JPM Earnings Call – FY2025 Q2

Date: July 15, 2025

Operator

Good morning, ladies and gentlemen. Welcome to JPMorgan Chase's Second Quarter 2025 Earnings Call. This call is being recorded. We will now go live to the presentation. The presentation is available on JPMorgan Chase'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 JPMorgan Chase's Chairman and CEO, Jamie Dimon; and Chief Financial Officer, Jeremy Barnum. Mr. Barnum, please go ahead.

Jeremy Barnum

Thank you very much, and good morning, everyone. This quarter, the firm reported net income of $15 billion, EPS of $5.24 on revenue of $45.7 billion, with an ROTCE of 21%. These results included an income tax benefit of $774 million, which we described in more detail in the earnings press release. On the next page, we have some more detail. The firm reported revenue of $45.7 billion, down $5.3 billion, or 10% year-on-year. NII ex Markets was down $185 million, or 1%, driven by the impact of lower rates and deposit margin compression, predominantly offset by higher wholesale deposits, higher revolving balances in Card, as well as the impact of securities activity, including from prior quarters. NIR ex Markets was down $6.3 billion, or 31%, and excluding the net gain related to Visa shares and net investment securities losses in the prior year was up $1 billion, or 8%, driven by higher Asset Management fees, higher auto lease income, higher Investment Banking fees and higher Payments fees. And Markets revenue was up $1.1 billion or 15%. Expenses of $23.8 billion were up $66 million, and excluding last year's Visa stock contribution to the firm's Foundation was up $1.1 billion, or 5%, primarily driven by compensation, higher brokerage and distribution fees as well as higher auto lease depreciation. And credit costs were $2.8 billion, with net charge-offs of $2.4 billion, and a net reserve build of $439 million. The build was driven by new lending activity, largely offset by a decrease in the probabilities that we attached to the adverse scenarios and the allowance estimation. On to the balance sheet on Page 3. We ended the quarter with a CET1 ratio of 15%, down 40 basis points versus the prior quarter as net income was more than offset by capital distributions and higher RWA. This quarter's higher RWA is primarily driven by an increase in wholesale lending across both CIB markets and banking, an increase in other markets activity as well as an increase in Card loans. As you know, we completed CCAR a couple of weeks ago. Under the current rules, our indicative SCB is floored at 2.5% and goes into effect in 4Q '25. Our new SCB also reflects the Board's intention to increase the dividend to $1.50 per share in the third quarter. Now let's go to our businesses, starting with CCB. CCB reported net income of $5.2 billion on revenue of $18.8 billion, which was up 6% year-on-year. In Banking & Wealth Management revenue was up 3%, largely driven by growth in Wealth Management revenue with deposit NII relatively flat. Average deposits were down 1% year-on-year and flat sequentially. Client investment assets were up 14% year-on-year, driven by market performance and continued healthy flows into managed products. In Home Lending revenue was down 5% year-on-year, predominantly driven by lower NII. Turning to Card Services & Auto, revenue was up 15% year-on-year, predominantly driven by Card NII on higher revolving balances, as well as higher operating lease income in Auto. Card outstandings were up 9% due to strong new card acquisition. In Auto originations were up 5%, driven by higher lease volumes. Expenses of $9.9 billion were up 5% year-on-year largely driven by growth in technology and auto lease depreciation. Credit costs were $2.1 billion, reflecting net charge-offs of $2.1 billion, relatively flat year-on-year, in line with expectations. Next, the Commercial & Investment Bank. CIB reported net income of $6.7 billion, on revenue of $19.5 billion, which was up 9% year-on-year. IB fees were up 7% year-on-year. We continue to rank #1 with wallet share of 8.9%. In advisory fees were up 8%, benefiting from increased sponsor activity. Debt underwriting fees were up 12%, primarily driven by a few large deals. In equity underwriting fees were down 6% year-on-year. Our pipeline remains robust, and the outlook along with the market tone and sentiment is notably more upbeat. Payments revenue was up 3% year-on-year, excluding equity investments driven by higher deposit balances and fee growth, predominantly offset by deposit margin compression. Lending revenue was down 6% year-on-year, reflecting higher losses on hedges. Moving to Markets. Total revenue was up 15% year-on-year. Fixed income was up 14% with improved performance in Currencies & Emerging Markets, Rates and Commodities. This was partially offset by fewer opportunities in Securitized Products and Fixed Income Financing. Equities was up 15%. We continue to see strong performance across products, most notably in derivatives. Security Services revenue was up 12% year-on-year, driven by higher deposit balances and fee growth. Expenses of $9.6 billion were up 5% year-on-year, driven by higher compensation, brokerage and technology expense, partially offset by lower legal expense. Average Banking & Payments loans were down 2% year-on-year and up 2% quarter-on-quarter with sequential growth, primarily driven by new loans with larger corporates. Average client deposits were up 16% year-on-year and up 5% sequentially, reflecting increased activity across Payments and Security Services. Finally, Credit costs were $696 million, driven by builds in our C&I portfolio, including new lending activity and downgrades to a handful of names, partially offset by the scenario probability adjustment, I mentioned upfront. Turning to Asset & Wealth Management to complete our lines of business. AWM reported net income of $1.5 billion with a pretax margin of 34%. Revenue of $5.8 billion was up 10% year-on-year, driven by growth in management fees on strong net inflows and higher average market levels, as well as higher brokerage activity and higher deposit balances. Expenses of $3.7 billion were up 5% year-on-year driven by higher compensation, including revenue-related compensation and continued growth in our private banking advisor teams as well as higher distribution fees. Long-term net inflows were $31 billion for the quarter led by fixed income and equities. In liquidity, we saw net inflows of $5 billion. AUM of $4.3 trillion was up 18% year-on-year, and client assets of $6.4 trillion were up 19% year-on-year, driven by continued net inflows and higher market levels. And finally, loans were up 7% year-on-year and 3% quarter-on-quarter, and deposits were up 9% year-on-year and 2% sequentially. Turning to Corporate. Corporate reported net income of $1.7 billion and includes the tax item I mentioned upfront. Revenue was $1.5 billion for the quarter. NII was $1.5 billion, down $875 million year-on-year, NIR was a net gain of $49 million, up $148 million year-on-year, excluding the prior year's Visa-related gains. Expenses of $547 million were down $32 million year-on-year, excluding the Foundation contribution in the prior year that I mentioned earlier. To finish up, I'll touch on the outlook. You'll recall that at Investor Day, I made a couple of comments previewing the potential evolution of the outlook. So now let me formalize that and give you updated guidance. First, we now expect NII ex Markets to be approximately $92 billion, with the increase driven by changes in the forward curve and strong deposit growth in Payments, Security Services as well as balanced growth in Card. Total NII guidance is now about $95.5 billion, implying $3.5 billion of Markets NII. Second, on adjusted expense, we now expect it to be about $95.5 billion, primarily driven by the impact of the weaker dollar, which is largely bottom line neutral. And finally, on credit, we continue to expect the Card net charge-off rate to be approximately 3.6%. So reflecting on the quarter, while the environment remains extremely dynamic in many ways, navigating uncertainty is the norm for both us and our clients. But we're now happy to take your questions. So let's open the line for Q&A.

Operator

Our first question will come from Christopher McGratty with QBW (sic) [KBW].

Christopher McGratty

Jamie, relative to 3 months ago, there's a lot of optimism on financial deregulation and really going to break in the bank's favor. I'm interested if you agree, number one, with this optimism and anything specifically you could point to? And secondarily, on capital, I'm interested in what's on or off the table in terms of uses of capital? What do you need to see from the macro regulatory? And how should we be thinking about the timing?

Jeremy Barnum

Let me take the second part of that first. So we have our standard capital hierarchy that we recite a lot, and I want to bore you by reciting it again. But I think it's important because it does serve as a guide in this context, right? So we deploy our capital against organic and inorganic growth, and we ensure a sustainable dividend. And with what's left, we do buybacks. And so we've talked about how excess capital is earnings in store. You saw this quarter that we actually had some financial resource usage that came through and actually meant that despite keeping the buybacks relatively constant and having organic capital generation to be relatively constant, the CET1 ratio dropped a little bit as a function of increased usage organically showing up in RWA expansion. So we're doing what we want to do, but clearly, it is a big amount of excess, and that does mean that everything is on the table as it always is, and that includes potentially inorganic things. Now obviously, that needs to be done carefully. I think acquisitions have a high bar, both financially, strategically and importantly, in some cases, culturally. And we also need to think carefully about things that work outside the regulated perimeter might not work inside the regulated perimeter as well. We have learned some lessons. We don't want to overlearn those lessons. But in the end, sometimes we lean in a little more, sometimes lean in a little less, but we wouldn't be doing our jobs if we weren't thinking about it. I don't particularly think other than fundamentally whether things are permissible or not, that the regulatory environment right now, particularly shapes our thinking on that front.

James Dimon

And Chris, just a broader point about regulations. I think it's very important that the regulators step back and kind of look at the big picture now, not just one picture, so nothing has happened yet. I think they should be looking at all these things. But if you look at SLR, G-SIFI, CCAR, Basel III, FSRT, the overlap, the duplication, I actually believe that you can make the system simpler, cheaper, more effective, more transparent and safer. And the things like Silicon Valley Bank and First Republic did not need to happen if you just modify some things and you can create more liquidity, more loans and a safer system. And that's really what they should be looking at, not just SLR. And so I'm hoping that over time, they do that. And then second thing that I would add to that, which I think is even maybe more important, is they should answer the question, what do they actually want in our public markets versus our private markets, et cetera. We've gone from 8,000 public companies, I'm talking about like 25 years ago to 4,000 today. That's happened overseas. Public markets overseas have gotten smaller and smaller. Obviously, I'm not against private credit. Private credit is growing. And how do you really want to structure this? And why is it happen? Is that a good thing for America? And so I just -- it is time that they take a step back. There's been -- I hear some time from some pundits that there's been relaxing of rules and regulations, absolutely not. There's been nothing but increasing them for the better part of 15 years. They should take a deep breath, step back, and look at the system and answer the question, how can we make it better and stronger for the economy and all involved.

Jeremy Barnum

And maybe sort of gone a bit long here, but just to expand and go into a little bit of detail there. I will note that Vice Chair Bowman gave a speech on her vision having come into the new seat for ongoing work on regulation. And I think it's a speech that's pretty comprehensive and lays out some of what Jamie is saying in terms of like the to-do list. I think at the margin, we can do understand the desire to sort of knock some things off the to-do list that have been on it for a long time and clearly needs to be addressed like SLR. But at the same time that, that happens, the holistic review done properly across not only capital, but also liquidity, resolution, et cetera, is clearly quite important. More narrowly, in the near term, I think we continue to feel very strongly that if all the things that are out there, one of the worst is G-SIB, in the sense of both the original gold-plating, the sort of deep conceptual flaws in the framework itself, and the failure to recalibrate it for growth since it was put into effect. And I think one of the things that's maybe a little bit under discussed there is the extent to which it specifically creates strongest incentives for American banks to be strong and globally competitive. And that is seems to be the exact opposite of what we want. So that's really one of the ones that needs to get attacked pretty aggressively, I would say.

Christopher McGratty

I appreciate all the color. If I could ask kind of a follow-up. The inorganic comments. I'm interested in capital allocation between your businesses, where you think, if that were to present an opportunity where -- which businesses would most likely be the use of that capital?

Jeremy Barnum

I mean we've talked about that a little bit over time. Obviously, we're not fundamentally capital constrained right now. So I mean in addition to the fact that capital isn't the only financial resource that we need to allocate, I would say the larger point is that any good franchise business that it makes sense from a risk perspective and clears the cost of equity is going to get done within reason, subject to obvious caveat. So...

James Dimon

Inorganic, it's a good discipline to always be looking. I would have high expectations that will be how we use a lot of capital. And I think it's a very big plus that we grow organically in every business we're in without having to stretch.

Operator

Next, we will go to the line of Betsy Graseck from Morgan Stanley.

Betsy Graseck

So two questions. First, on the RWA utilization via organic as you described. I wanted to understand in wholesale lending, where you highlighted the CIB was a driver of much of this. Could you speak to the drivers of those drivers? In other words, is it private credit? Is it M&A financing? Is it inventory? What are you seeing in the market here that you're delivering on that's raising that lending profile?

Jeremy Barnum

It's all of the above, Betsy, because we are the Switzerland of financing. We do everything, and we saw a lot of activity come in late in the quarter.

Betsy Graseck

Okay. Great. All right. And then Jamie, you've -- there's been a lot of discussion around stablecoin. How stablecoin is going to be impacting banks. And I believe you have an opinion on this, would love to hear if you could highlight how JPM is thinking about utilizing, leveraging, competing with stablecoin, and how the JPMD deposit token feeds into all of this as well?

James Dimon

So deposit token is effectively the same thing. You're moving money by token, you could pay interest. It's JPMorgan deposit. And stablecoins, we're going to be involved in both JPMorgan deposit coin and stablecoins to understand it, to be good at it. We don't know exactly -- I think they're real, but I don't know why you'd want a stablecoin as opposed to just a payment. And -- but I do think you have fintech, these guys are very smart. I'm trying to figure out a way to create bank accounts to get the payment systems and rewards programs. And we have to be cognizant of that. The way to be cognizant is to be involved.

Betsy Graseck

Okay, super. And then separately on the topic of open banking. I think that's on hold right now with the CFPB, on hold right now. But just wanted to understand, does this hold period gave you an opportunity to change how you're pricing for your open banking and fintech relationships here?

James Dimon

So this is very important. So forget pricing for a second, we are in favor of the customer. So we think the customer has the right to, if they want to share their information. What we asked people to do is, what are they -- do they actually know what's being shared? What is actually being shared? It should be everything. It should be what their customer wants. It should have a time limit because somebody of these things going on for years. It should not be remarketed or resold to third parties. And so we're kind of in favor of all that done properly. And then the payment, it just -- it costs a lot of money to set up the APIs and stuff like that to run the system protection. So we just think it should be done and done right. And that's the main part. It's not like you can't do it. The last thing is a liability shift. I mean I don't think JPMorgan should be responsible if you've given your bank passcodes to third parties who market and do a whole bunch of stuff with it and then you get scammed or fraud through them, they should be responsible. And we want real clarity about that. And if you see today, a lot of these scams and frauds run through third-party social media and stuff like that, there should be a little more responsibility in their part. So we can all do a better job for the customer. That's why.

Operator

Next, we will go to the line of Steven Alexopoulos from TD Cowen.

Steven Alexopoulos

I wanted to start, Jeremy, going back to your comments on inorganic things being on the table in terms of use of excess capital. So when I look at the company, so you're the largest U.S. bank by assets, you're also the largest in terms of the data you see every day. And you may or may not have seen that Apple is looking at possibly, there's chatter, getting into the AI game more by looking at a company such as Perplexity. Just thinking out loud here, would it make sense for JPMorgan to consider acquiring an LLM, right? The last 2 quarters of buybacks are about the last valuation round for Perplexity, right? I'm thinking of you guys, you could become LLM for the financial services industry. What are your thoughts on this?

James Dimon

We use LLMs and we're going to be agnostic about that, too. There's no reason for us to own one. At least we can't figure out why that would make sense. And I wouldn't -- we will use it, and we will obviously be important in using our data to help our customers.

Jeremy Barnum

Yes. And on the question of inorganic deployment, I would sort of blend my comments with Jamie's right? In the end, I'm just asserting that, of course, we need to look at inorganic opportunities. And of course, that's a question that comes up given our current excess capital position. But Jamie said clearly that he doesn't think that's particularly likely, or some of the reasons that you emphasized, it's not easy to imagine a deal that would actually make sense.

James Dimon

We do a lot of small ones, by the way, which you've seen.

Steven Alexopoulos

Yes. Yes. Okay. And then going back, Jamie, to your answer to Betsy's question on the tokenized deposit. I get it, how that makes sense in terms of the customers that are inside your walled garden, but it doesn't help them much in terms of dealing with customers outside of your garden. What's holding up you guys and the other banks getting together to issue something joint, similar to what you've done with Zelle and prevent these stablecoin companies like Circle coming in and offering a more convenient solution to your customers?

James Dimon

That's a great question. And we'll leave the remain as a question.

Steven Alexopoulos

Without an answer?

James Dimon

Well, I think you're raising a very important point about interoperability of stablecoins and deposits and movement of money, and what problem you're trying to solve, but you're raising a great points. You can assume we're thinking about all of that.

Operator

Next, we will go to the line of Ebrahim Poonawala from Bank of America Merrill Lynch.

Ebrahim Poonawala

This almost sounds like a fintech and AI call. But maybe just switching gears, I think, Jamie, your comments in the press release, give us a sense like when we think about middle market businesses in the U.S., what's the state of play there? When we think about interest rates, tariffs, consumer spending slowing, should we be concerned in terms of credit quality outlook looking out 6, 9, 12 months? Just what's your take based on all the data that we all look at?

James Dimon

You can ask the thing about the data, but very important, we love the middle market business. It drives a lot of business. We've built, I think 500 bank of the innovation economy, which is kind of new to us. I think of what Silicon Valley Bank used to do and things like that. We still have a huge addressable market in the middle market business. We provide not just lending, and that could be leveraged lending, direct lending, but payment services, custody services, asset management services, FX services. So we're going to grow that business, regardless of what we predict the environment is going to be in the next 6 to 9 months.

Ebrahim Poonawala

Got it. And I guess just as a follow-on -- go ahead, Jeremy.

Jeremy Barnum

No, go ahead, ask your follow-up.

Ebrahim Poonawala

And I was just wondering in terms of your sense of just the state of play, the health of the balance sheets of these customers. And also if you can expand that into the consumer, any areas of stress from a credit quality perspective that you're beginning to get more concerned today versus 3 or 6 months ago?

Jeremy Barnum

Yes, right. Okay. Because that's what I was going to try to clarify. I just wasn't sure if you were doing consumer wholesale or both. So let's do consumer quickly. I think -- we talk about this every quarter. It's obviously a very important question. We look at it very closely. It obviously matters a lot for us as a company. But we continue to struggle to see signs of weakness. We just -- the consumer basically seems to be fine. Now a few things are true. Like if you look at indicators of stress, not surprisingly, you see a little bit more stress in the lower income bands than you see in the higher income bands. But that's always true. That's pretty much definitionally true. And nothing there is out of line with our expectations. Our delinquency rates are also in line with expectations. You saw that we kept our net charge-off guidance unchanged. So all that looks kind of fine. And to be honest, as we've said before, fundamentally, while there are nuances around the edges, consumer credit is primarily about labor markets. And in a world with 4.1% unemployment rate, it's just going to be hard, especially in our portfolio to see a lot of weakness. Now it is true that if you look at, not our data, but the government's data, I think I was looking at this the other day, like first half real consumer spending of this year versus second half of last year is down. Now it's still positive, it's still growing, but it's down. So it's kind of consistent with the sort of soft landing narrative, which is also consistent with the sort of the GDP outlook that our economists are publishing. Our own data looked sort of in nominal terms on a cohort basis, actually shows spending up a little bit over the same period. So it's kind of the same narrative of things being fine with different signals pointing in slightly different directions, but nothing particularly concerning.

Ebrahim Poonawala

That was helpful. And would you say the same about commercial?

Jeremy Barnum

I mean, basically, yes, you see some idiosyncratic things here and there. And on the point of tariffs, I guess, obviously, you recall the slide that we did at Investor Day, kind of highlighting that different sectors are going to have different experiences as a function of their margins, their sensitivity to input cost, their amount of pricing power, their amount of leverage, and where the rules actually land. But people are obviously getting some time to adjust, and we're watching it very closely. So we'll see.

Operator

Our next question comes from John McDonald with Truist Securities.

John McDonald

Jeremy, a quick follow-up on the consumer credit, broader comments taken there. But in terms of the NPAs, the nonaccruals in consumers seem to have a bit of a jump. Is there something technical there? Maybe just talk to that.

Jeremy Barnum

Yes. Thanks for that, John. I'm glad to get a chance to clarify this. There is something technical, which has to do with customers in the -- Home Lending customers in the L.A. area, using our forbearance availability as a result of the wildfires. So that is resulting in an uptick in the nonperforming. But when you think about land value, and the insurance there, the actual loss expectation is de minimis, I would say. So...

James Dimon

We always do that for customers when they have really difficult time.

Jeremy Barnum

Exactly. So that's what's driving that one.

John McDonald

Okay. Great. And I wanted to ask for some more color on retail deposits. Maybe in the context of Marianne's presentation from Investor Day. Could you remind us of what's given you incremental confidence in seeing some improvement in deposit margin and kind of producing that mid- to upper single-digit deposit growth that Marianne talked about?

Jeremy Barnum

Yes, sure. So I think what you're referring to is a slide where Marianne talked about kind of the potential for 6% consumer deposit growth next year. And that's a nice number. And as you've written, that would produce some nice revenue consequences, all else being equal. The way I think about that number is to kind of build it up step by step. So you start with, in general, the consumer deposit base in the system has grown probably slightly above nominal GDP. I think that's been true for us recently is that as a result of our market position and our pricing choices, we've probably lost a little bit of share during the rate hiking cycle sort of in isolation from yield-seeking flows. With the yield-seeking flows having abated a little bit, that relative headwind is kind of behind us, or increasingly behind us. And you've got some core growth reasserting itself. You saw us call out the growth in net new accounts in Consumer checking this quarter, and that's one of the key drivers. And then as you know well, when you look at the franchise, we kind of have: number one, ongoing expansion; number two, seasoning of the old expansion; and number three, deepening in the core markets. So when you put all that together and you look at sort of the history of the growth macro environment, et cetera, that's how you get to that type of 6% number. Now obviously, things could change quite dramatically to produce a different number, among other things. You'll recall that Marianne's slide also talked about a stress scenario with lower rates, which perhaps somewhat non-intuitively would produce actually higher growth as a result of even less yield-seeking flow and a higher consumer savings rate. But the flip side of that is also true, which is an unexpectedly high rate environment would probably lead to lower balance growth, all else equal in consumer. So we'd like to say, those are all else being equal type numbers, but all else is never equal.

Operator

Next, we will go to the line of Mike Mayo with Wells Fargo.

Michael Mayo

Jeremy, can you talk about why commercial loan growth was much stronger in the second quarter and any strength by geography? And Jamie, can you address what regulators could do to potentially have banks lend more in the future, consistent with what the Treasury Secretary said is his goal.

Jeremy Barnum

Yes. Thanks, Mike. So on loan growth, as you know, it's useful to sort of break this down between what I would think of as like relationship lending that kind of drives the whole franchise, and that we sometimes look at maybe as an indicator of the health of the Corporate sector in some sense, and people like to look at it as a read across for the smaller banks, et cetera. That part of the franchise remains fine, but sort of muted as customers have access to capital markets and revolver utilization is sort of flattish in general. But as I noted, I think previously, and as you see coming through the IBP performance, there was just quite a bit of deal activity in the second half of the quarter, a lot of which is well known and public. And some of that is on our balance sheet, and we're very happy to have it there.

James Dimon

And to answer your other question, Mike. So some of the -- I'm going to give you some things that you can actually do. So I think you should do them and reduce risk in the system. I'm only going to talk about how they increase lending for a second. So G-SIFI inhibits, if you look at it, both a little bit of lending and a little bit of market making. LCR inhibits both because it's a very rigid way of looking at the bank balance sheet. It doesn't really give you credit for potential access to window and things like that. CCAR in some cases inhibits, people -- we talk about CCAR-ness, but there's a lot of CCAR-ness from small business loans and stuff like that, where people kind of hold that back a little bit because it creates too much volatility. And CCAR capital, the FSRT, the fundamental book. And when you look at all these things, I think you can create more lending, more liquidity, more flexibility and reduce the risk in the system. And also just CET, just capital usage, et cetera. So -- and reducing the risk in the system. I think we also make it friendlier for community banks, which we do want to do. And so if you look at like total loan to deposits, they used to be 100%, they're now 70%, okay? And that's a huge difference that took place over 10 or 15 years. And can you get that back to 85% and have the banking system be just safe and sound? Absolutely.

Michael Mayo

You didn't mention the cost to make a loan. Is there a potential for streamlining there?

James Dimon

Yes, and I'd put securitization in that category. We need a more active securitization market and all these things can reduce the actual cost of making loan. I pointed out in the past that mortgages probably cost 30 or 40 or 50 basis points more because of excessive securitization, origination and servicing requirements. Those could be changed and would dramatically help mortgages, particularly for low-income individuals. And we've just have failed to do it for 10 years, and it wouldn't create any additional risk. And we can show you data that shows that.

Michael Mayo

And last one, when you say inorganic growth, would you buy a private credit firm? Is that something you can at least consider?

James Dimon

I would say it's not high on my list because we can do it ourselves and buying people and comp plans. And I also think you may have seen peak private credit a little bit. I don't know that. But we already do it. So if it was the right people at the right price, then I'm sure we should look at it. I think, Mike, you should always be open-minded when people come to you with something you hadn't thought about before. And you just get smarter by looking at these things.

Michael Mayo

Actually, I can't leave on that comment...

Jeremy Barnum

[indiscernible]

James Dimon

What?

Michael Mayo

Peak private credit, I can't leave on those three words.

James Dimon

Well, I've mentioned that credit spreads are very low. It's grown dramatically over time, and you have to pay up a lot for it. And I'm not saying it's not going to grow some more, but I just -- I would have a slight reluctance depending on who it was. But you might -- your bankers might come to us with something tomorrow that we just hadn't thought about that is a complete natural fit for us, natural fit being product and people and culture.

Michael Mayo

Sorry, Jeremy?

Jeremy Barnum

No, I was literally going to say what Jamie just said, so we're good.

Operator

Next, we will go to the line of Erika Najarian with UBS.

L. Erika Penala

Jamie and Jeremy, you've talked about simplifying the regulatory construct. And it seems like based on the progress so far, we'll mostly get there, particularly with Basel III endgame and G-SIB, which impacts you so much. And to that end, if we do get a more simplified regulatory construct that addresses both the capital and liquidity constraints, does that move up JPMorgan's natural ROTCE? You talked about 17% through the cycle a lot. Obviously, perhaps we would optimize the denominator. Why wouldn't that be additive to your natural ROTCE? Or does this get passed back on to your clients in terms of pricing?

James Dimon

In a competitive world, it is irrational to thing that -- and when it applies to all the competitors that everyone is just going to make a lot more money to keep it as opposed to compete in the marketplace. Hopefully, we'll still have a good competitive position relative to everybody else. But no, I don't think you should automatically say it's going to increase your returns. Remember, Jeff Bezos says, your margin is my opportunity. That would be a huge opportunity for fintech, private credit, alternative players, et cetera. So you have to be a little careful to think that would happen. I think it's a good thing for the system, though.

Jeremy Barnum

Exactly. And as we always said, Erika, right, like the market is very competitive, and the returns are high. And you know this, but I would just refer you to the slide that I delivered at Investor Day about how in some cases, it makes all else equal, compared to buying back shares at these prices, doing healthy, well-underwritten, compelling franchise business with a 14% return, we're definitely supposed to do that actually. And if we do a lot of that, it will dilute down the weighted average ROTCE of the company in ways that are nonetheless clearly accretive to shareholders. So...

James Dimon

And Jeremy showed you a little thing about business units that earn high returns to low returns. Now they should do a low return ones because they fit hand in glove with other stuff, if you didn't do, you might lose the other. But there are some businesses out there with very high returns. That we just -- we deploy capital by adding bankers or branches, or products, not directly by deploying capital. So just think of branches, that does our private bank or things like that.

L. Erika Penala

Yes, for sure. And I think that's a big discussion point with investors in terms of talking about actually the EPS gains rather than just ROTCE improvement. And the second question I had is you mentioned, and clearly, we saw it in the numbers, a late in the quarter pickup in activity levels. And I'm wondering as we think about sentiment and what this means for the second half, is it -- does activity levels pick up because it felt like we were taking extreme outcomes from tariff policy off the table? Is it the tax bill certainty? I guess I'm just wondering, has some of the issues that prevented activity levels, or really stunted it in April and early May, have those fully been taken out of your clients thinking as we think about the second half of the year and activity levels continuing from here?

James Dimon

Jeremy, you might want to -- I'll just answer your question by saying, honestly, we don't know. And you've seen how rapidly pipelines can grow and shrink. And so that lesson we've learned over and over, it may stay wide open for 1.5 years. Something may happen geopolitically that all of a sudden that pipeline slows a little bit. And so I'm always a little cautious to guess what that's going to be. But if it continues this way, yes, you're going to have really active markets.

Jeremy Barnum

Yes. And my version of that, Erika, I would be to say that you talked about certain of the tail risk getting taken completely off the table, and that's clearly not true, right? All the tail risks are all still there quite prominently. And in many cases, in the daily news flow, maybe at the margin, the tails are a little bit less fat right now. I think it's also true that in terms of our -- what the things that we've said about our Investment Banking pipeline have been consistently quite cautious. And at a certain point, when you have the type of outperformance that you have this quarter, starts to make your cautiousness, seem less credible. So we wanted to take a hard look at ourselves and say, what do we really think. And it's like, yes, the sentiment is better. But as Jamie says, like that can change overnight, and there are a lot of risks.

James Dimon

I do think that extending the tax bill for business to know what their taxes are going to be is a positive going forward. And that does reduce the risk that the bill didn't get done. I also think when it comes to tariffs, I think the initial Liberation Day, now there's more talk as more things getting done, a couple have been announced, a couple have been delayed, that reduces that risk a little bit. And hopefully, they'll get done. So there's still risk out there, but I am hopeful that some of these frameworks are completed soon, at least before August 1.

Operator

Next, we will go to the line of Jim Mitchell with Seaport Global Securities.

James Mitchell

Maybe just on, Jeremy, if I look at your 10-Q and 10-K rate sensitivity disclosures, it looks like you guys have done a lot to reduce your asset sensitivity to the short end of the curve. So can you talk about what you've been doing to change the positioning of the balance sheet, whether extending duration or hedges? And is there more you can do to desensitize the balance sheet before rate cuts begin to kick in as, I guess, the markets expect later this year?

James Dimon

Before he goes on, look, what the market expects almost never happens.

James Mitchell

Fair enough.

Jeremy Barnum

All right. So it's a good question, Jim. But yes, as Jamie points out, just remember that to the extent that the market is sufficient, which maybe it's not, but you can't really hedge ahead of cuts that are already priced in, right? So that's what I'm saying out loud. But I mean you can decrease volatility, but it's just a question of now or later. But having said that, on the question of decreasing volatility, we did, in fact, add some duration this quarter with the usual mix of instruments and strategies, but primarily in the front end of the yield curve, which was designed to essentially balance out the tails a little bit so that we were a little bit less exposed to a classic recessionary type scenario with much lower rates in exchange for accepting a little bit less good outcomes in like higher rate scenarios, at least narrowly through the lens of NII. As we've talked about a little bit over time, though, I like the way you framed it in terms of like having the capacity. And I think the way to think about it there is that in general, it's almost impossible to get your assets -- for a bank like us, it's almost impossible to get your asset sensitivity, your actual asset sensitivity down to 0, because you wind up constrained by other things. So we're in the corridor, and we're okay with where we are right now.

James Mitchell

Okay. And maybe just one more on the regulatory front. I think regulators looked at reducing the SLR as a way to encourage banks, or open up an avenue to expand your balance sheet into lower-risk assets. Do you see that -- is it really just a supply issue? Or how do you think about the demand/supply dynamic? And is there really opportunities for you to grow? I would imagine, I guess, with an SLR not being constrained, maybe it's better return in lower-margin areas? Just your thoughts.

Jeremy Barnum

Yes. It's a good question. You may recall, I actually got a version of this question at Investor Day, so I'll more or less repeat my answer here, which is that as we know, fixing SLR has been on the list for a long time. It behaved very much not the way it was designed in the moment of big QE when it became binding and it had bad impacts on the system. It's the opposite of what we want from these backstop measures. And so we don't want regulators to need to make unusual corrections amid crises. It's just not the right way to run the railroad. I think everyone has agreed on that for a long time. And in that context, it's been sort of disappointing that something as obvious as this has taken as long as this to get fixed. But it's a good sign that it's now out there, and we certainly support the proposal. There are some nuances that comment have been requested, but at a high level, it's a good proposal. It's the right thing to do. And it's the right thing to do from the perspective of the resilience of the system for the next time that we've got that type of expansion in the size of the system that could make it binding in the wrong way for the wrong reasons. But yes, as you noted, and as we've said, we're not really bound by it. I think other actors in the market may be a little bit more bound by it. There are also some nuances about impact on portfolio activity, which I would expect to be very small, versus impact on low-risk intermediation in the market-making businesses, which is maybe where you would hope to see the effect. So it's a good thing. Hopefully, it will help. Obviously, it's pretty fully priced in at this point. So I don't think you're going to see a big pop one way or the other as a function of it's eventually being finalized because I think everyone is assuming it will go in roughly in its current form.

James Dimon

And I'm like a broken record. It's not SLR, it's LCR, it's G-SIFI, it's CCAR, it's Basel IV, the gold-plating. You really got to step back and look at all of them, and how you use the discount window, et cetera. And even how you measure liquidity, which is different in one measure than it is in resolution recovery. They should look at all of that. If they really want to fix the system.

Operator

Next, we will go to the line of Ken Udsen (sic) [Ken Usdin] from Autonomous.

Kenneth Usdin

First question is I just wanted to ask you about the recent Sapphire price changes and just what you're seeing in terms of initial response, and just how that fits in strategically with the competitive landscape on Card and your growth opportunity?

Jeremy Barnum

Yes, sure. So let me dispense with the question on how it's going...

James Dimon

So far.

Jeremy Barnum

Going fine. We're happy. In terms of strategic aspects of this and the competitive landscape, I think the way we think about this is as a normal course refresh of one of our important products in the way that all of our products get refreshed periodically. Obviously, this is a relatively high-profile product. Many of us have the Card. We see the ads everywhere. So it sort of punches above its weight in that respect in terms of visibility. In terms of the competitive landscape, I think the thing that we feel really great about is the dramatic increase in the customer value proposition associated with the Card. And in particular, one of the things that we look at is the ratio of the customer value to the annual fee, which is clearly market leading at this point. So...

James Dimon

I've got a lot of comments that people -- from friends and my kids and stuff like that, that "Man, you're going to raise the Card, but you have to keep it for the LaGuardia lounge.

Jeremy Barnum

And then some, there's a lot of value added...

James Dimon

Stuff, yes, exactly.

Jeremy Barnum

Yes. Yes. So yes, and obviously, I mean, we're not going to talk too much about competitors. But as you know, the Card space is very competitive and very dynamic. So this is -- we exist in a competitive landscape, and this is our best foot forward on this product at this moment in time.

Kenneth Usdin

Got it. It is a quite nice lounge. On the trading side, I'm just wondering how much the strong results this quarter, the quarter changed a lot from April to June. And I'm just wondering how much do you think that was environmental? Has it calmed down at all? And also how much is just your ability to kind of use the balance sheet to boost results also, could that make it more sustainable regardless of what the environment is doing?

Jeremy Barnum

It's a good question. Honestly, I think it's kind of all of the above, basically. No question that the tone shifted. Obviously, it shifted in Investment Banking. I think I personally was a little bit surprised by the resilience of the Markets revenues in the second half of the quarter because I was sort of expecting a little bit of an offset between the two.

James Dimon

I was not surprised.

Jeremy Barnum

Okay, there you have it. But it's not like I thought it would do badly, but it sort of did quite well in the volatility in the first half of the quarter and then it got quiet. But despite that, we still did nicely. And I think the point actually, sort of to your question is that, yes, we are seeing opportunities to deploy capital and other resources. And yes, maybe at the margin, that does contribute a little bit to durability. We've talked over time about the Markets revenues and the dramatic increase. I mean, obviously, 2019 is a long time ago at this point, and we expect those revenues to grow with GDP anyway. But we worried a lot in certain moments about the revenues dropping back to some old run rate. And then we kind of stopped worrying about that. And now of course, they've gone up to new highs, so maybe we should be worried again. But the thing I'd like to remind myself of to your point, is that while the revenues have gone up a lot, the resource usage has also gone up a lot. So we are deploying a lot of capital and all the resources in this business, and we're earning good returns on it. But the revenue growth is not coming for free. So it's us running the place, basically.

Operator

Next, we will go to the line of Matt O'Connor with Deutsche Bank.

Matthew O'Connor

Some regional banks have pointed to...

Jeremy Barnum

Matt, you've got some major static on the line. I don't know if we're going to be able to hear you. Just give it a shot.

Matthew O'Connor

Can you hear me better now?

Jeremy Barnum

Not really, but let's try.

Matthew O'Connor

I just wanted to ask about any pressure from Commercial and Corporate customers to try to offset the tariff impact from regional banks have pointed to deposit pricing pressure on the commercial side, and if you're seeing any signs of that or more broadly speaking?

Jeremy Barnum

I think if I heard the question correctly, you were asking...

James Dimon

What's the tariff pressure with pressure on loans or debt. The answer is no.

Jeremy Barnum

The answer is no. Yes. I wish we could say more about it, but we think the answer is no.

James Dimon

No, I mean. There's always pressure in some of those.

Jeremy Barnum

It's a competitive market, right? There is ongoing -- our deposits are very, very competitive and there are always pricing conversations as there should be. Hard to know in any given moment what's driving it, but I haven't heard anything to support a tariff-linked narrative.

Operator

Next, we will go to the line of Glenn Schorr with Evercore.

Glenn Schorr

Just two quick follow-ups. On the conversation about the noticeably upbeat robust pipelines. I know we've been here before and markets can give us and take it away. But there is a time value in there, meaning corporates, and more importantly sponsors, need to get stuff done. There is a ton of dry powder. So I'm curious if that -- if there's a higher level of confidence, meaning if the market doesn't take from us, is it really happening this time? We've been kind of waiting for these pipelines to come through in fuller force for a couple of years now. Does it -- is it feel more doable as long as the market doesn't take the rug out from under us?

James Dimon

I think it separate sponsor-owned companies from IPOs. There are companies going public. They're in the pipeline. They want to go public, et cetera. Sponsors are still, at least from what I can tell, anecdotally still reluctant to use the public markets. There may obviously be maybe more of it, but it hasn't been a mount of stuff coming out.

Jeremy Barnum

Yes. I think that's right in the IPO space, at least for now. But I have heard some things to support some elements of your narrative, Glenn, to the effect of that there is pressure to kind of recycle capital and get things done. And yes, sure, after the initial shock of the tariff policy changes, everyone kind of went on hold. But as we've noted in our comments a few times today, at a certain moment, you just have to move on with life. And it does feel like some of that is happening just because you can't delay forever.

Glenn Schorr

I hear you. The follow-up on the capital conversation. Obviously, impressive to see big returns on even higher capital basis. But there's more to come. And I think trend is your friend on D Reg. So the question is, you keep making a lot of money, your capital base keeps rising. You've talked about arresting the growth of CET1 in the past. But I guess my blunt question is, is there any valuation limitation towards that arresting of CET1?

Jeremy Barnum

Okay. I want to say a couple of things, and then I want to clarify an aspect of your question, Glenn. So first, on arresting the growth, what I actually said, not to nitpick on you, but I said arresting the growth of excess capital, which I agree is reasonable to interpret as keeping a roughly constant CET1. As it happens this quarter, you see the CET1 actually dropping about 40 basis points, and that was in no small part a function of significant late quarter growth in RWA usage, which we were frankly like very happy to see, in fact. So that's all to the good in some sense. Now the other part of your question, can you just repeat it? I want to make sure I understand it.

Glenn Schorr

I'm just curious if there's a valuation limitation the thinking? Meaning as valuation goes up, are you just going to -- do you keep buying back stock...

Jeremy Barnum

So meaning would we go back to a moment of reducing buybacks and starting to build again if the stock gets even more expensive? I mean, I think that's the question for the boss. But I don't know, I guess we always reserve the right to do whatever we want on buybacks basically.

James Dimon

Reserve the right. We're not going to tell you. But obviously, the stock pricing -- I mean I don't like buying back the stock at almost 3x tangible book. No one is going to convince me that's a brilliant thing to do, but it is wise to use our balance sheet for customers, which we're doing. And we can maybe possibly do more. And it is probably wise to not increase the excess capital anymore since we have plenty, and it's going to be going up. But look, I'm completely convinced if you take out of your mindset 12 months. We will use the capital wisely for shareholders. And the best way is organic growth, which I wouldn't rule out that we can find more ways to grow clients, basically.

Operator

Our next question comes from Gerard Cassidy with RBC Capital Markets.

Gerard Cassidy

I'd like to circle back to the return on tangible common equity topic that you guys have discussed. Obviously, you had a very strong number this quarter, 20% when you adjusted for the onetime effect. And you go back to your Investor Day and you pointed out 17% is what the targeted level is. And if you turn back the clock and go back to 2020, you had the same 17% goal for the ROTCE, but your CET1 ratio back then was guidance -- guidance was 11.5% to 12%. So my question is, has the business for you folks changed so much that now it's just inherently a more profitable business?

James Dimon

Jeremy, you can answer this one. I just might add really be an important point. The value to shareholders is that we cannot just earn 17% ROTCE is that we can reinvest money at 17% ROTCE. That's the value. If you're just going to earn 17% you're a bond, then you will trade at 3x tangible book, but that's it for the rest of your life. And so the goal is to find opportunities to grow and expand your franchise, which we are doing. If you look at it, we are doing that with branches and bankers internationally. And when we look at the mid-cap business we're doing in Europe is it's been great. Innovation economy has been great. We're gaining shares in a lot of places, Chase Wealth Management and the Private Bank, the international -- payment systems, we're investing in all those things to grow our franchises, and that's the best way to use your capital. And forget the timetable of that is the best way to use it.

Jeremy Barnum

Yes. And Gerard, I guess, on your other question, it's an interesting question. I don't think the answer is really knowable. And I feel like it's kind of all of the above. And let me say what I mean. Like on the one hand, I think if you look at the current market environment, it's hard to imagine a set of conditions that would be any better for us, right? Rates are at a good level for us. Deal activity is high. Capital markets are very strong. Consumer credit is excellent. Wholesale credit is excellent. Wealth Management, Asset Management. I mean essentially every part of the company is firing. We're essentially firing on all cylinders with some very minor exceptions of certain businesses that are extremely rate sensitive, like Home Lending, where they're still doing a great job in what is a very tough market. So when you see that, you're like, well, that's not normal. Normally, you would have some pockets doing a little better, some pockets doing a little worse. And that's part of what makes you think that some aspects of this are maybe not sustainable. On the other hand, it's also true that core elements of the strategy are working very well. And we've been investing for a long time very successfully and kind of leaning in even in moments where from the outside, there wasn't that much appetite for us to be investing in all of the things that Jamie is talking about. Some of those investments in various ways are paying off. So...

James Dimon

You have all of our major bank competitors are back, rolling and expanding. Then you have the fintech folks, who are quite capable and quite smart, who you don't want to take big chunks of your business. Everything we do is kind of competitive around the world. So the notion is that somehow we're not going to deal with tough competitors, right, which protects JPMorgan Chase, if we don't get complacent, we don't get arrogant, we don't get bureaucratic. And we keep on realizing -- you keep on finding that you got to have to fight for it every day. And so we're quite cautious to just declare victory, like somehow we're entitled to these returns forever. I also pointed out, if you could compound at 17%, because I had Jeremy do this number one point, if you compounded at 17% for 20 years, you probably would have a good chunk of the GDP of the United States of America -- for 40 years maybe.

Jeremy Barnum

Yes. I always have to go put new batteries in my HP 12c, when you ask me that question. All right. Yes...

Gerard Cassidy

Jeremy, I'm glad you're still using HP 12c. That's good. Just as a follow-up...

James Dimon

He just uses his big brain. He doesn't need the 12c.

Jeremy Barnum

[indiscernible]

Gerard Cassidy

As a quick follow-up, Jeremy, you touched on...

James Dimon

[indiscernible] 40, but it's not true because we not do that.

Gerard Cassidy

Just as a quick follow-up, Jeremy. In the Markets comment that you made, you said that there were fewer opportunities in Securitized Products and Fixed Income Financing. Can you expand upon that or give us any color there?

Jeremy Barnum

Yes, sure. I mean it's just normal diversification inside the Markets business. Those businesses are doing great. But like at the margin, in the second half of the quarter, well, stuff was a little quieter relative emerging markets and the macro space, which was a little bit better. But nothing too dramatic.

Operator

Our next question comes from Saul Martinez with HSBC.

Saul Martinez

Just one for me, I just want to follow up on Ken's question about sales and trading. And I think you kind of addressed this, Jeremy. But I just -- you had another strong quarter there on the back of a pretty exceptional Q1 on the back of really strong 2024. I mean how are you thinking about how much of this is the result of an exceptional trading environment versus something that's more durable? And presumably less volatility, good for Investment Banking, but do you see -- would you see some sort of normalization in sales and trading as a result? Or do you think there's still opportunities to grow certain businesses and take share? Just curious how much -- how you think about what's exceptional versus what's more durable here?

Jeremy Barnum

Yes. I mean one thing I'll say is that there's no like weird exceptional thing happening in this particular quarter are driving the results. So it's pretty broad-based. And it's not like particularly lumpy. And as I said, I think it is true, and I think we've shared some of this in different ways including in my slide at Investor Day, that we are deploying quite a bit of capital and other resources like G-SIB capacity and liquidity in some cases, to generate that revenue. And we're happy with the returns. But it's sort of -- it's not just like growing without any inputs essentially. So I guess, on the one hand, you might say that, that's a bit more durable for that reason. But it is important to realize that it's coming with that use of resources essentially. So I mean, we've gotten over time, a little bit more relaxed about talking about the Markets business as something that has relatively uncorrelated and reasonably recurring revenues. It's obviously extremely client-centric. There's a lot of financing of various types that's being supplied. And it seems to, if anything, more often than not be countercyclical rather than procyclical. But it's still Markets, right? Things can happen. It's volatile, there's risk taking involved. That's part of the point that -- sorry to hedge the answer, but that's kind of how we think about it.

Operator

Our final question comes from Chris Kotowski with Oppenheimer.

Christoph Kotowski

Kind of an old-school bank analyst question. After a long time of kind of bemoaning slow C&I loan growth, you had this extraordinary growth this quarter, $33 billion on average and more than 6% quarter-over-quarter. But then when we look at the P&L in the Commercial & Investment Bank, net interest income is down 2% and lending income is down 4%. And I know there's hedges and other complicated things, but it just kind of doesn't compute that you'd have such strong loan growth and not have revenue growth associated with that.

Jeremy Barnum

Yes. I mean the hedges are definitely part of it. And a lot of the assets came on the balance sheet quite late in the quarter. So I don't know, I might be missing something. And there's probably some Markets NII piece of it, too. So I don't know Mikael can follow up with you, but that -- I think the loan thing is part of it, Markets NII is part of it, and late quarter -- balance sheet, and the hedges for sure.

Operator

We have no further questions.

Jeremy Barnum

Thanks very much.

James Dimon

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.