spending for 2026?

Jamie Dimon A
Chairman & Chief Executive Officer, JPMorganChase

It's going to go up a bit. But Mike, we have – we're building more payment systems. We're building more AI systems. We're building more – we're connecting more branches, which means you have the higher network expenses. We're doing all the things you want us to do. But the tech spend is always one of the harder ones to measure and evaluate. That's been true my whole life. You could imagine, we are pretty detailed about it, what we're doing, why we're doing it, are we delivering it on time. But there isn't an area where you – if you dug into it that you wouldn't say, yeah, you want to be – you better be the best in the world in tech. So, we spend money on Trading. We spend money on Payments. We spend money on Consumer. We spend money at Asset Management. We spend money in Corporate. We spend money. We need to have the best tech in the world. That drives investment. It drives margin. It drives competition.

A lot of it is consumer-facing, digital, personalization, travel, offers, all these things, which we think are wonderful things, and I like the fact that we have these organic opportunities. I think I'm looking at it and saying...

Mike Mayo Q
Analyst, Wells Fargo Securities LLC

And you're spending more in...

Jamie Dimon A
Chairman & Chief Executive Officer, JPMorganChase

I'm looking at it and saying, it's a good thing that I can point out that we have – in every single area, in every single part of the company, we can grow. In some areas, it's like trench warfare, think of certain Trading and Investment Banking. In other areas, we're kind of out front and we want to build the next generation of technology. But investment, the thing about – you've heard me talk about this before. In a lot of businesses, you build a new plant, you capitalize it and then you expense it over 20 years. In a lot of our businesses, everything gets expensed upfront. It doesn't mean it isn't a good return.

Mike Mayo Q
Analyst, Wells Fargo Securities LLC

And you're spending more in AI?

Jeremy Barnum A
Chief Financial Officer, JPMorganChase

Yeah. We're...

Jamie Dimon A
Chairman & Chief Executive Officer, JPMorganChase

We will be spending more in – I think that AI – we will be spending more, but it is not a big driver. I do think it'll be driving more efficiency down the road. But I'd also point out about that, efficiency, because other banks have to do it too, will eventually be passed on to the customer. This isn't like you're going to build 3 points of margin and you get to keep it – you don't. So, you need to build some of these things just to keep up.

Mike Mayo Q
Analyst, Wells Fargo Securities LLC

All right. Thank you.

Jamie Dimon A
Chairman & Chief Executive Officer, JPMorganChase

And you know we have – we look at – and we look at all of our competitors, but those competitors include all the fintechs. You have Stripe. You have SoFi. You have Revolut. You have Schwab. You have everyone out there.

Jamie Dimon A
Chairman & Chief Executive Officer, JPMorganChase

And these are good players, and we analyze what they do and how they do it and how we'd stay out front. And we are going to stay out front, so help us God. We're not going to try to meet some expense target, and then 10 years from now you'll be asking us the question how did JPMorgan get left behind.

Mike Mayo Q
Analyst, Wells Fargo Securities LLC

All right. Thanks.

Jamie Dimon A
Chairman & Chief Executive Officer, JPMorganChase

You're welcome.

Jeremy Barnum A
Chief Financial Officer, JPMorganChase

Yeah. Thanks, Mike.

Operator: Thank you. Our next question comes from Ebrahim Poonawala with Bank of America. Your line is open.

Ebrahim H. Poonawala Q
Analyst, BofA Securities, Inc.

Hey. Good morning. I guess maybe, Jeremy, a quick one to follow up on this whole credit card interest rates. I think you said, understandably, this would be very bad for the credit card industry and JPMorgan. Given that the President put out a timeline for Jan 20, is it fair for us to conclude there's been no communication from the administration to the banks or the industry on how they plan to implement this? And are you expecting anything over the coming days?

Jeremy Barnum A
Chief Financial Officer, JPMorganChase

Yeah. I guess I just – this has happened so quickly and there's just so little flow of information, at least that I'm aware of, that I just think it's better to not answer those questions. I mean, it's entirely possible that in the last 12 hours, someone's spoken to someone, I don't know. But this is happening very quickly in a sort of unconventional way, starting with a social media post. So, I understand why you're asking the question, but I just don't have anything for you.

Ebrahim H. Poonawala Q
Analyst, BofA Securities, Inc.

Got it. And just very quickly on capital. When we think about – there's more updates coming on G-SIB, Basel Endgame probably over the coming months. When you think about the right level of capital, just in your seat, do you think 200 basis points, 300 basis points of excess capital, wherever the regulatory minimum shakes out, is the right place to be, given all the risks that Jamie talked about, geopolitics, competitive landscape, et cetera? Or do you have a view on where, in a perfect world, you would want to operate the bank relative to where capital requirements shook out?

Jeremy Barnum A
Chief Financial Officer, JPMorganChase

Okay. So, I want to be very precise in my answer to your question here, and there are a few pieces to it. So, let's start first with the fact that the rules aren't done yet and there are some things that are still out there.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

And then, there's periodically reference to a discussion about the right level of capital for banks or for the system. And our answer to that, which we've said frequently, but I'll just say it again, is that the answer to that question is do every part of the methodology across RWA, G-SIB and stress testing, correctly, supported by data to get the right answer for that individual thing, and whatever the sum of those things is for the system, for any individual bank is what it is. And it should very much not be a sort of goal-seeking exercise for some arbitrary number at the level of the system or for large banks or for small banks and certainly not for any given firm.

I think the good news is that from what we're hearing and from what we understand, that is, in fact, the direction of travel from the agencies. And so, that's encouraging. Let's see what happens. But in that context, an obvious example that we always talk about, but it's really just worth saying out loud again, is G-SIB, where at some point, you really have to ask yourself, what is the right difference between the amount of capital that we should be required to hold, and for example, a very large American regional bank, especially given the enormous amount of progress that's been made over the last 10 or 15 years on resolvability and all other aspects of the framework. So, I won't give you the long speech about why G-SIB is completely poorly conceived. Hopefully, that gets adjusted in a way that's reasonable but it should be done correctly. You want to jump in, Jamie?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

Yeah. Look, we'd end up at $30 billion, $40 billion or more billions of dollars of excess capital. We have tons of capital. There's no scenario where capital is going to be the issue. I think it's very important that you got to look at, of course, the full spectrum of capital, liquidity, stress testing, and all these things about what can you do to make the system safer. And for a lot of these banks it's not capital. It's interest rate exposure or it's liquidity or it's resolution-related type of stuff. And so, I think they're overly focused on capital. And you're going to get to see as people respond to all the Fed APRs they put out – the NPRs they put out, what people are thinking about capital. But I actually believe, and this is the important fact, that you can make the system with less capital, change liquidity and make it safer. That's what we should be focusing on, making it safer so that you all don't have to worry about bank failures. And it isn't just capital.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

Yeah, very much so. I do want to go back and answer your actual question just for the avoidance of doubt because you talked about kind of the right level of capital for us and where we want to run the company, and you referred to like a few hundred basis points. And I think there, it's very important to draw the distinction between what we think is the right amount of excess capital for us to carry now given the risks that we see now in the short to medium-term. We obviously have a lot of excess right now relative to basically any version of final rules. And that feels more appropriate than ever, I would argue, given what we see out there in terms of the risks and potential opportunities to deploy in the event of a disruption. There's another version of your question which is implicitly a question about long-term buffers, and that's what I sort of want to steer away from because in the end, like we're going to run the company at the right level of capital.

And capital requirements are requirements. There's a larger discussion about buffer usability. So, I just want to not leave any doubt about a sort of implicit 300 basis point management buffer, which is very much not the way we're thinking about that.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

There should be no buffers. And the fact is these capital numbers are already set to handle maximum stress. That's how they're set.

Ebrahim H. Poonawala
Analyst, BofA Securities, Inc.

Q

That was very comprehensive. Thank you, both.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

Thanks, Ebrahim.

Operator: Thank you. Our next question comes from Jim Mitchell with Seaport Global Securities. Your line is open.

Jim Mitchell
Analyst, Seaport Global Securities LLC

Q

Hey. Good morning. I just want to ask about loan growth. Jeremy, as you pointed out, a lot of the growth has been driven by NDFI and cards. But we've seen three rate cuts in September, we have a few more expected. Deregulation is beginning to have an impact in areas like leveraged lending, with more to come. So, are you seeing any sort of – I guess, number one, are you seeing any early signs of a broadening out of demand across other categories like traditional C&I, mortgage or auto? And what are your expectations for 2026?

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

Yeah, Jim. So, a couple things about that. I did actually hear that it was a pretty busy day in the Home Lending business on the back of what happened in the mortgage market, so maybe we'll actually start to see some pick-up there. But obviously, there are still some larger dynamics in the housing market...

Jim Mitchell
Analyst, Seaport Global Securities LLC

Q

Right.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

...that will be a challenge there. So at a high level, when we look out to 2026, I still think that for CCB the story is really about Card. I think in Wholesale, if you set aside sort of Markets lending for the sake of argument, I actually think we have what I would describe as a moderately optimistic outlook for loan growth in terms of traditional C&I in CIB. Now, obviously, you don't need to hear my speech about how in CIB C&I lending is an output, not an input; it's kind of a loss leader or whatever. But still, it does give you some indication of the level of client engagement and optimism maybe in C-suites. And I think the way that outlook of ours was built up for sort of like modest C&I loan growth, outside of Markets, is a combination of sort of a generally optimistic outlook for frankly the global corporate environment as a whole, as well as some optimism about our growth and expansion strategies in that space, which are significant and is one of the areas in which we're investing.

And of course, as we acquire new clients, while we don't acquire them for the sake of lending, the new clients often come with loans and that's very much part of the strategy. So, I would say broadly nothing that dramatic as a function of the lower rate environment in particular, but a modestly optimistic outlook.

Jim Mitchell
Analyst, Seaport Global Securities LLC

Q

Okay. And maybe just a follow-up on credit. You had some more charge-offs this quarter that seemed a little elevated, but NPAs came down in commercial. So, just trying to think what's your view there. Do you feel like with rates coming down and the outlook pretty solid, do you feel like still steady Eddie? Any improvement or any concerns out there on the corporate credit side?

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

Yeah, good question. I guess a couple of nuances there. So, the charge-offs this quarter were largely already provisioned actually, which is part of the reason...

Jim Mitchell
Analyst, Seaport Global Securities LLC

Q

Right.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

...that we sort of explained the Wholesale credit cost narrative through the lens of the net provisioning because if you do charge-offs and allowance, it's a little bit non-intuitive. But when you do that and you look at the drivers of the provision, I think it's fair to say that at the margin – and it's a very small margin, I would point out, but it's more negative than positive, meaning downgrades are exceeding upgrades by a little bit. And we did make some parameter updates to assume slightly higher loss given default in the Wholesale lending portfolio, which drove a little bit of an increase in the allowance. So, I don't want to make too big a deal out of that stuff. It's pretty small in the scheme of things, and I definitely would not say that we're seeing anything concerning in a broader sense.

And also, it's worth noting that when it comes to Wholesale charge-offs, the numbers have been running at exceptionally low levels for a long time as the portfolio has also grown. So, simply bringing that back to slightly more normal through-the-cycle charge-off rates would still involve some increase in charge-offs. So in other words, it's a Wholesale version of the whole like normalization versus deterioration story that we were talking a lot about in Card as the cycle normalized, with the caveat being, of course, that in Wholesale things tend to be a lot more lumpy, and at any given moment you don't know whether something is idiosyncratic or a sign of a larger trend. But at a high level, I would say nothing that concerning and it's not particularly, in my mind, driven by rate one way or the other.

Jim Mitchell
Analyst, Seaport Global Securities LLC

Q

Okay, great. Thanks.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

Thanks. Oh, by the way we lost Jamie. He had to go to another meeting. But you still have me for any remaining questions.

Operator: Thank you. Our last question will come from Chris McGratty with KBW. Your line is open.

Christopher McGratty
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Oh, great. Good morning. Thanks for squeezing me in. Jeremy, my question is on consumer deposit competition as rates come down, and we talked about loan growth showing some signs of life. I'm interested in your thoughts on incremental competition by market, product, peer, more or less competitive, anything you could add. Thank you.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

I mean, that space is always very competitive, I would say, has been throughout this entire cycle. I haven't heard anything recently to change that narrative one way or the other. I mean, I think the larger point, of course, is that all else being equal, with a lower policy rate, you would expect yield-seeking flows to abate even further. Again, they're already at very low levels. But as we discussed previously when talking about the consumer deposit outlook, there's currently a little bit of this sort of standoff between this low level of yield-seeking flows and the pending return to growth of deposits per account. And one thing that you might expect, all else equal, is that when the headline policy rate drops, it incrementally decreases the amount of yield-seeking flow pressure, aside obviously from the direct translation into lower CD rates, which is just straightforward.

But at a high level, I would say I haven't really heard anything interesting or new beyond the background, ever present factor of a very competitive marketplace.

Christopher McGratty
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Great. Thank you. And then, a follow-up on AWM, the flows and margins remain very, very good. I'm interested in your thoughts about sustainability and opportunities for the greatest pieces of growth in the medium-term. Thanks.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

Yeah. I mean, I think AWM is one of the businesses where we're investing. I think we've been optimistic there for a long time. We've been investing there for a long time. We've had a bunch of product innovation in the asset management space that's worked out very well and led to AUM growth. And yeah, I mean, specifically, obviously hiring advisors and bankers in the Private Bank has been a source of – it's been very successful, and we're continuing to lean in there quite aggressively. So, that franchise is doing great. Flows have been exceptional, and it's one of our areas of optimism for the future.

Christopher McGratty
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Great. Thank you.

Operator: Thank you. We have no further questions.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

Okay. Thanks very much, everyone. See you next quarter.

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