

# JPM Earnings Call – FY2025 Q3

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## **Operator**

The JPMorgan Chase earnings call will begin shortly. The JPMorgan Chase earnings call will begin shortly.

## **Jamie Dimon**

Good morning, ladies and gentlemen. Welcome to JPMorgan Chase's Third Quarter 2025 Earnings Call. This call is being recorded. The presentation is available on JPMorgan Chase's website. Please refer to the disclaimer in the back concerning forward-looking statements. Please standby. At this time, I would now like to turn the call over to JPMorgan Chase's Chairman and CEO, Jamie Dimon, and Chief Financial Officer, Jeremy Barnum. Mr. Barnum, please go ahead.

## **Jeremy Barnum**

Thank you and good morning everyone. Let me begin by noting that this quarter we are experimenting with shorter prepared remarks. We are streamlining this part of the call to move more quickly to your questions to minimize the amount of time spent on repeating what you have already seen in the earnings materials. So with that, turning to this quarter's results, the firm reported net income of \$14.4 billion and EPS of \$5.07 and an ROTCE of 20%. Revenue of \$47.1 billion was up 9% year on year, predominantly driven by higher markets revenue as well as higher fees across asset management, investment banking, and payment. The increase in NII driven by the impact of balance sheet growth and mix was offset by the impact of lower rates. Expenses of \$24.3 billion were up 8% year on year driven by similar themes as in prior quarters, including higher volume and revenue-related expense. The detailed drivers are in the presentation. And credit costs were \$3.4 billion with net charge-offs of \$2.6 billion and a net reserve build of \$810 million. In wholesale, charge-offs were slightly elevated as a result of a couple of instances of apparent fraud in certain secured lending facilities. Otherwise, in both wholesale and consumer, credit performance remains in line with our expectations. And in terms of the balance sheet, we ended the quarter with a CET1 ratio of 14.8%, down 30 basis points versus the prior quarter. You can see the puts and takes in the presentation. This quarter's higher RWA is primarily driven by increased wholesale lending across both banking and markets as well as other markets activities. Moving to our businesses, CCB reported net income of \$5 billion. Revenue of \$19.5 billion was up 9% year on year predominantly driven by higher NII largely incurred on higher revolving balances. A few points to highlight. Consumers and small businesses remain resilient based on our data. While we are closely watching the potentially softening labor market, our credit metrics including early-stage delinquencies remain stable and slightly better than expected. We retained our number one position in retail deposit share in a relatively flat deposit market based on FDIC data, marking our fifth consecutive year of leading the industry. And in light of the attention our Sapphire refresh has received, we want to note that this has already been the best year ever for new account acquisitions for our Sapphire portfolio.

## **Jeremy Barnum**

Next, the CIB reported net income of \$6.9 billion. Revenue of \$19.9 billion was up 17% year on year driven by higher revenues across markets, payments, investment banking, and security. To give a bit more color, IB fees were up 16% year on year reflecting a pickup in activity across products with particular strength in equity underwriting as the IPO market was active. Our pipeline remains robust and the outlook along with the market backdrop and client sentiment continues to be upbeat. In markets, fixed income was up 21% year on year with higher revenues in rates and credit as well as strong performance in securitized products. Equities were up 33%, from robust client activity across the franchise with notable outperformance in Prime. Turning to Asset and Wealth Management, AWM reported net income of \$1.7 billion with a pretax margin of 36%. Record revenue of \$6.1 billion was up 12% year on year predominantly driven by growth in management fees due to long net inflows and higher average market levels as well as higher brokerage activity. Long-term net inflows were \$72 billion for the quarter led by fixed income and equities. AUM of \$4.6 trillion was up 18% year on year and client assets of \$6.8 trillion up 20% year on year, driven by continued net inflows and higher market levels. And before turning to the outlook, corporate reported net income of \$820 million and revenue of \$1.7 billion. In terms of the outlook, since we have already reported three quarters of results I am going to update the full year guidance in terms of the fourth quarter. And in addition to that, we have done the implied full year math on the page, you can easily compare it to previous guidance. We expect fourth quarter NII ex markets to be approximately \$23.5 billion and fourth quarter total NII to be about \$25 billion. We expect fourth quarter adjusted expense to be approximately \$24.5 billion implying \$95.9 billion for the full year with the increase driven by the stronger revenue environment.

## **Jeremy Barnum**

And on credit, we now expect the 2025 card net charge-off rates to be approximately 3.3% on favorable delinquency trends driven by the continued resilience of the consumer. In keeping with our focus on the fourth quarter and recognizing that you will likely annualize the fourth quarter NII and ask us questions about 2026, we are providing the central case for NII ex markets in 2026 which is about \$95 billion. Note that this is a preliminary view subject to the usual caveats as well as the fact that we have not finished the annual budget cycle yet. And for expenses, completing the budget cycle will be even more important is why we are not providing an update today. While you probably have not spent a lot of time refining your 2026 estimates yet, it is worth saying that when we look at the fourth quarter and adjust for seasonality, and expected labor inflation as well as adding some growth, the consensus of about \$100 billion does look a little bit low. We will formally provide the 2026 outlook for NII in expense and card MCO rate at fourth quarter earnings and we will have another opportunity to discuss the outlook at our recently announced company update in February. We are now happy to take your questions, so let us open the line for Q and A.

## **Operator**

Thank you. Please standby. Our first question comes from John McDonald with Truist Securities. You may proceed.

## **John McDonald**

Thank you. Good morning. Thanks for the initial outlook on the 2026 NII. Jeremy, wanted to ask about the retail deposit assumptions that were embedded in that. At Investor Day, you had discussed an expectation for deposits to grow 3% year over year by the fourth quarter and I think accelerating to 6% next year. Looks like they were flat this quarter. So just wanted to see if you are still expecting those kind of previously expected growth rates of 36%?

**Jeremy Barnum**

Yes, good question, John. Thanks for that. So yes, you are referring specifically to a page that was presented at Investor Day by Marianne for the CCB. With some illustrative scenarios for what we might expect CCB deposit growth to do as a function of some different potential macroeconomic scenarios. And in the kind of then prevailing central case scenario, if you say we had 3% growth in the fourth quarter of this year, and 6% projected for 2026. So as we sit here right now and we sort of update the macro environment, a few things are true. One is the personal savings rate is a little bit lower than expected, Consumer spending remained robust while income was a bit lower. So that is all else equal decreasing balances per account in CCB. And as you obviously know, equity market performance has been particularly strong, which is driving flows into investments, and we are capturing that in our Wealth Management business again, that is a little bit of a headwind to balances per account. And relative to the scenario that we had at the time, rates are a little bit higher than what was in the forwards and that is producing again slightly higher than otherwise expected yield-seeking flows. They are still below the peak, but they are still a factor. So as we look forward from here, the drivers are all still in place if you break it down, a key driver is obviously ongoing net new accounts. And if you look at this quarter, been strong with over 400,000 net new checking accounts this quarter. And so what you are left with is just the question of how that average balance per customer evolves and when you hit the inflection point of that number, based on the factors that we have just gone through. And so the margin, that kind of upward inflection point has been pushed out a little bit. But at a high level, we remain quite confident about the overall long-term trajectory here and optimistic. But the macro environment shift is just slightly pushed out some of the growth inflection dynamics.

**John McDonald**

Got it. That is helpful. And maybe just sticking with that 2026 initial outlook, what are some of the other key assumptions in there particularly around commercial deposits and maybe loan growth and rates?

**Jeremy Barnum**

Sure. Yes. So as we always do, we are using the current forward curves as of September 30. So that has the relevant cuts are, I think. The impact of the 75 basis points of cuts this year and I think as of the September, it was two twenty-five basis point cuts in the 2026. So that all else equal is obviously a headwind as we remain asset sensitive and the annualization of this year in the first half next year. And then offsetting that, you have all the growth dynamics, which include card revolve growth, which has been obviously a significant tailwind it is going to slow down a little bit given that the normalization of REVOLVE is close to complete now, but we still see very healthy acquisition dynamics there. So that will be a growth driver, albeit a little bit lower. And similarly, I mean pivoting a little bit to deposit for a second, just talked about the contribution of deposit balance growth to that, which will be a factor. In wholesale deposits, it was a very strong growth year this year. So we would expect it to be a little bit more muted next year, but core franchise is doing great. And then wholesale loan growth will kind of be what it is. But trends there are solid. So it is the usual mix of rate headwinds offsetting balanced growth and mix. So we will refine it more next quarter, and we will see how it goes.

**John McDonald**

Got it. Thanks, Jeremy.

**Jeremy Barnum**

Thanks, John.

**Operator**

Thank you. Next we will go to the line of Glenn Schorr with Evercore ISI. You may proceed.

**Glenn Schorr**

Hi, thanks very much. Wanted to drill down a little bit more on credit and you gave us enough I think on the consumer side. You noted the idiosyncratic names on the broadly syndicated side. So maybe if we could step back and say, you are a big player in obviously everything, broadly syndicated loans, high yield markets and increasingly on the private debt side. So my question is both of demand and credit fundamentals, What are you seeing in terms of drivers of client demand there on the lending side? Wholesale front? And then importantly, are you seeing differentiated credit fundamentals across public and private markets? Because there has been a lot of discussion about that lately and I feel like you are like in the best position to help us.

**Jeremy Barnum**

Okay. I will do my best to try to help. So let me just get one thing out of the way because you were sort of polite enough not to touch on it, but I already kind of disclosed it on the press call. We generally, as you know, Glenn, are not in the habit of talking about individual borrower situations. But given the amount of public attention, the Tri Color thing has gotten in particular, I think it is worth just saying that that is contributing \$170 million of charge-offs in the quarter, which we call out on the wholesale side. Also worth noting, there has been a lot of attention on the first brand situation. Do not have any exposure to them. So anyway, that is just worth getting out of the way. So you asked about demand and you asked about public private differentiation. On the demand side, I really think I mean not to overuse the phrase, but from the perspective of our franchise, this kind of moment of revived animal spirits, let us say, is driving demand. We are seeing very healthy deal flow. We are seeing acquisition finance come back. Obviously, we were very involved in a particularly large deal this quarter. And I would say broadly, and maybe this goes a little bit also to public private point, are kind of product agnostic credit strategy across the whole continuum is playing out very nicely. And I think some of the events of the quarter prove that like now when you have got something big to do, the right people to call and we will give you the best solution across a very complete full product suite. You asked whether we are seeing differentiation in fundamentals between private and public spaces. I do not know. I have not heard that particularly. Think it probably depends a little bit on how you define the spaces and what you are differentiating. Like obviously, to make the obvious point like subprime auto has been a challenging space for people in that industry. But that is probably not quite what you meant by private credit. And I have not heard anything to suggest that the private deals are performing differently from the public deals. It probably is true at the margin, that some of the new direct lending initiatives involve underwriting at slightly higher expected losses and that is significant because as we have been discussing here, the wholesale charge-off rate has been very, very low for a long time. And I think simply having that normalized would produce some increases in wholesale charge-offs. And obviously, as we have been discussing a lot in consumer over the last couple of years, when you are in that normalization moment, you are constantly wondering, is this a normalization or have we switched to deterioration? I do not know if we are seeing that yet in wholesale, but it is also worth noting

that the current portfolio is going to have a slightly different mix from what we have had over the last ten or fifteen years. And so the expected charge-off rate is going to be a little bit higher, all else equal, but obviously that comes with appropriate revenues and returns.

**Glenn Schorr**

Okay. I appreciate that. Thank you.

**Jeremy Barnum**

Thanks, Glenn.

**Operator**

Thank you. Next we will go to the line of Betsy Graseck from Morgan Stanley. You may proceed.

**Betsy Graseck**

One follow-up on that is on the reserve build, know that you mentioned largely due to card loan growth. Could you give us a sense as to how you are thinking about the reserve that you have against the commercial book, especially given what you just mentioned? Around the mix of the portfolio is different today than it was prior cycle? I am thinking prior cycle means pre-COVID, but let me know if it is a different timeframe that you are thinking Well, I mean, think we were thinking of the entire post-GFC era. I think a couple of Investor Days ago, we put up a slide showing that wholesale charge-off rate over ten years. Might be wrong, but from memory, was like zero on a net basis, which is obviously not reasonable going forward. But on your narrow question about the reserve, I think you have actually in that a little bit, I mean, maybe it pop in the consolidated numbers. But in some of the recent quarters, as we have sort of started doing some more of these direct lending deals, When we put those deals on the books, they come with quite significant day one reserve balances. So in the normal course, that growth comes with healthy reserves. And hopefully, we get the underwriting right and we got all that money back obviously. So, but as you well know, our entire wholesale reserve methodology is highly granular and very specific. And so it to the extent that the mix shifts, loan growth will come with slightly higher reserve and intensity, but that will be situation by situation.

**Betsy Graseck**

Okay, perfect. Thank you. And then just a follow-up is on how you are thinking about your excess capital utilization. I know yesterday you had the press release on leaning into industries that are critical for U. S. Security, etcetera? And maybe you could speak a little bit to that incremental \$500 billion is it that you are talking about supporting growth of over the next ten years? Relative to the potential for a dividend hike? I mean you could do both obviously. But I did just want to understand the press release yesterday in that context as well as the opportunity set for a dividend hike? Thanks.

**Jeremy Barnum**

Sure, fine. And yes, you kind of answered your own a little bit and that like it is kind of an all of the above thing. Obviously, we are not going to give forward guidance on buybacks or dividend policy. But as you know, yes, we are generating a lot of organic capital. We have a very large access. We have kind of said that we wanted to rush the growth of the access. We have more or less done that since we said it. And that is actually enabling us well, And in the meantime, we are actually grown RWA quite a bit, which has resulted in some actual decreases in the CET1 ratio. So as we all know, we do not love buying back the stock at these levels, but we want to keep the reasonable. And in the meantime, we are using our financial resources to lend into the real economy very broadly across the entire franchise. And yes, yesterday's press release is an extension of that. So both in terms of what we were already going to do in the normal course, plus an aspiration to add another high trillion dollars of this type of lending at the margin. That is the type of RWA growth that consumes excess. And obviously, in the context of the excess, \$10 billion of direct equity investments that are incremental is a nice deployment of a modest portion of the excess. And obviously, it is not going to happen instantaneously. So I think all of the above is probably the short answer to your question.

**Betsy Graseck**

Thank you.

**Operator**

You. Next we will go we will go to the line of Ebrahim Poonawala with Bank of America. You may proceed.

**Ebrahim Poonawala**

Good morning. I guess maybe Jeremy, a broader question like when we read the quote from Jamie in the press release, customers are resilient, but there is still massive amounts of uncertainty. I am just wondering if based on what you see both commercial versus consumer, are things getting better as we look into 2026? Does it feel like we are at a tipping point where we could see a slump in unemployment over the coming months that then leads to concerns around the credit cycle. Just if there is a bias that you have on how things could play out, that would be helpful color.

**Jeremy Barnum**

Sure. I mean, Jamie may have his own personal opinions here, but I think that a high level, the story that we are trying to tell is one that is anchored on the current facts. And the current facts on the consumer side is that the consumer is resilient, spending is strong and delinquency rates are actually coming in below expectations. So those are facts that we really cannot escape. Now talking to our economists, I was struck by something that Mike Carole said about thinking about the current labor market in this moment of what people are describing as a low hiring, low firing moment. You can think of that as potentially explained by employers experiencing high uncertainty. And so if you believe that and you think about this moment as a moment of high uncertainty, I think tipping point is a little bit too strong a word. But certainly, as you look ahead, there are risks. We already have slowing growth. There are a variety of challenges and sources of volatility and uncertainty. And so it is pretty easy to imagine a world where the labor market deteriorates from here. And if that happens, obviously, as you well know, we are going to see worse consumer credit performance. So I would not say we are pounding the table with this view, but we are just noting as we always

do that our risk and that the fact that things are fine now does not mean they are guaranteed to be great forever.

#### **Ebrahim Poonawala**

Got it. And I guess just one follow-up on your comments around expenses. I think there is a lot of discussion among shareholders whether AI and AI-driven productivity gains mean something for the banks as we look out over the next two to three years. You all have obviously talked about this at the Investor Day. I am just trying to contextualize when you talk about the expense growth outlook or just sort of preliminary indication for next year. How should bank shareholders think about AI-led productivity gains in terms of making a dent on the expense growth either next year or for the next few years?

#### **Jeremy Barnum**

Yes. So I will give you my personal opinion about this. Certainly presume to tell people how to think about this at the system as a whole. But I think the risk is because of how incredibly overwhelming the AI theme is for the whole marketplace right now. And all the various effects that it is having in terms of equity market performance, Mag seven, data center build out, electricity costs, like it is an overwhelming thing. And I think for us, running a company of this type we need to make sure we stay anchored in like facts and reality and tangible outcomes. So we are putting a lot of energy into this. A lot of people are spending a lot of time on it. We are spending a lot of money on it. We have very deep experts. As Jamie always says, we have been doing it for a long time, well before the current generative AI boom. But in the end, the proof is going to be in the pudding in terms of actually slowing the growth of expenses. And so what we are doing is kind of rather than saying you must prove that you are generating this much savings from AI, which turns out to be a very hard thing to do. Hard to prove and might at the margin result in people scrambling around to use AI in ways that actually not efficient and that distract you from doing underlying process reengineering that you need to do. What we are saying instead is, let us just do old-fashioned expense discipline. And constrain people's growth, constrain people's heads growth. We have talked about that last year. We are going to do the same this year. I have a very strong bias against having the reflective response to any given need to be to hire more people. And feeling a little bit more confident on our ability to put pressure on the organization because we know even if we cannot always measure it that precisely, are definitely productivity tailwinds from AI. So that is how we are going to do it. And hopefully, that will show up. In lower growth than we would have had otherwise. But a lot of the drivers of growth, which are per capita labor inflation and revenue-related expense and investments, are always going to be there. We are never going to stop doing those things. So that is how we think about it.

#### **Ebrahim Poonawala**

Got it. Thank you.

#### **Operator**

Thank you. Our next question comes from Mike Mayo with Wells Fargo Securities. You may proceed.

#### **Mike Mayo**

Hi. If I could get an answer to this, from both you Jeremy and Jamie. The question really is how much of a risk is the lending to the NDFIs just because you guys are always out front highlighting what could happen, whether it is cyber or as you point labor market or inflation. And I feel like you have not really highlighted this as potential risk area, maybe that is because you do not receive it as such, but you have Tricolor, you have First Brands, one area of your biggest growth I think has been NDFIs over the last year. So I am just trying to this in some sort of context that it relates to Tricolor who bears the losses? There is it end investors in the funds? Do you put skin in the game and have your own investments? Are you an underwriter? Where are you exposed I guess I am asking JPMorgan specifically, but then Jamie more generally for the industry. Is this something that is flashing yellow that we that you are spending more time on? How should we think about that? Thank you.

#### **Jeremy Barnum**

Sure. All right. So let me do what you asked Mike and put a little bit of context around this. So a couple of just some housekeeping first. So talked about Tri Color, you talked about First Brands. I just want to reiterate, we do not have any exposure to First Brands. On Tricolor, it represents \$170 million of the wholesale charge-off this quarter. Obviously, by definition, that reflects on balance sheet loans that we are charging off. And with respect to other exposures, I do not really have anything additional to say about that at this point. It will play out as it plays out. But in the normal course, we are always quite conservative about taking all possible hits that we can based on what is knowable upfront. So pick up or whatever it is worth. More generally, I think one thing that is important to say in terms of context about NBFI lending is that the vast majority of that type of lending that we do is highly secured or in some way structured or securitized. In other words, it is not like we are doing extremely high risk, low rated lending the NVFI community. And so that does not mean that there is no risk. That does not mean that things cannot go wrong. And obviously, if you are doing secured lending and there are problems with the collateral, that is an issue, which is clearly relevant in the case of Tricolor. So and we have talked a lot about the question about risk inside the regulated perimeter versus risk outside the regulated perimeter. But we have also acknowledged that a lot of the private credit actors are large, very sophisticated, very good at credit underwriting. So I think you are supposed to jump in confuse them that they are necessarily lower standards. There are a huge systemic problem. And to the extent that we lend to some of these folks who are clients of ours as well as competitors of ours, that lending follows our normal practices. It is often highly secured. And everything we do is in one way or another risky. But I am not sure that our lending to the NBFI community is an area of risk that we see as more elevated than other areas of risk, I guess, is what I would say. Yes. Mike, I would just add that it is a very large category non-bank financial institutions and probably a number like half of it we will consider very traditional not like different. There is a component which is different today than it was years ago and there is a component which is not that different, but if you look at like CLOs and lending to leveraged entities that are underwritten with leveraged loans. So there is kind of a little bit of double leverage in I would say that yes, there will be additional risk in the that category. That we will see when we have a downturn. I expect to be a little bit worse than other people expected to be because we know all the underwriting standards that all these people did. Jeremy said these are very smart players. They know what they are doing. They have been around a long time. But they are not all very smart. And we do not even know the standards that other banks underwriting to some of these entities. And I would suspect that some of those deals may not be as good as you think. Hopefully, we are very good, though we make our mistakes too. Obviously. So yes, I think you would be a little bit worse. We have had a benign credit environment for so long that I think you may see credit in other places deteriorate a little bit more than people think. When in fact there is a downturn. And hopefully, it will be a fulfilling normal credit cycle with What always happens is something is worse than a normal credit cycle and the normal downturn. So we will see. But we think we are quite careful and obviously we scoured the world looking for things that we should be worried about. But I do remind you, we have had a bull market for a long time. Asset prices are high, A lot of credit stuff that you would see out there, will only see that it is a downturn.

**Mike Mayo**

And so just a quick short follow-up. After Tricolor. Again, this is a real puny drop in the bucket for you guys, but have you gone back and looked at your processes and done anything different?

**Jamie Dimon**

Yes. I mean, Michael, you should assume that whatever something happens we scour all process, procedures, all underwriting, all everything. And we think we are okay in other stuff. I my antenna goes up with things like that happen. I probably should not say this, but when you see one cockroach, there are probably more. And so we should everyone should be forewarned on this one. And first brands, I would put in the same category, couple of other ones out there I have seen I put in similar categories. So we always look at these things and we are not omnipotent. We make mistakes too, so we will see. It clearly was, in my opinion, fraud involved in a bunch of these things. But that does not mean we cannot improve our procedures.

**Mike Mayo**

Got it. Thank you.

**Operator**

Thank you. And next we will go to the line of Gerard Cassidy with RBC Capital Markets. You may proceed.

**Gerard Cassidy**

Hi, Jeremy and Jamie. Jeremy, obviously you guys are in the residential mortgage lending big players granted home lending when you look at the revenue to banking and wealth management obviously, it is not that big. But I got a question for you. This administration seems to be, when they come out with comments, they follow-up on those comments with actions. And Secretary of the Treasury, Bessen, has pointed out about a couple of months ago, that he thinks is a housing emergency in this country. And so the question for you guys is what do you think they could do to lower the spread between mortgage rates and the corresponding treasury yield assuming the treasury yields do not go down. But what do you what do you think they can actively do to lower that spread to lower mortgage rates to get housing more active and refinancing activity of course would pick up with that?

**Jamie Dimon**

So I will take that one. First on the supply side, I mean it is we know what it is. It is permitting, it is rules, it is local rules, it is how long it takes to get permits and build not in my backyard, you cannot build two stories in certain places. That is the supply side. The demand side and remember, do not always push homeownership. That was we made a huge mistake that the government policy years ago. But the supply side, we pointed out over and over and over again. I have been talking about it for 30 to 40 basis points overall. Would that create any additional risk? There is just excessive stuff put in place after great financial crisis, which obviously demanded a response, but it is excessive. Anyone who take it on a mortgage will tell you they had to sign 17 forms, 17 documents and all these things. So that is to me the most obvious one. And obviously, policy, if you the government wants to do more FHA or they could do that. That is up to them about whether they want cheapen mortgages for near prime or all stuff like that. But if they did have it like that, I would say always do it really thoughtfully.

**Gerard Cassidy**

Very good. Thank you. And as a follow-up, just speaking about regulators in general, obviously been a major change with this administration. Can you guys give us any color of what you are actually seeing on the ground? We are what nine months or so into this new administration with the new regulators? And then also any color on when you think Basel III Endgame may come out and what you are hearing in terms of how it will compare to what the original proposal was in July 2023? Thank you.

**Jeremy Barnum**

Yes. Thanks for that, Gerard. So I agree with you. This administration is the same things and from what we are seeing transitioning to action quite quickly. So what we are seeing from our engagement in Washington and there has been some reporting in the press recently that is quite comprehensive on the evolution of potential new control proposals, which is aligned with what we are hearing as well. But in general, there is a bias for action, getting things done quickly, and they are looking at things quite comprehensively. What we see. And as you know, we have argued for a long time, Jamie has argued a lot that this is not about some overall calibration of the system, some like back solving exercise for some number of whatever type. This is about looking at all the individual components, of the capital rules understood holistically, doing the math right and letting that roll up to whatever answer it going to be. And by the way that answer is going to be different for different firms depending on their business mix. And that is okay. And that is part of the reason it does not really make sense to kind of try to calibrate to some overall level for the system. It is just like do the math right in a way that makes sense for the individual product or business area or source of risk. And you will get a reasonable outcome for the system. And from what we are hearing, that is very much the direction of travel. The relevant agencies are working well together. There is a sense of urgency. And so we are encouraged. And I would note actually back to your first question that one area where getting things right at the individual product level as relevant is allowing banks to play their appropriate role in the residential mortgage lending market when it in the instances where it makes sense. Keep those instruments on the balance sheet, you want the capitalization of those to be reasonable aligned with the risk. And again, from what we understand, that is the direction of travel. So in terms of timing, I mean your guess is as good as mine. I think there have been some public comments, and I would just anchor myself on those and the press reporting. But we definitely hear a desire to get things done quickly. And these things are complicated in some areas. Might have some disagreements at the margin. We would still dislike G SIB as a matter of principle. But we do not want to let the perfect be the enemy of the good here. And what we are doing is trending in the right direction. And I can just add data number, they are doing that. They are looking at it holistically. That is great. But gaining the number is right. I have said for years, GSIB, CCAR, operational risk capital, double counting of trading book, I mean it is just wrong. And some of these numbers are so inaccurate that they publish that they should publish them with the disclosure saying, we know these are highly inaccurate like the CCAR test. We know that this is not remotely related to reality and stuff like that. It is almost a dishonest disclosure of these terms. Like do the actual number. The second thing they really should do which I think they are doing is what is the intended effect and what is the unintended effect? So we talk about we have got eight thousand public commits 4,000 public companies we have gone from pushing mortgage out of the banking system to a huge buildup in parts non-bank free institutions and a huge amount of arbitrage taking place. If I was a regulator, I would be looking at all that and saying, my God, is that what I wanted? And the biggest frustration is they could have fixed all these things, reduced liquidity, reduced capital. All these things and made the system safer. So we had a Silicon

Valley bank blow up because they are so focused on governance they forgot to focus on interest rate exposure. And they are making changes now like what is actually real risk banks in bearing as opposed to walk signaling what a bank should be doing all the time. So hopefully, they will do it. I think they are devoted to doing it. Like look at their words, their speeches. I am talking about the OCC, the Fed, the FDIC. I think it is very good. Let us get it done quickly.

**Gerard Cassidy**

Thank you for the color. I appreciate it.

**Jeremy Barnum**

Thanks, Gerard.

**Operator**

Thank you. Our next question comes from Erika Najarian with UBS. You may proceed.

**Erika Najarian**

Yes, thank you. My first one is for you, Jeremy. Under the category, no good deed goes unpunished, just wanted to ask a quick question on the expense outlook for '26. You mentioned that \$100 billion could be a little low and that you are in the middle of the planning cycle. That would imply 4% growth year over year. Is that the sort of new normal labor rate inflation that we should assume at this point?

**Jeremy Barnum**

Okay. So yes, a couple of things about that. One is not to get too much into the weeds here, but our expenses are a little bit seasonal. So annualizing the fourth quarter like sometimes you get a bunch of offsets and it is like okay to do that, sometimes it is not. So we always try to do this based on a sort of launch point of the annualized fourth quarter rate. And while that is a reasonable thing to do for NII, it is a lot harder to do for expenses. But taking a step back for a second, I am not telling you anything that you do not already know. Like you can look at whatever ECI or whatever other government measure of labor cost inflation. We know that even while inflation is like a lot lower, we are very far from the moment the mid-2010s where inflation was for all intents and purposes zero. So yes, I think the new normal for labor is some number like that, whatever, 3%, 4%. And it is not just labor, I mean, again, I do not want to fail to recognize the extent to inflation has more or less come back to normal. But by normal, we mean the Fed target. And for a while, it was below target. So whether it is labor or goods and services, not to get into tariffs or whatever, that is a factor that applies to our entire cost base. In addition to that, as we noted, we are going to invest where it makes sense. We are going to pay for performance to the extent that there is higher performance and also generally revenues will be associated with other variable expenses. And then overlaying all of that, the question of productivity. And it includes, but is not limited to AI-driven productivity. So you can assume that we are going to be pushing hard on all fronts to extract as much productivity out of the organization as possible. But as is always true, we are going to try to keep that focus separate from our commitment to invest for growth in the places where we want to. And could you just add to that? Medical, we spent \$3 billion of so in medical. Going be up 10% next year. And so when you look at some of these things and we know that already and maybe think it actually might be up another 10% in 2027 for a whole bunch of different reasons, And that is one thing. Another thing about comp I just want to point out, there is normal inflation and paper performance, all that. There is a lot of pressure on from other people who are paying people quite well. Hedge funds, law firms, private equity, non-bank institutions, and we are going to pay our people competitively. That is a sine qua non if you want to have a great company for the next twenty years. And so there is some of that too, I am not sure that it is going to change very much when you look at it, but I would put it the back of your mind too. It is probably good for you all to hear me say that.

**Erika Najarian**

Sure. Someone's job is I will make sure to send this I will make sure you send this transcript to my boss. But the second question is actually for you, Jamie. You have always had a differentiated way of thinking about risk. And a two-part question for you. Number one, I feel like we do not even know what the right questions are to ask when it comes to NDFI. Exposure and risk, is such a broad category And so two-part question here. Number one, what would be what would be the questions you think investors should ask when assessing NDFI exposure as it relates to future credit risk? And second, should investors be concerned about the SSFA accounting for RWAs in certain structures where you could lower the RWAs to NDFI exposures from 100% to something much lower?

**Jeremy Barnum**

With SSFA. God, used to know that acronym. It is a technical thing inside securitization where under some conditions you can lower the RWA weighting. Insurance related or No, no, it is for us. It is like a part of the rent cap rules. Yes. Want me to do that one first and you can do the first one? Yes. So even though I do not remember what the I think it is like standardized securitization something, something. I forget what it stands for. But from what I recall about looking at that one, I think it is a mechanism by which you can take what should be otherwise punitive risk weighting for certain types of structures. And reduce it from 100 to 20 where arguably 20 is actually probably still too high because you have essentially mitigated the entire risk. So my first answer to your question is, of all the things to worry about I would not worry about that whatever you want to call it, protection enhancement or risk weighting decrease in that narrow context. And on your question of like what questions to ask about about the NVFI space in general, mean, Jamie will have his views. But yes, I think it starts by acknowledging that like it is a very, very broad space. And so we probably need to narrow the focus a little bit. Like subprime auto is one thing, lending to like trillion dollar asset managers on a secured basis is a very different thing. So Maybe we should take a crack at telling you a little bit more about it. We feel fairly comfortable with our exposures in that. But think what you should do is I think when we have a downturn, this is the important thing, there will be a credit cycle. And we should not be surprised. The credit card laws will go up, middle market laws go up. Everything gets worse in a downturn in credit. I do suspect, I cannot prove this and I do not know because we do not know everyone's underwriting standards. Every now and then we see what someone else is doing, we are surprised that there is standards. And I am particularly good, but that is always been true. I suspect with the downturn, you will see higher than normal downturn type of credit losses in certain I just suspect that. And so the other thing which you can do which I am going to ask Michael Greff to do from you, Dan, because I ask periodically, look at the price of the BDCs and their publicly traded private credit facilities, and do the homework. There are disclosures around that. We do it and And so maybe we should just crack at one point, laying out the different carriers of MBFIs and ones with might be concerned and ones that concerning.

**Erika Najarian**

Thank you. Thanks, Erica. Thank you.

**Operator**

Our next question I am have lost Erica. So let us go to the next question. Comes from Jim Mitchell with Seaport Global Securities. You may proceed.

**Jim Mitchell**

Hey, good morning. Maybe just on the investment banking environment. Obviously things have gotten better. Just curious where you see the most strength in the pipeline? And as we get rate cuts coming, do you feel that we are starting to see more activity pick up or the potential for more activity to pick up among financial sponsors Just curious your thoughts.

**Jeremy Barnum**

Okay. Interesting question on the sponsors. I mean, I do not know. I personally am not persuaded of the notion that cuts coming through that are fully priced in are going to meaningfully change behavior in sort of highly sophisticated professional community like financial sponsors. If that plays into like flattening of the yield curve, other reasons etcetera beyond what is priced in the forward that could be a little bit of a different story. But I think what is clearly true, a little bit to the point of your question is that the environment is the results are very robust and the tone is very upbeat. I think an interesting thing from my perspective is to think about the narrative starting from the beginning of the year, right? We had the moment of everyone was talking about animal spirits and big booming moment. And then we had Liberation Day and all the tariff uncertainty and equity market volatility. And so things kind of went quiet for a while. But what is interesting is that from the IPO perspective, for example, processes were kicked off early in the year. And those processes continued even during the moments where conditions were not ideal for the deals. And what that meant is that there is a lot of stuff like in the queue that is kind of ready to go. And now conditions are much more favorable both in terms of equity market valuations, at least until recently, relatively low equity market volatility, a bit more breadth in the rally in terms of multiples, including smaller cap tech sector or whatever. So, yes, that is one area. And in the meantime, as you know, we are starting to see more M and A activity as well. I noted earlier, I think it was busiest summer we have had in like a long time in terms of announced M and A activity. We are seeing that play through into acquisition finance. I think the rate environment is good enough from the perspective of being able to get deals done. So it is a pretty supportive environment, but as you well know that can change overnight.

**Jim Mitchell**

Yes. It is all fair. And then maybe just a follow-up on just capital relief and how you are or at least starting to think about adjusting to that RWA growth is picking up. Is there other aspects whether it is in the markets business, or other marginal return activities before that you see opportunities to lean into growth to use up capital because, obviously IRRs and buybacks today at these levels are not great?

**Jeremy Barnum**

Yes, exactly. I mean that is the exact math that we are always doing, which is like, subject to certain assumption, what is the return on a buyback and what is the alternative? Now obviously, we want to be careful there, right? I mean if you take that argument to the extreme and you say like, oh, we want to do every piece of business that is like one basis point above the theoretical return on buybacks. You wind up potentially making a lot of really dumb risk decisions. So you want it to be franchise accretive business and you want to recognize that your estimate of the return of that business is itself subject to some uncertainty, Jamie, I always says like putting liquid par assets on the balance sheet and adding leverage is not a thing that actually generates value no matter what the supposed return of that instrument is in the spreadsheet. So it is a thing that we see on them. It is a thing that we think about a lot. And but I would say to the extent that that shaping our behavior, it is probably already shaping our behavior as you know, we have had the access for quite a while. The price of tangible book multiple has been going up for quite a while. So we are going to continue looking for ways to deploy. While making sure that we do not do anything stupid, frankly.

**Jim Mitchell**

Okay. Thanks for the color.

**Jeremy Barnum**

Thanks, Jim.

**Operator**

Thank you. Next we will go to the line of Ken Usdin from Autonomous. Your line is open.

**Ken Usdin**

Thank you. Good morning. I wanted to ask a question about just overall loan yields. Noticed that they were up three basis points in the quarter. Obviously, rates had not been moving during the quarter. And now that we are starting to head back down. Just wondering just what are the main drivers of still being able to actually see higher loan yields? Thanks.

**Jeremy Barnum**

I never look at that. So I have literally no idea why the loan yield is three basis points in the quarter. But if I had to guess, I think it is almost always a function of various types of mix effects recognizing that we have loans of radically different yields across the company, from silver plus 20 basis points to curveball. So relatively small changes in mix can make a big difference. Then obviously you have got a lot of floating rate instruments All else equal, you would expect those yields to be lower given the cuts that have come in, but mix effects can easily overwhelm that. So I am sure Michael will have a good answer for you by the time the call is over. I had not looked at that one.

**Ken Usdin**

Okay. I will follow-up on that. And secondly, with the Saphyr refresh, just assume that we are starting to see some of the awards amortization show in the card fees line and in card revenue rate. So I am just wondering if you could kind of walk us through that now that that card coming on and you mentioned good good

additions there. Just what do we have to think about in terms of what card leads the horse in terms of card revenue rate and eventual volume growth and related benefits? Thanks.

**Jeremy Barnum**

Yes, it is a good question. So one thing that you might have noticed talking about kind of micro supplement points is that the revenue rate is actually lower than the NII yield, which implies a negative NIR yield. And by the way, that card yield is a number that is often quite close to zero. So it does not take a lot to make it negative, but it is like currently negative. And while there is a lot of puts and takes inside that number in terms of rewards liability, annual fees and so on, particular dynamic that is happening now is that as part of the refresh, customers are getting increased value ahead of the moment where the annual fee goes up. So there is a kind of transitional period of a few months as the refresh rolls through. Those numbers are slightly elevated. The fee comes in over a year and some of these rewards come in as negative NII over a year. Exactly. It is one example of like really bad accounting. Yes. So Yes. That is exactly what Yes. As that stuff normalizes through, we some of these numbers like return to slightly more normal PRNs, but it might actually take a couple of quarters for that to play out.

**Ken Usdin**

Okay, got it. Thank you.

**Jeremy Barnum**

Thanks.

**Operator**

Thank you. Our last question comes from Chris McGratty with KBW. You may proceed.

**Chris McGratty**

Great. Thanks for sneaking me in. Related to the 15% long-term national retail deposit market share, Does your pricing need to be materially different from recent history? Or said another way, do you need to price a little bit more competitive to get that four points of improvement over time? Thanks.

**Jeremy Barnum**

In short, I would say no unless my CCB colleagues disagree or eventually change their strategy. But I think what you see right now actually those numbers is you do see us losing a little bit of share in the FDA recently released results, which have us as number one, which happy to celebrate for the fifth year in a row. And the other leading banks or other large banks, which have adopted similar pricing strategies are also seeing a little bit of loss of share. So that is from our perspective expected a conscious result of being disciplined about the pricing of deposits. And it sort of has no particular bearing on the long-term growth strategy to get to 15%, which is all about expansion and deepening and the core value proposition that we offer. And interestingly, interestingly, when you look inside the granular market by market results in that FDIC data, what we see is us actually taking share and a lot of the kind of highest priority, highest profile expansion market. So in that sense, it is actually a validation of strategy. And by the way, I got my answer on the wound guilt question. It is mix, including cards. So my guess was correct. I understand the retail branch system As Jeremy said, deepening but remember, it is better products, better services, more branches and better location deepening with customer segmentation if we do a good job in all that, then we hope to gain share. I think we are doing a good job in that, but that is we have to deliver that for years to get to 15%.

**Chris McGratty**

Great. Thank you for the color. Appreciate it. Thanks.

**Jamie Dimon**

Folks, thank you very much. Spend time with us. We will talk to you all soon. Thank you.

**Operator**

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