2Q24 FINANCIAL RESULTS

EARNINGS CALL TRANSCRIPT

July 12, 2024

JPMorgan Chase & Co.

In terms of credit performance this quarter, credit costs were $2.6 billion, reflecting net charge-offs of $2.1 billion, up $813 million year-on-year, predominantly driven by Card, as newer vintages season and credit normalization continues. The net reserve build was $579 million, also driven by Card due to loan growth and updates to certain macroeconomic variables.

Next, the Commercial & Investment Bank on page 5. Our new Commercial & Investment Bank reported net income of $5.9 billion on revenue of $17.9 billion. You'll note that we are disclosing revenue by business as well as breaking down the Banking & Payments revenue by client coverage segment in order to best highlight the relevant trends in both important dimensions of the Wholesale franchise. This quarter, IB fees were up 50% year-on-year, and we ranked number one with year-to-date wallet share of 9.5%. In Advisory, fees were up 45%, primarily driven by the closing of a few large deals and a weak prior-year quarter. Underwriting fees were up meaningfully, with Equity up 56% and Debt up 51%, benefiting from favorable market conditions.

In terms of the outlook, we're pleased with both the year-on-year and sequential improvement in the quarter. We remain cautiously optimistic about the pipeline, although many of the same headwinds are still in effect. It's also worth noting that pull-forward refinancing activity was a meaningful contributor to the strong performance in the first half of the year.

Payments revenue was $4.5 billion, down 4% year-on-year, as deposit margin compression and higher deposit-related client credits were largely offset by fee growth. Moving to Markets, total revenue was $7.8 billion, up 10% year-on-year. Fixed Income was up 5%, with continued strength in Securitized Products. And Equity Markets was up 21%, with equity derivatives up on improved client activity, and we saw record revenue in Prime and growth in client balances amid supportive equity market levels. Security Services revenue of $1.3 billion was up 3% year-on-year, driven by higher volumes and market levels, largely offset by deposit margin compression. Expenses of $9.2 billion were up 12% year-on-year, largely driven by higher revenue-related compensation, legal expense, and volume-related non-compensation expense.

In Banking & Payments, average loans were up 2% year-on-year due to the impact of the First Republic acquisition and flat sequentially. Demand for new loans remains muted as middle market and large corporate clients remain somewhat cautious due to the economic environment, and revolver utilization continues to be below pre-pandemic levels. Also, capital markets are open and are providing an alternative to traditional bank lending for these clients. In CRE, higher rates continue to suppress both loan origination and pay-off activity. Average client deposits were up 2% year-on-year and relatively flat sequentially. Finally, credit costs were $384 million. The net reserve build of $220 million was primarily driven by incorporating the First Republic portfolio in the Firm's modeled approach. Net charge-offs were $164 million, of which about half was in Office.

Then, to complete our lines of business, AWM on page 6. Asset & Wealth Management reported net income of $1.3 billion, with pre-tax margin of 32%. Revenue of $5.3 billion was up 6% year-on-year, driven by growth in management fees on higher average market levels and strong net inflows, as well as higher brokerage activity, largely offset by deposit margin compression. Expenses of $3.5 billion were up 12% year-on-year, largely driven by higher compensation, primarily revenue-related compensation and continued growth in our private banking advisor teams. For the quarter, long-term net inflows were $52 billion, led by Equities and Fixed Income. And in liquidity, we saw net inflows of $16 billion. AUM of $3.7 trillion was up 15% year-on-year, and client assets of $5.4 trillion were up 18% year-on-year, driven by higher market levels and continued net inflows. And finally, loans and deposits were both flat quarter-on-quarter.

Turning to Corporate on page 7, Corporate reported net income of $6.8 billion on revenue of $10.1 billion. Excluding this quarter's Visa-related gain and the First Republic bargain purchase gain in the prior year, NIR was up approximately $450 million year-on-year. NII was up $626 million year-on-year, driven by the impact of balance sheet mix and higher rates. Expenses of $1.6 billion were up $427 million year-on-year. Excluding Foundation contribution, expenses were down $573 million year-on-year, largely as a result of moving First Republic-related expense out of Corporate into the relevant segments.

To finish up, we have the outlook on page 8. Our 2024 guidance including the drivers remains unchanged from what we said at Investor Day. We continue to expect NII and NII ex. Markets of approximately $91 billion, adjusted expense of about $92 billion, and on credit, Card net charge-off rate of approximately 3.4%.

So, to wrap up, the reported performance for the quarter was exceptional and actually represents record revenue and net income, or more importantly, after excluding the significant items, the underlying performance continues to be quite strong. And, as always, we remain focused on continuing to execute with discipline.

And with that, let's open the line for Q&A.

QUESTION AND ANSWER SECTION

Operator: Please standby. For our first question, we'll go to the line of Steven Chubak from Wolfe Research. Please go ahead.