

JPMorgan In Talks On Deal For Apple Credit Card ..... 2

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## JPMorgan In Talks On Deal For Apple Credit Card

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JPMorgan Chase is talking with Apple about taking over the tech company's credit-card program.

Discussions started earlier this year and have advanced in recent weeks, but a deal could still be months away, according to people familiar with the matter. It isn't guaranteed a deal will come together, given key details, including the price, are still to be negotiated.

Apple and Goldman Sachs, the current issuer of the card, decided to part ways last year on their partnership, which includes credit cards and savings accounts.

Since then, Apple has spoken with several potential suitors, including Synchrony Financial and Capital One, to gauge their interest in taking over the credit-card program, according to people familiar with the matter. Goldman spoke with American Express last year, The Wall Street Journal reported at the time.

A deal between JPMorgan and Apple would further tie together the U.S.'s biggest bank and one of the largest **technology** companies in the world. JPMorgan already offers its Chase customers deals on Apple products and pays the company whenever one of its millions of card customers uses Apple Pay. Landing the deal would expand Chase's card business -- already the biggest in the country -- while bringing along a loyal base of Apple customers to whom it can pitch more financial products. Apple, meanwhile, needs to find a new home for its credit card, which has more than 12 million users, after Goldman decided to abandon its push into consumer finance.

Whenever a credit-card partnership changes hands, the bank offloading the program and the bank seeking to take it on generally have to agree to a transaction price for the existing card balances. With the Apple card program, Goldman holds the balances that will have to be sold. But JPMorgan and Apple also have to agree on terms and conditions, including the rewards program, offered to the consumers.

The team at JPMorgan negotiating the deal wants to pay less than the full face value of the roughly \$17 billion in outstanding balances in the Apple credit-card program, the people said. Credit-card portfolios often sell at par or for a premium to the total loans, while accounts that have high delinquencies or some other flaw can sell at a loss.

Apple's current program has both subprime exposure and terms associated with it that could be costly to take on for any issuer.

Allison Beer, chief executive of the credit-card and connected commerce business at Chase, has been leading the bank's efforts to put a value on the Apple program over the past few months, people familiar with the matter said. Senior executives at JPMorgan, including CEO Jamie Dimon, have been briefed on the continuing negotiations, they said.

Dimon has said tech companies are increasingly becoming competitors to his business, forcing the bank to stay nimble and consider new partnerships.

"The banking system is not static," Dimon wrote in his letter to shareholders this year. "There are startup banks, mergers, successful upstarts and **fintech** banks, and even Apple, which effectively acts as a bank." (Apple works with many banks on Apple Pay and other financial services that it offers to consumers.)

JPMorgan also wants to do away with key components of the card program, including Apple's requirement that all cardholders receive their statement at the beginning of the month, the people said. This unusual billing structure created customer-service issues for Goldman and, in turn, contributed to regulatory scrutiny of the bank's consumer-lending business.

Goldman tried more than once to persuade Apple to change the billing date, according to people familiar with the matter. Apple has signaled that it is open to making this change for JPMorgan.

Goldman is actively dealing with several challenges as it works to exit from the consumer sector, including limiting its losses.

Last week, it disclosed that it expects to incur a roughly \$400 million pretax hit on the eventual sale of its General Motors' credit-card business and a smaller, unrelated business. Barclays is negotiating a deal to buy the GM program, but the British bank has been unwilling to pay the price Goldman originally expected, in large part because of losses from highly delinquent borrowers, the Journal reported last week.

Goldman could be facing a bigger loss when it sells the Apple credit-card program to a new issuer.

The Consumer Financial Protection Bureau has also been investigating Goldman's credit-card practices. The probe, which Goldman disclosed in 2022, is focused on credit-card "account management practices," according to the bank, including how Goldman resolves billing errors and refunds cardholders.

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