21 November 2024

Employer Project

Team 4: Code Crushers

Presentation for the Bank of England

Project Scope

Problem: Quarterly Earnings transcripts are an underutilised source of information

Can transcript analysis provide useful insights?

↓

What emerging risks can be identified?

proof of concept:
JPMorganChase

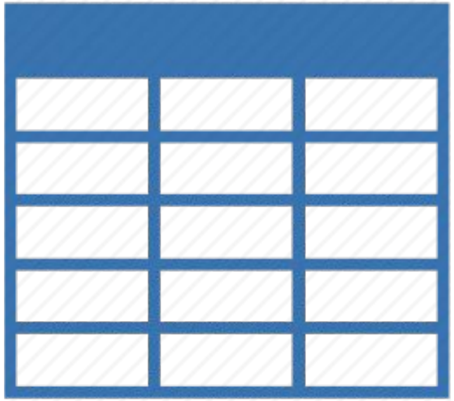
↓

Can this approach be scaled for financial assessment of *any* banks' transcripts?

Data Preparation

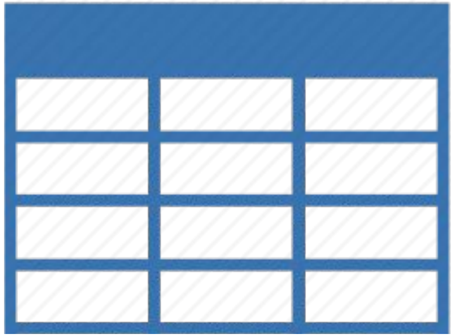
transcripts from
last 14 quarters
2Q21-3Q24

tailored script



- spoken **text**
- **name** of speaker
- **role title** of speaker

cleaning



- merge interrupted responses
- remove short greetings

Original Transcript PDF (p2-4/19):

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen. Welcome to JPMorganChase's Third Quarter 2024 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 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, JPMorgan Chase & Co.

Thank you and good morning, everyone. Starting on page 1, the Firm reported net income of $12.9 billion, EPS of $4.37 on revenue of $43.3 billion with an ROTCE of 19%. Touching on a couple of highlights. In CCB, we ranked number one in retail deposit share for the fourth straight year, in CIB, both IB fees and Markets revenue were notably up year-on-year reflecting strength across the franchise. In AWM, we had record quarterly revenues and record long-term flows.

Now, turning to page 2 for the Firmwide results. The Firm reported revenue of $43.3 billion, up $2.6 billion or 6% year-on-year. NII ex. Markets was up $274 million or 1% driven by the impact of balance sheet mix and securities reinvestment, higher revolving balances in Card and higher wholesale deposit balances, predominantly offset by lower deposit balances in Banking & Wealth Management and deposit margin compression.

NIR ex. Markets was up $1.8 billion or 17%, but excluding the prior year's net investment securities losses, it was up 10% on higher asset management and investment banking fees. And Markets revenue was up $535 million or 8% year-on-year.

Expenses of $22.6 billion were up $808 million or 4% year-on-year, driven by compensation, including revenue-related compensation and growth in employees, partially offset by lower legal expense. And credit costs were $3.1 billion reflecting net charge-offs of $2.1 billion and a net reserve build of $1 billion, which included a $182 million in Consumer, primarily in Card, and $144 million in Wholesale. Net charge-offs were up $590 million year-on-year, predominantly driven by Card.

On to balance sheet and capital on page 3. We ended the quarter with a CET1 ratio of 15.3%, flat versus the prior quarter, as net income and OCI gains were offset by capital distributions and higher RWA. This quarter's RWA reflects higher lending activity, as well as higher client activity and market moves on the trading side.

We had $6.0 billion of net common share repurchases this quarter, which in part reflects the deployment of the proceeds from the sale of Visa shares, as we have previously mentioned.

Now, let's go to our businesses, starting with CCB on page 4. CCB reported net income of $4.0 billion on revenue of $17.8 billion, which was down 3% year-on-year. In Banking & Wealth Management, revenue was down 11% year-on-year, reflecting deposit margin compression and lower deposits, partially offset by growth in Wealth Management revenue. Average deposits were down 8% year-on-year and 2% sequentially. We're seeing a slowdown in customer yield-seeking activity including in CD volumes and expect deposits to be relatively flat for the remainder of the year.

Client investment assets were up 21% year-on-year driven by market performance, and we continue to see strong referrals of new wealth management clients from our branch network. In Home Lending, revenue was up 3% year-on-year, driven by higher NII, partially offset by lower servicing and production revenue.

Turning to Card Services & Auto, revenue was up 11% year-on-year, driven by higher Card NII on higher revolving balances. Card outstandings were up 11% due to strong account acquisition and the continued normalization of revolve. And in Auto, originations were $10 billion, down 2%, while maintaining strong margins and high-quality credit. Expenses of $9.6 billion were up 5% year-on-year, predominantly driven by higher field and technology compensation as well as growth in marketing.

In terms of credit performance this quarter, credit costs were $2.8 billion driven by Card, and reflected net charge-offs of $1.9 billion, up $520 million year-on-year, and a net reserve build of $876 million predominantly from higher revolving balances.

Next, the Commercial & Investment Bank on page 5. The CIB reported net income of $5.7 billion on revenue of $17 billion. IB fees were up 31% year-on-year and we ranked number one with year-to-date wallet share of 9.1%. In Advisory, fees were up 10% benefiting from the

closing of few large deals. Underwriting fees were up meaningfully with debt up 56% and equity up 26%, primarily driven by favorable market conditions.

In light of the positive momentum throughout the year, we're optimistic about our pipeline, but the M&A regulatory environment and geopolitical situation are continued sources of uncertainty. Payments revenue was $4.4 billion, up 4% year-on-year, driven by fee growth and higher deposit balances, largely offset by margin compression.

Moving to Markets. Total revenue was $7.2 billion, up 8% year-on-year. Fixed Income was flat reflecting outperformance in Currencies & Emerging Markets and lower revenue in Rates. Equities was up 27% reflecting strong performance across regions, largely driven by a supportive trading environment in the U.S. and increased late-quarter activity in Asia.

Securities Services revenue was $1.3 billion, up 9% year-on-year, largely driven by fee growth on higher market levels and volumes. Expenses of $8.8 billion were down 1% year-on-year, with lower legal expense predominantly offset by higher revenue-related compensation and growth in employees, as well as higher technology spend.

Average Banking & Payments loans were down 2% year-on-year and down 1% sequentially. In the middle market and large corporate client segments we continue to see softness in both new loan demand and revolver utilization in part due to clients' access to receptive capital markets. In multi-family, while we are seeing encouraging signs in loan originations as long-term rates fall, we expect overall growth to remain muted in the near term as originations are offset by payoff activity.

Average client deposits were up 7% year-on-year and 3% sequentially, primarily driven by growth from large corporates in Payments and Securities Services. Finally, credit costs were $316 million, driven by higher net lending activity, including in Markets, and downgrades, partially offset by improved macroeconomic variables.

Then to complete our lines of business, AWM on page 6. Asset & Wealth Management reported net income of $1.4 billion with pre-tax margin of 33%. For the quarter, revenue of $5.4 billion was up 9% year-on-year, driven by growth in management fees on higher average market levels and strong net inflows, investment valuation gains compared to losses in the prior-year, and higher brokerage activity, partially offset by deposit margin compression.

Expenses of $3.6 billion were up 16% year-on-year, predominantly driven by higher compensation, including revenue-related compensation and continued growth in our private banking advisor teams as well as higher distribution fees and legal expense. For the quarter, long-term net inflows were $72 billion, led by Fixed Income and Equities. And in liquidity, we saw net inflows of $34 billion. AUM of $3.9 trillion and client assets of $5.7 trillion were both up 23%, [year-on-year] driven by higher market levels and continued net inflows. And finally, loans were up 2% quarter-on-quarter, and deposits were up 4% quarter-on-quarter.

Turning to Corporate on page 7. Corporate reported net income of $1.8 billion. Revenue was $3.1 billion, up $1.5 billion year-on-year. NII was $2.9 billion, up $932 million year-on-year, predominantly driven by the impact of balance sheet mix and securities reinvestment, including from prior quarters.

NIR was a net gain of $155 million compared with a net loss of $425 million in the prior year, predominantly driven by lower net investment securities losses this quarter. Expenses of $589 million were down $107 million year-on-year.

To finish up, let's turn to the outlook on page 8. We now expect 2024 NII ex. Markets to be approximately $91.5 billion and total NII to be approximately $92.5 billion. Our outlook for adjusted expense is now about $91.5 billion. And given where we are in the year, we included on the page, the implied fourth quarter guidance for NII and adjusted expense, and note, that the NII numbers imply about $800 million of Markets NII in the fourth quarter. On credit, we continue to expect the 2024 Card net charge-off rate to be approximately 3.4%.

So, to wrap up, we're pleased with another quarter of strong operating performance. As we look ahead to the next few quarters, we expect results will be somewhat challenged as normalization continues, but we remain upbeat and focused on executing in order to continue delivering excellent returns through the cycle.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. Please stand by. Our first question will come from the line of Jim Mitchell from Seaport Global Securities. You may proceed.

Jim Mitchell **Q**
Analyst, Seaport Global Securities LLC

Hey, good morning. So, Jeremy, as you highlighted, full year NII guidance implies a sizable drop in Q4 NII ex. Markets about 6%. So, can you just maybe discuss what are the largest drivers of the sequential decline including any initial thoughts on deposit behavior and pricing since the 50 basis point cut?

And since it's related, I'll just throw out my follow-up question. I realize the forward curve is moving around a lot, but since Dan brought it up a month ago, can you frame how you're thinking about the NII trajectory for 2025? Thanks.

Jeremy Barnum **A**
Chief Financial Officer, JPMorgan Chase & Co.

Yeah. Sure, Jim. I'll try to answer both questions together to the best of my ability. So, as we sit here today, the biggest single driver of the sequential decline is, in fact – that we're expecting – is, in fact, the yield curve. So, that yield curve has changed a little bit since Daniel made his comments at the conference earlier in the quarter, but not that significantly.

In terms of deposit balances, which is obviously another important factor here in light of the Fed starting the cutting cycle, it feels to us like right now, as I mentioned in my prepared remarks for Consumer, we're pretty much in the trough right now as we speak. When you look at yield-seeking behavior that has come down quite a bit, so that's no longer as much of a headwind all else being equal. And then if you look at checking account balances, those have been pretty stable for some time, which we see as an indication that consumers are kind of done spending down their cash buffers. So that's kind of supportive for consumer deposit balances.

And in that context, the other relevant point is the CD mix where, with the rate cuts coming, we expect CD balances to price down with pretty high betas and probably the CD mix actually peaking around now.

And then as we move to Wholesale, we've actually already been seeing a little bit of growth there, and when you combine that with the sort of increasing view that many people in the market have that it's likely that the end of QT will be announced sometime soon, that's also a little bit supportive for deposit balances.

So, maybe, I'll – well, I guess then you also asked me a little bit about next year. So, I guess one thing to say, right, is that we did have a sequential increase in NII this quarter and, as you may recall, at Investor Day, I said that there was some chance that we would see sequential increases followed by sequential declines and that people should avoid kind of drawing the conclusion that we'd hit the trough when that happens. So that's essentially exactly what we're seeing now.

But from where we sit now, given the yield curve, assuming the yield curve materializes obviously, we do see a pretty clear picture of sequential declines in NII ex. Markets, but the trough may be happening sometime in the middle of next year, at which point the combination of balances, Card revolve growth and other factors can return us to sequential growth, obviously.

We're guessing it's pretty far out in the future, and we'll give you formal guidance on all this stuff next quarter, but I think that gives you a better framework to work with.

Jim Mitchell **Q**
Analyst, Seaport Global Securities LLC

All right. Thanks a lot.

Jeremy Barnum **A**
Chief Financial Officer, JPMorgan Chase & Co.

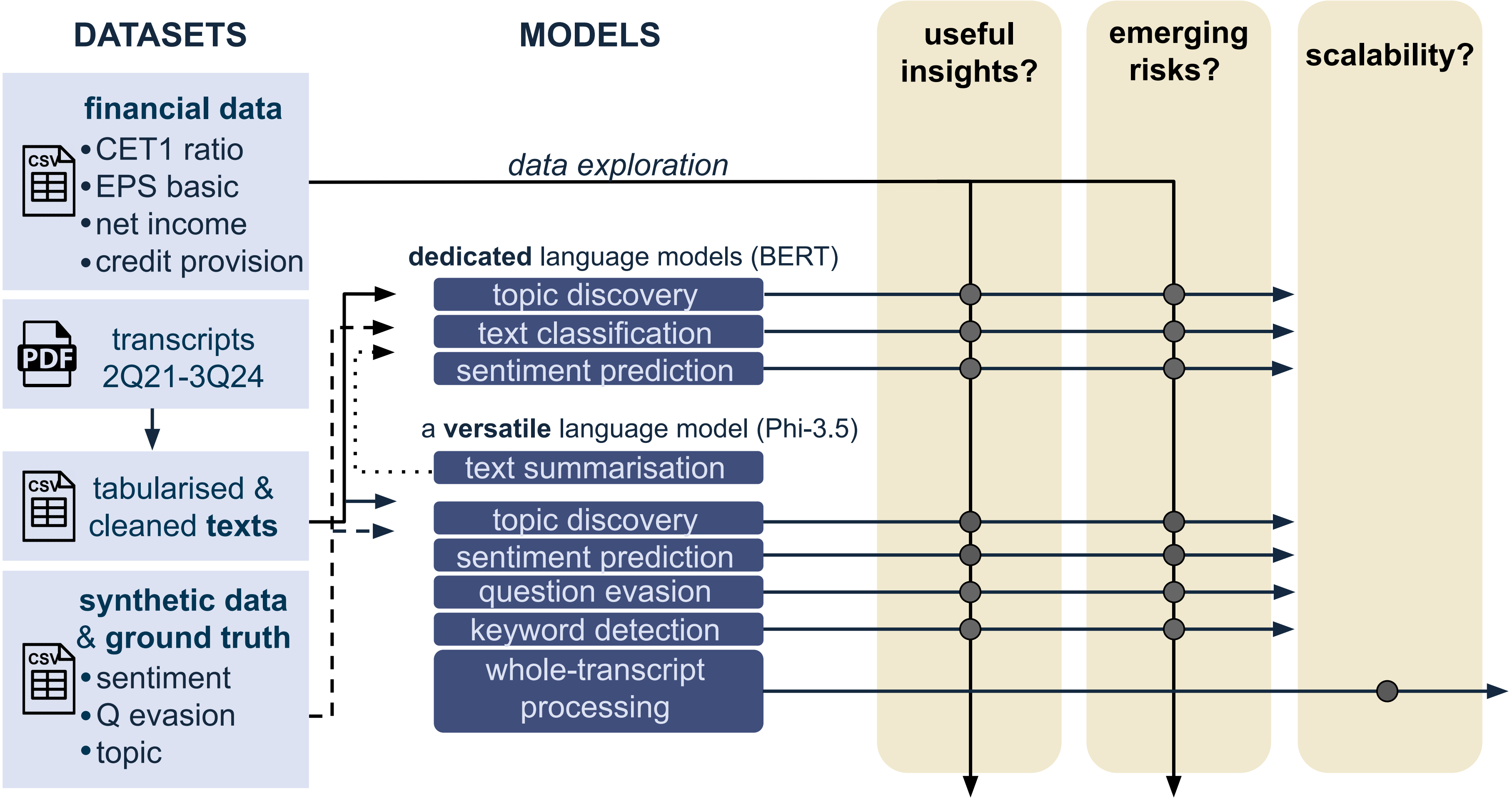
Thanks.

Operator: Thank you. Thank you. Next we will go to the line of Steven Chubak with Wolfe Research. You may proceed.

Tabularised & Cleaned Q&A Texts:

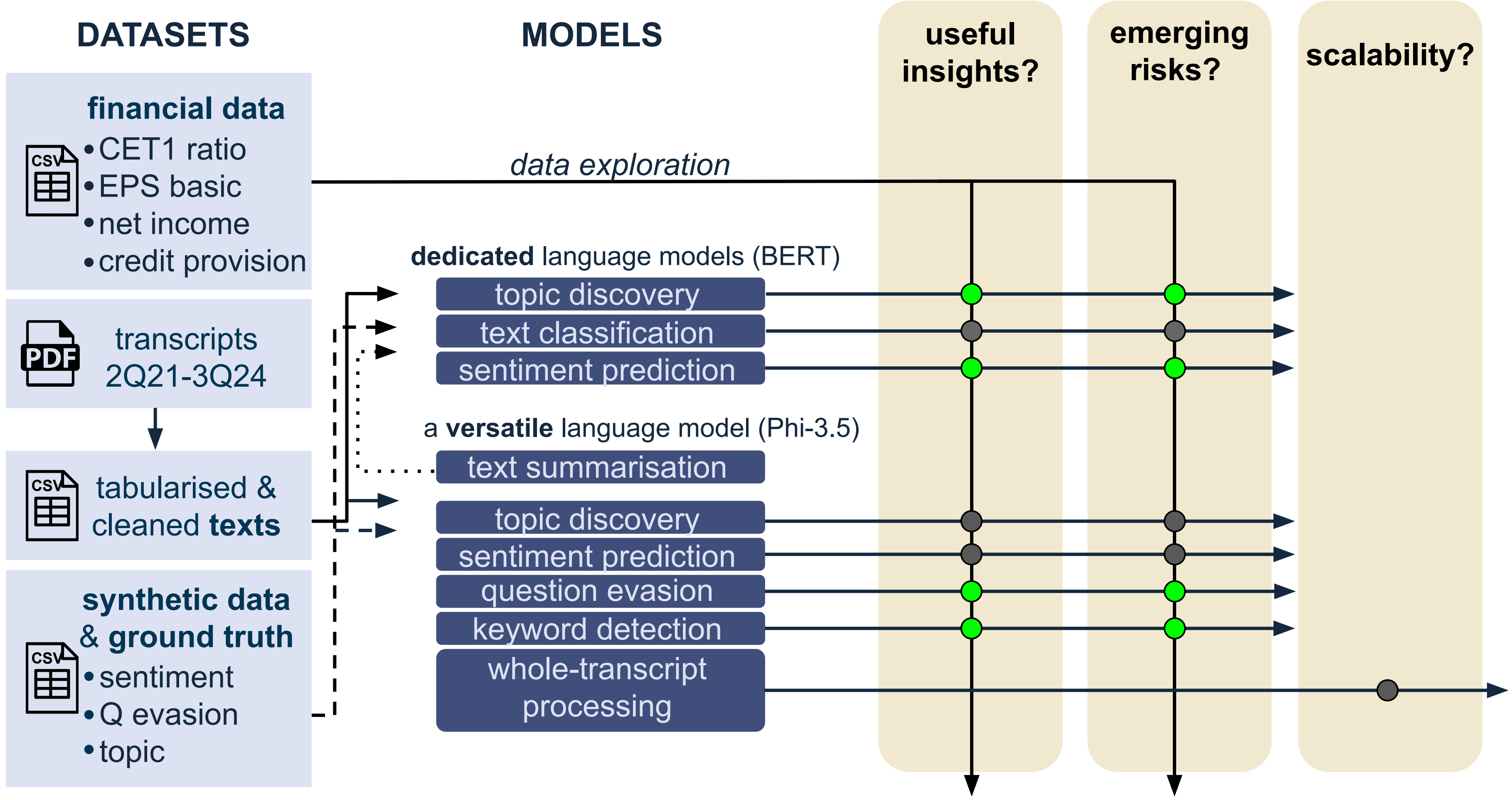
uid	bank	year	quarter	date	section	name	title	firm	qa_type	qa_	qa_nur	qa_text
JPMorganChase_3Q24_N_0.0	JPMorganChase	2024	3	11/10/2024	management_discussion	Jeremy Barnum	Chief Financial Officer	JPMorgan Chase & Co.	N			Thank you and good morning, everyone. Starting on pa
JPMorganChase_3Q24_Q_1.0	JPMorganChase	2024	3	11/10/2024	questions_answers	Jim Mitchell	Analyst	Seaport Global Securities LL	Q	1		Hey, good morning. So, Jeremy, as you highlighted, full
JPMorganChase_3Q24_A_1.0	JPMorganChase	2024	3	11/10/2024	questions_answers	Jeremy Barnum	Chief Financial Officer	JPMorgan Chase & Co.	A	1		Yeah. Sure, Jim. I'll try to answer both questions togeth
JPMorganChase_3Q24_Q_3.0	JPMorganChase	2024	3	11/10/2024	questions_answers	Steven Chubak	Analyst	Wolfe Research LLC	Q	3		Hi. Good morning. So Jeremy, how are you? So I do wa
JPMorganChase_3Q24_A_3.0	JPMorganChase	2024	3	11/10/2024	questions_answers	Jeremy Barnum	Chief Financial Officer	JPMorgan Chase & Co.	A	3		Sure. So good question and I agree with your numbers
JPMorganChase_3Q24_A_3.1	JPMorganChase	2024	3	11/10/2024	questions_answers	Jamie Dimon	Chairman & Chief Executive Officer	JPMorgan Chase & Co.	A	3		And can I just give you just a view of expense a little bit?

Project development process

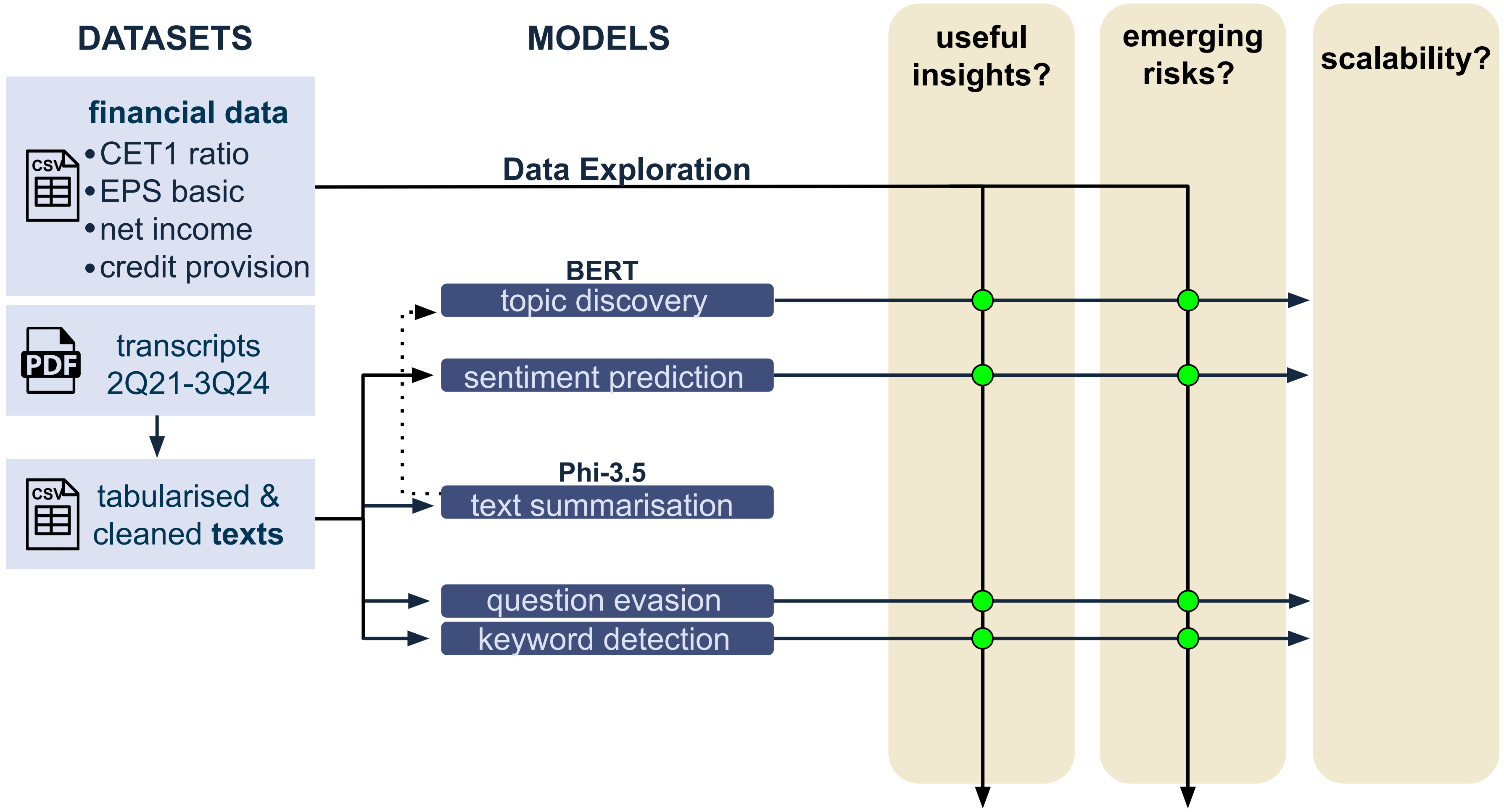


Technical Walkthrough: Model Selection

Project development process



Refined Analysis Pipeline



Analysis Report For Client

Financial Analysis Report

Company Name: **JPMorganChase**

Time period: **Q2/Q3 2024**

1. Executive Summary

This report analyses the financial performance and qualitative insights for JPMorgan Chase during Q2 and Q3 2024. The purpose is to uncover emerging risks, evaluate sentiment trends, and assess regulatory discussions to inform strategic decision-making and enhance performance and resilience.

Key findings

- **Financial Trends**: Metrics like CET1 ratio and net income exhibited significant fluctuations, reflecting the impact of strategic decisions and macroeconomic conditions.
- **Sentiment Analysis**: Negative sentiment centred on financial topics raises concerns about potential risks tied to capital markets and profitability projections.
- **Evasion Analysis:** Discussions flagged as evasive reveal a focus on capital market growth and uncertain economic projections, suggesting areas where communication could be improved to build confidence.
- **Regulatory Discussions**: Basel III discussions were broadly positive but highlighted strategic areas requiring attention, such as capital requirements and yield management.

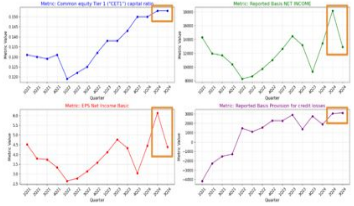
2. Financial Metrics

Key Insights:

The CET1 ratio showed consistent improvement throughout 2023, peaking at 0.153 in late 2024. This suggests effective capital management, possibly tied to strategic moves such as the May 2023 acquisition of First Republic Bank.

Net income displayed volatility in 2024, peaking at $18.15 billion in Q3 before dropping to $12.89 billion in Q4. This fluctuation may reflect operational adjustments and economic pressures linked to rising provisions for credit losses

Key financial metrics

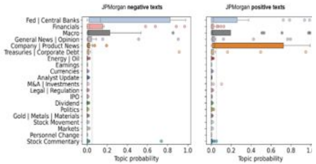


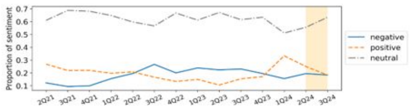
3. Sentiment Analysis

Key Insights:

Sentiment became more neutral and **less positive** in Q2/Q3 2024.

The topic most likely to represent an emerging risk is **Financials**, with elevated prevalence in negative texts and low prevalence positive texts.

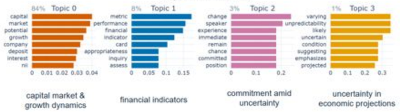


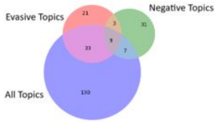


4. Evasion Analysis

Key insights:

Answers flagged as Evasive focus on capital market and growth dynamics, financial indicat commitment amid uncertainty, and uncertainty in economic projections.
Evasive answers do not significantly overlap with negative answers, indicating a neutral discuss tone.

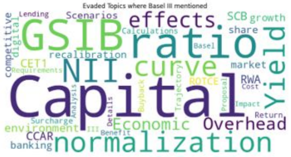




5. Upcoming Regulations

Key Insights:

Discussions mentioning Basel III focus on capital, returns and ROTCE, with broadly positive language. Topics flagged as Evasive include Capital requirements/returns, GSIB, NII, Yield, CET1 ratio.



6. Business Insights & Strategic Recommendations

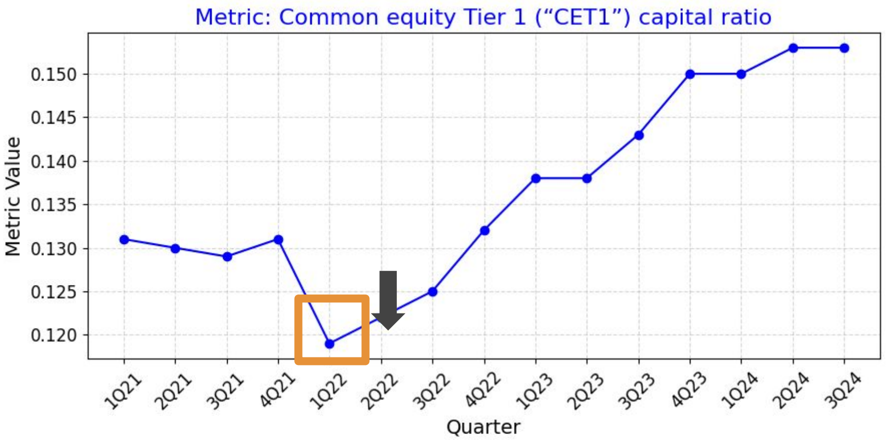
The insights in this report aim to equip stakeholders with a deeper understanding of emerging risks and opportunities, while strategic recommendations focus on mitigating risks tied to negative sentiment and enhancing transparency in financial reporting.

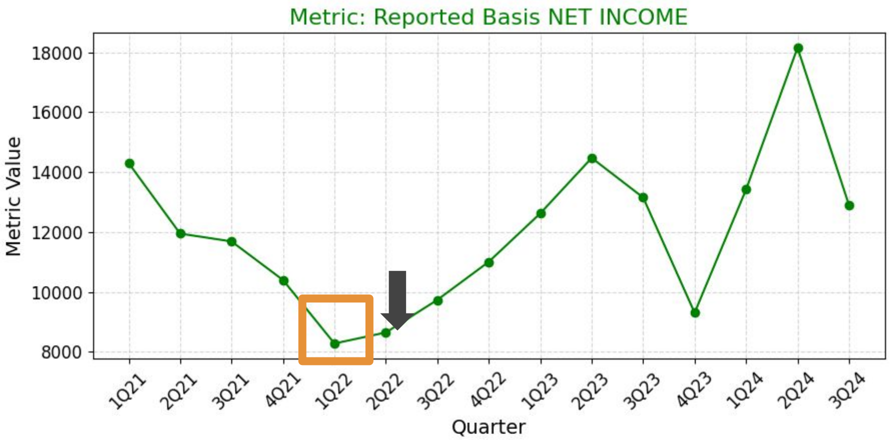
1. **Answers are less positive** & more neutral, with discussion of **Financials** having an elevated prevalence in negative texts
2. **Evasive answers** are associated with discussions on capital market and growth dynamics, financial indicators, commitment amid uncertainty, and uncertainty in economic projections
3. **Loan growth & asset expectations** discussions are associated with negative sentiment
4. **Basel III Endgame** was discussed in a broadly positive way, related topics were capital requirements and returns, ROTCE, GSIB, NII, Yield and CET1 ratio

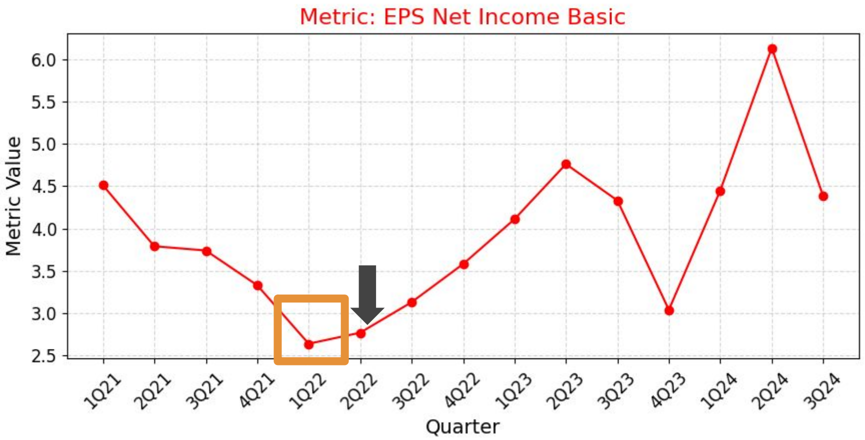
JP Morgan Chase & Co. Findings

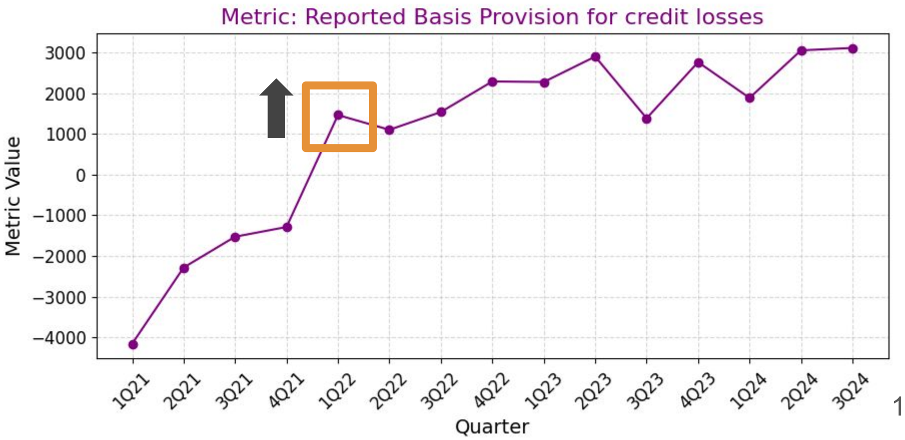
Can transcript analysis provide useful insights?

What are the trends in key financial metrics?









What topics are associated with <u>negative</u> sentiment?

1Q22

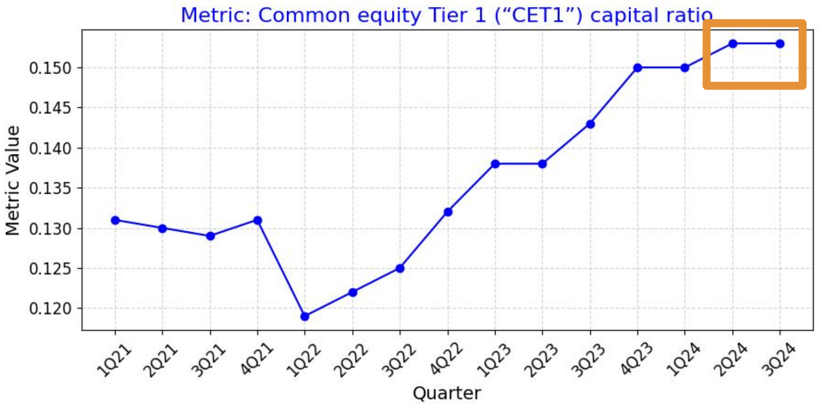
Financial Performance Concerns

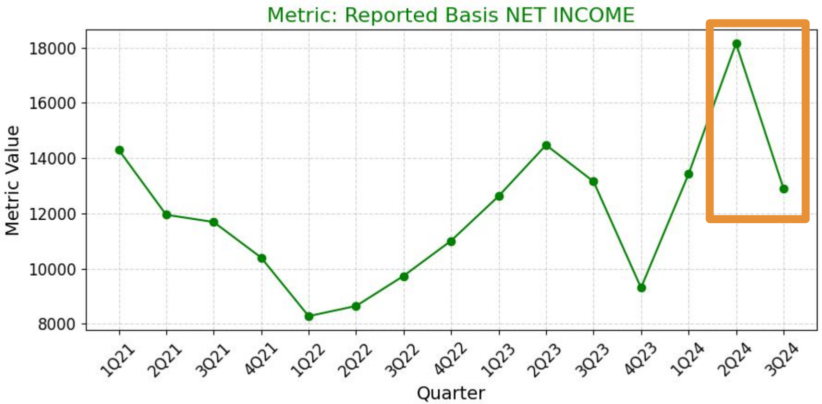
Geopolitical & Inflationary Risks

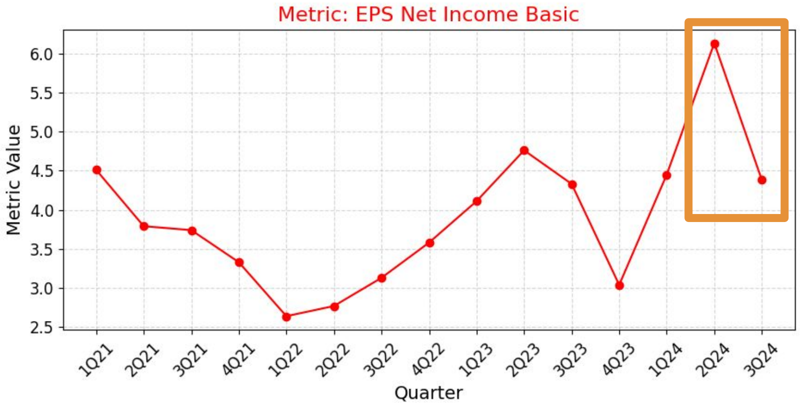
JP Morgan Chase & Co. Findings

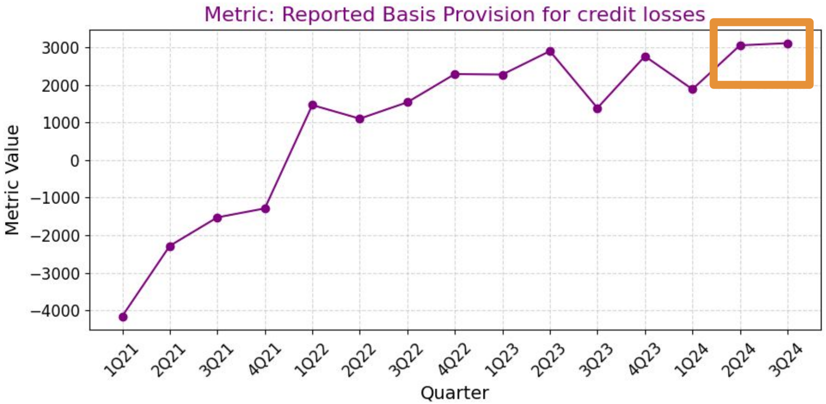
What emerging risks can be identified?

Performance in the two most recent quarters

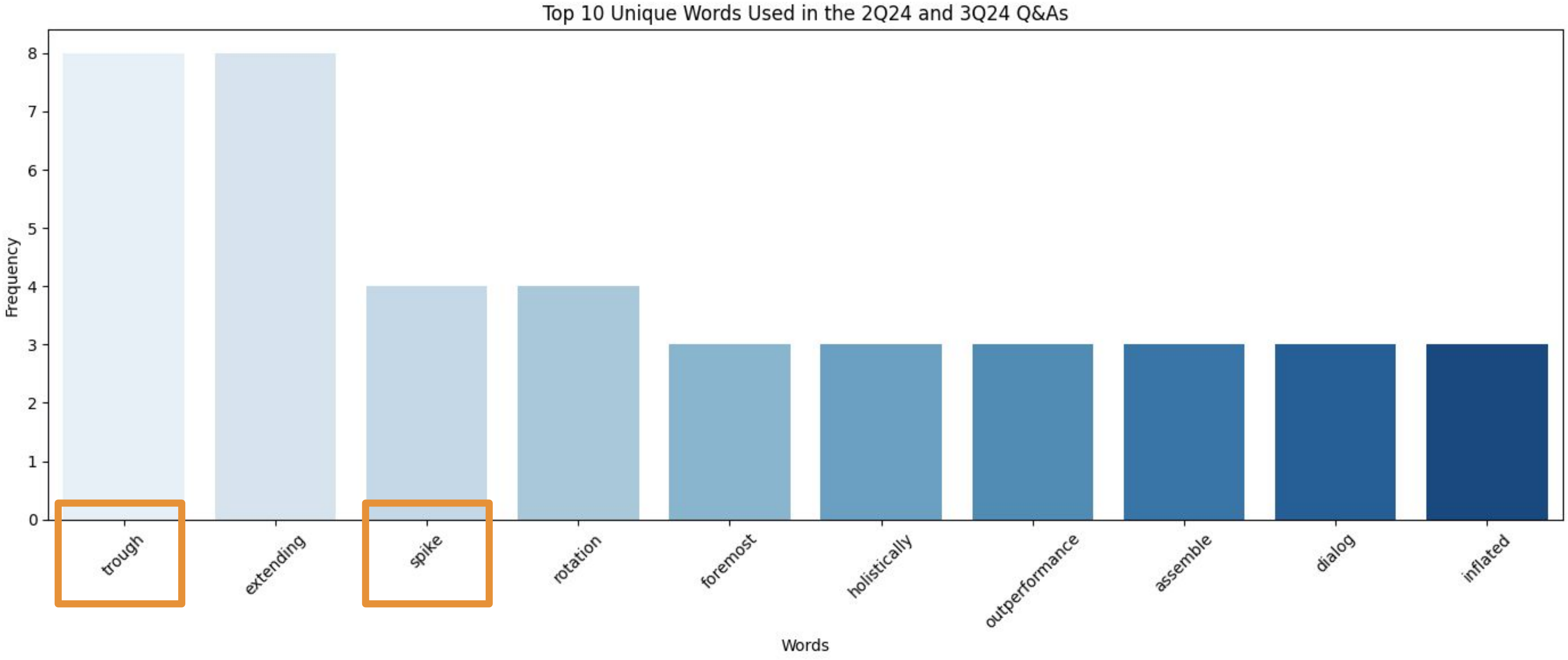




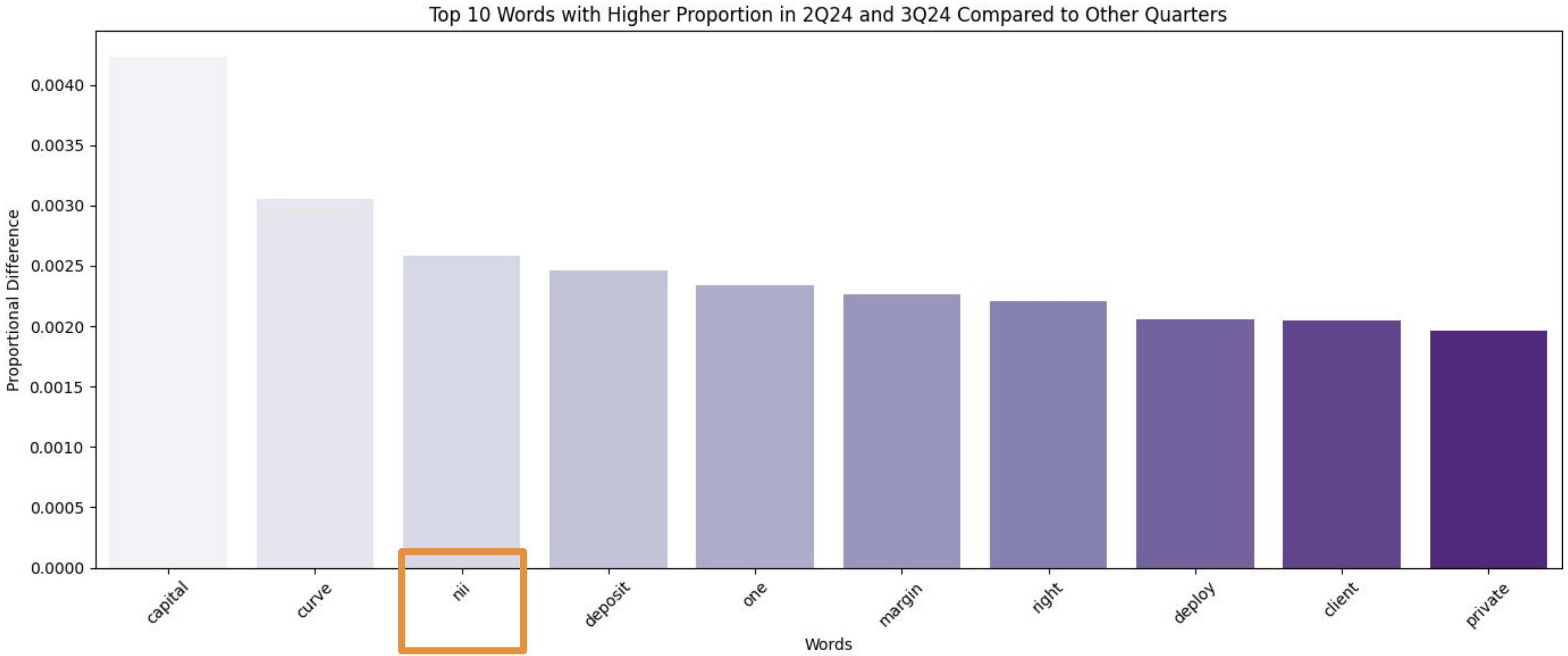




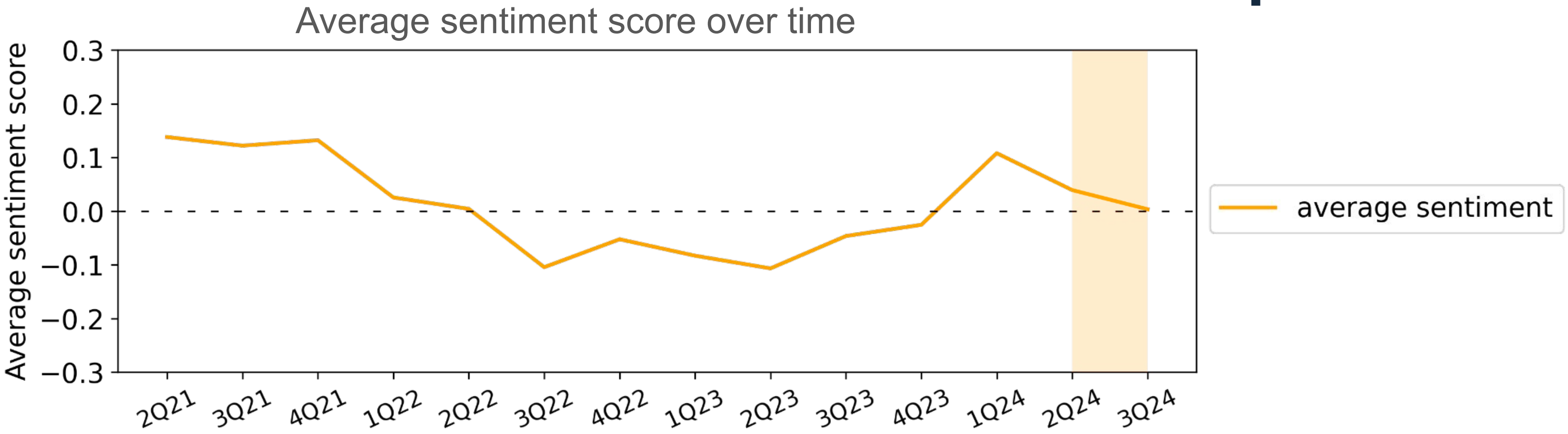
What are the most frequent words?

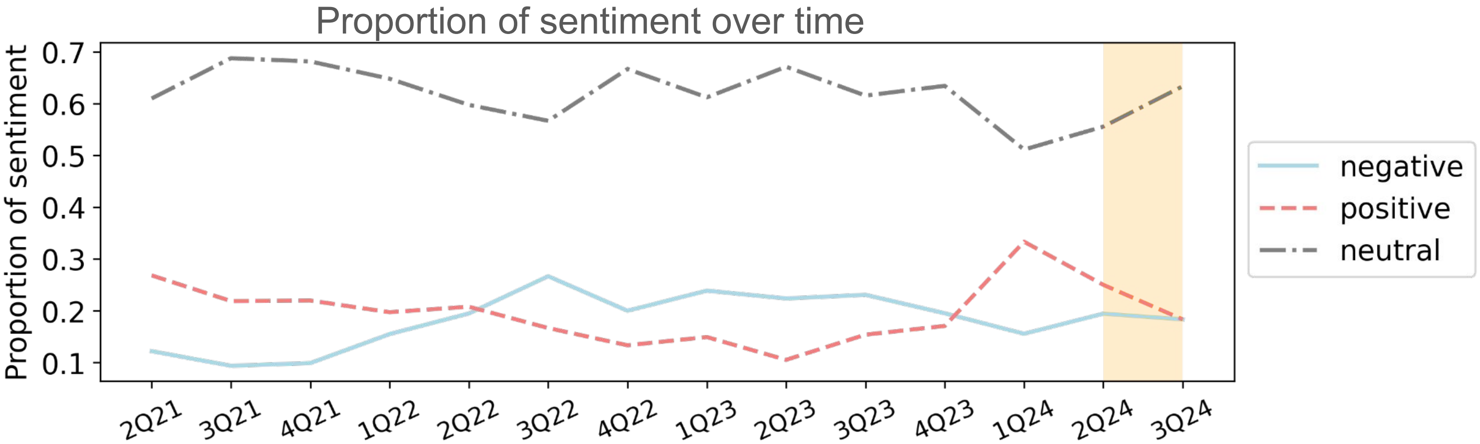


Trending Words

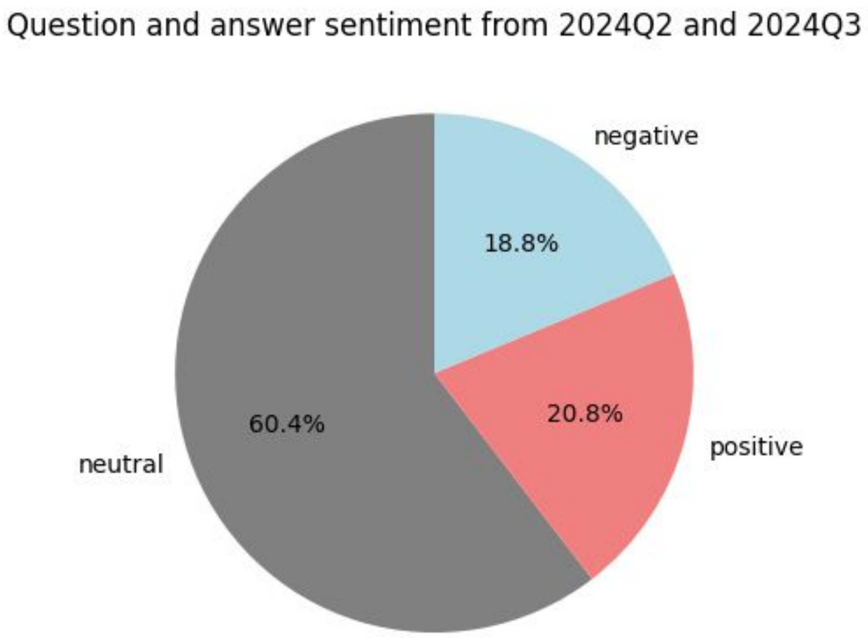


What is the sentiment in the two most recent quarters?





What was the sentiment split in the two most recent quarters?



What topics are associated with negative sentiment?

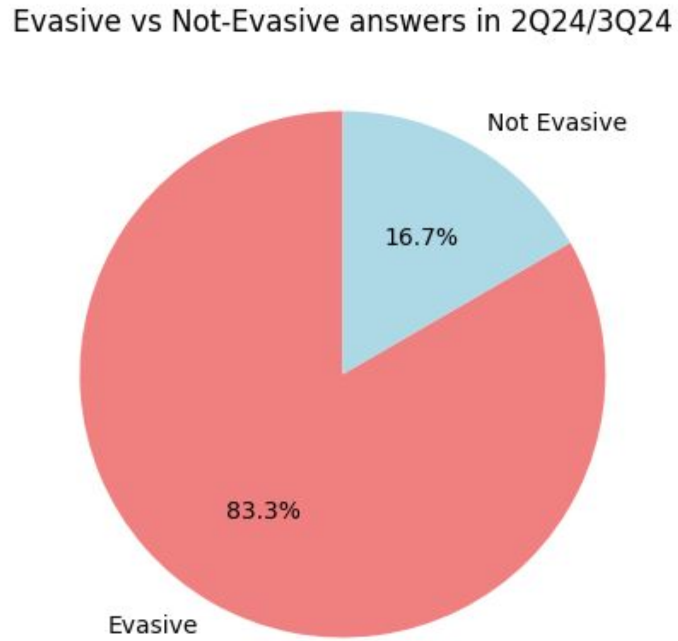
2Q24 + 3Q24

Market & Reserve Dynamics

Loan Growth & Asset Expectations

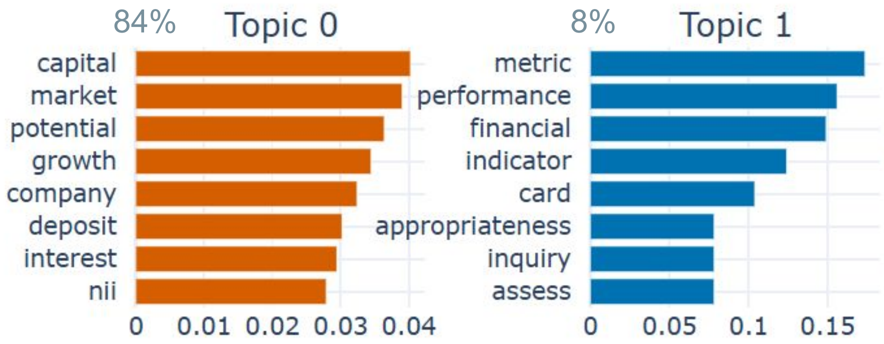
NII Uncertainty

What proportion of answers were evasive?



What topics are associated with <u>evaded</u> questions?

2Q24 + 3Q24

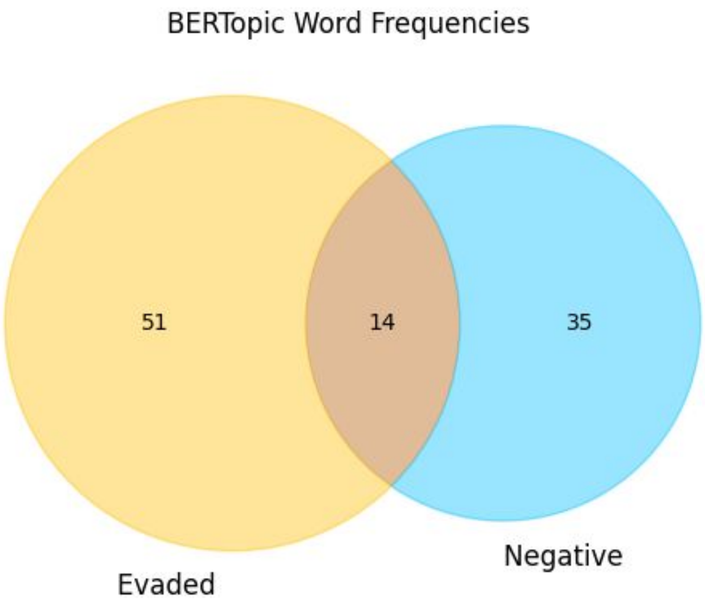


Capital Market & Growth Dynamics

Financial Indicators

How do evaded & negative Q&As Overlap?

2Q24 + 3Q24



Common Words in Negative and Evaded Topics:

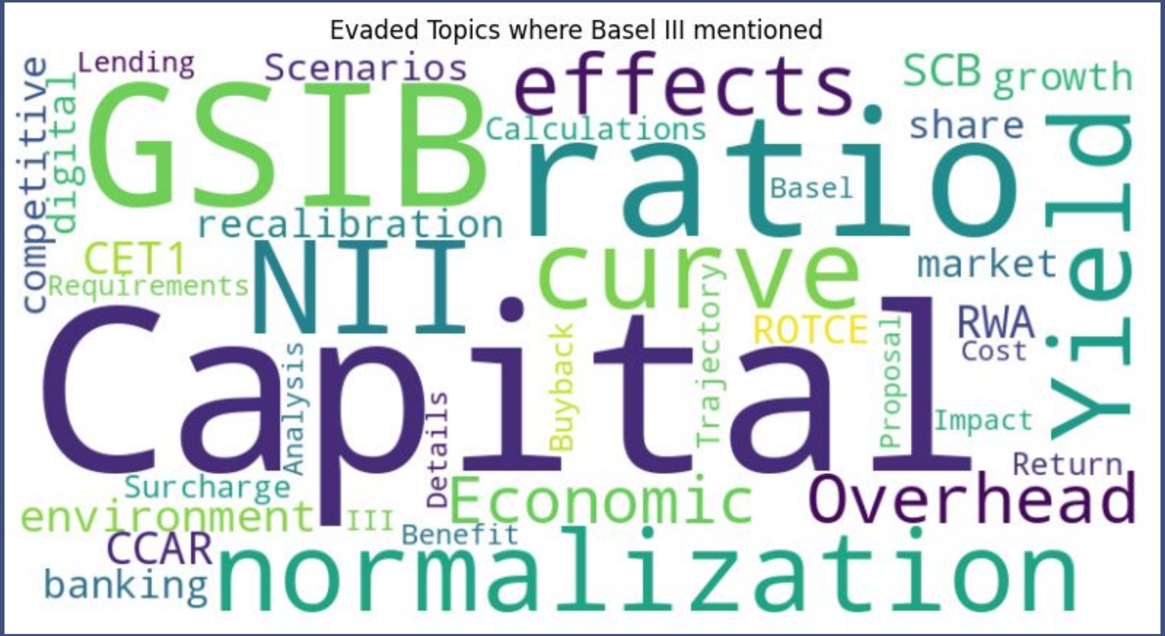
Income
Rate
Market
Modest
Performance
Deposit
Growth
Potential
Closer
Curve
Ongoing
Change
Relation
NII

Can we identify discussions of upcoming regulations: Basel III?

- Answer text focuses on capital and ROTCE
- Broadly **positive** language.
- All answers mentioning Basel III were classed as **evasive**

WordCloud of Q&As Where Basel III is Mentioned

Evasive Topics in Discussions of Basel III



Evasive Topics

Basel III Endgame
NII normalization
digital banking
Impact on Lending
Proposal Details
Basel III
Capital Requirements
Capital Return and Buyback Trajectory
GSIB Surcharge Calculations
Capital Scenarios
ROTCE
competitive market
Yield curve effects
share growth
17% capital
GSIB recalibration
SCB and CCAR
CET1 ratio
RWA
Economic environment
Overhead ratio
Cost-Benefit Analysis

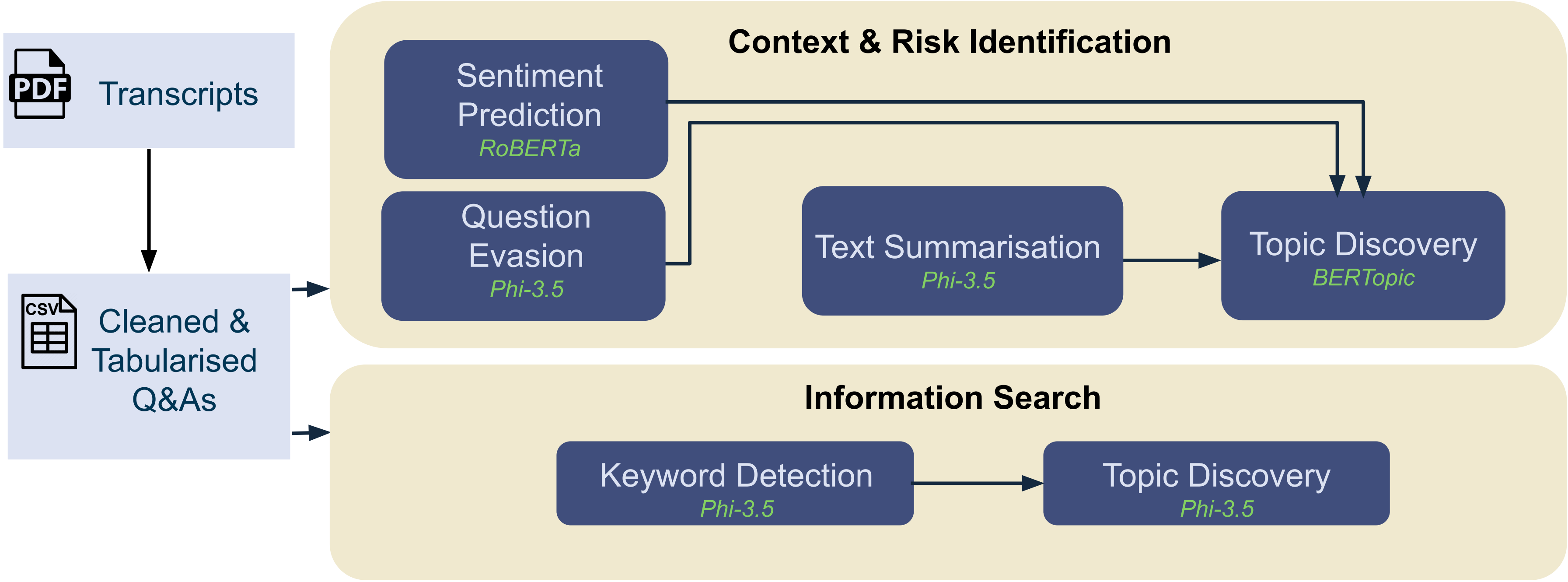
Summary of Insights Found

2Q24 + 3Q24 JP Morgan & Chase

1. Sentiment has recently become less positive & more neutral.
2. Majority of answers categorised as evasive.
3. **Loan Growth & Asset Expectations** is specific to negative Q&As.
4. **NII** is both trending, and associated with evaded negative texts.
5. **Basel III** discussions are evasive but broadly positive.

Does our approach scale to *any* bank?

Solution Pipeline



Thank You!

Any Questions?