Good morning, ladies and gentlemen. Welcome to JPMorgan Chase's Second Quarter 2020 Earnings Call. This call is being recorded. Your line will be muted for the duration of the call. We will now go live to the presentation. Please stand by.

At this time, I would like to turn the call over to the JPMorgan Chase's Chairman and CEO, Jamie Dimon; and Chief Financial Officer, Jennifer Piepszak. Ms. Piepszak, please go ahead.

Jennifer Piepszak

Thank you, operator. Good morning, everyone.

I'll take you through the presentation, which as always, is available on our website, and we ask that you please refer to the disclaimer at the back.

Starting on page 1, the firm reported net income of $4.7 billion, EPS of $1.38 and record revenue of $33.8 billion with a return on tangible common equity of 9%. Included in these results are a number of significant items. First, a credit reserve build of $8.9 billion, and then approximately $700 million of gain in our bridge book and $500 million of gains in credit adjustments and other, both of which represent reversals of some of the losses we took in the first quarter.

As we continue to navigate this challenging and uncertain environment, this quarter's performance once again demonstrates the benefit of the diversification and scale of our platform. So, I'll just touch on a few highlights here.

CIB reported its highest quarterly revenue on record with IB fees up 54% and markets revenue up 79% year-on-year, each representing record performances with strength across the board.

We saw record consumer deposit growth of 20%, up over $130 billion year-on-year and firm-wide average deposits were $1.9 trillion, up about 25% year-on-year and 16% quarter-on-quarter. Average loans were up 4% year-on-year and quarter-on-quarter, largely reflecting the COVID-related loan growth that we saw in March. However, on an end-of-period basis, loans were down 4% quarter-on-quarter due to revolver pay downs as well as lower balances in Card and Home Lending, partially offset by the impact of $28 billion of PPP loans.

And lastly, we increased our CET1 ratio by approximately 90 basis points in the quarter after building approximately $9 billion of reserves and paying nearly $3 billion of common dividends.

As you'll recall, we started the second quarter on the back of unprecedented levels of business activity in March. On the following pages, I'll give you an update on some of those key activity metrics we looked at last quarter and share what we're seeing today. So with that, let's turn to page two.

Starting with wholesale on the top of the page, we saw record levels of debt and equity issuance in the quarter as clients bought to pay down the majority of the revolver draws for March and continued to shore up liquidity while market conditions were receptive, supported by extraordinary central bank actions. The surge in investment grade debt issuance seen in March continued throughout the second quarter. And as high yield markets reopened, U.S. issuance volumes increased by 90% compared to the first quarter.

In ECM as markets rebounded to pre-COVID levels, May and June together were our two busiest months for equity issuance ever, driven by converts and follow-ons.

Moving to consumer spending behavior on the bottom left. Debit and credit sales volume, while overall still down has consistently trended upward since the trough in the second week of April to down just 4% year-on-year in the last two weeks of June. T&E and restaurant spend continued to be down meaningfully but we have seen some improvement, especially on the back of higher levels of restaurant spend. The most significant improvement we saw was in retail with a strong recovery in card-present volume in the second half of the quarter, and consistently strong growth in card-not-present volume throughout the quarter.

More recently, we've seen the improvement in overall sales growth across the country flatten out, notably in both states with increasing cases and states with decreasing cases. We continued to see larger year-on-year declines in states that remain partially closed, particularly those in the Northeast and Mid-Atlantic regions.

In terms of consumers' demand for credit, we observed similar recovery trends. In auto, April saw the lowest level of loan and lease origination since the financial crisis, but activity rebounded sharply in May and June, and in fact, June ended up the best month for auto originations in our history. And in Home Lending, retail purchase applications after reaching a low in April recovered to well above pre-COVID levels in June, due to a strong and broad market recovery.

Continuing on the topic of consumer behavior, let's turn to page three for an update on what we're seeing around our customer assistance programs.

Relative to the peak levels we observed at the beginning of April, we've seen a significant decline in new requests for assistance over the quarter. To date, we have provided customer assistance for nearly 1.7 million accounts, representing $79 billion of balances across both our owned and service portfolios, and of those accounts, a large percentage, having made at least one payment while in the forbearance period, just over 50% in both Card and Home Lending. In terms of early reenrollment trends, in cards, only a small portion of our customers have completed both the initial 90-day deferral period and reached the payment date, but the majority of those customers resumed payments with less than 20% of accounts requesting additional assistance.

And then, in Home Lending, of those whose forbearance period expired in June, most have either been extended at a customer's request or auto-enrolled into new three-month forbearances with approximately 40% of the extensions still current.

And so, while we're following this data closely, it's still too early to draw any conclusions.

Now, moving on to page four for some more detail about our second quarter results. We recorded revenue of $33.8 billion, which was up $4.3 billion or 15% year-on-year. While net interest income was down approximately $600 million or 4% on lower rates, mostly offset by higher market NII and balance sheet growth, non-interest revenue was up $4.9 billion or 33%, predominantly driven by CIB markets and IB fees.

Expenses of $16.9 billion were up approximately $700 million or 4% year-on-year on revenue related expenses, partially offset by continued reduction in structural expenses. This quarter, credit costs were $10.5 billion, including a net reserve build of $8.9 billion and net charge-off of $1.6 billion.

Let's turn to page five for more detail on the reserve builds. Our net reserve build of $8.9 billion for the quarter consists of $4.6 billion in wholesale and $4.4 billion in consumer, predominantly card. The reserve increase in the first quarter was predicated on an acute but short-lived downturn with a solid recovery in the second half of the year. And while we have seen some positive momentum in the economy over recent weeks, there does continue to be significant uncertainty around the path of the recovery. At the bottom of the page, you can see our updated base case, but remember this is just one of five scenarios we use to derive our allowance for credit losses. Our build is based on the weighted outcome of these scenarios and assumes a more protracted downturn with a slower GDP recovery and an unemployment rate that remains in the double digits through the first half of 2021.

In addition to the obvious impact on consumer, its protracted downturn is expected to have a much more broad-based impact across wholesale sectors that we've seen in the first quarter. Given the increased uncertainty of the macroeconomic outlook, how customer payment behavior will play out and the future of government stimulus and its ultimate effectiveness as it relates to both, consumers and wholesale clients, we've put more meaningful weight on the downside scenario this quarter. And so therefore, we're prepared and have reserved for something worse than the base case. And given CECL covers life of loan, if our assumptions are realized, we wouldn't expect meaningful additional reserve builds going forward.

Now, moving to balance sheet and capital on page six. WE ended the quarter with the CET1 ratio of 12.4%, which is over 100 basis points above our new SCB base minimum of 11.3%. And just to touch on SLR, while our reported ratio is 6.8%, it's worth noting that we're not going to rely on temporary relief and so without that our ratio is 5.7%. As we said in late June, unless things change meaningfully, the Board intends to maintain the $0.90 dividend in the third quarter. Given the wide range of potential outcomes going forward, I'd like to spend a few minutes on why we're comfortable saying that including the value of our strong and steady earnings stream as well as how we're managing our capital through this crisis.

So, with that, let's go to page seven. It's an obvious point, but it's worth a reminder that since 2018, our average quarterly PPNR of over $13 billion has been generating over 60 basis points of new CET1 capacity per quarter, even after having made meaningful investments in our businesses. This powerful earning stream allows us to grow the franchise and serve our customers and clients when they need it most. And it provides us the capacity to absorb losses and quickly replenish capital in times of stress. While over the last two and a half years, we've paid out approximately 100% of cumulative earnings, distributing nearly $75 billion of excess capital, we're now building a significant amount of capital since we suspended our share repurchases. And we believe our capital base remains strong even in more severe scenarios, which you can see on page eight.

Standing here today, we have $34 billion of reserves and $191 billion of CET1 capital, of which $16 billion is excess over and above our regulatory buffers. Our 3.3% SCB translates to $51 billion of capital that is available to free from stress at any time. And on top of that, our 3.5% GSIB surcharge translates to another $54 billion, all that so our $69 billion regulatory minimum is never touched. And as you know, we prepare for and manage our capital to a number of scenarios, and one of them is Extreme Adverse scenario that Jamie discussed in his shareholder letter earlier this year. We've updated this analysis and it now assumes an even deeper contraction to GDP, down nearly 14% at the end of 2020, versus 4Q19 and reported unemployment ending the year at nearly 22%. Even under this scenario, we estimate that we would end the year with a CET1 ratio above 10% and we would be bound by advanced. So, our regulatory minimum would be 10.5%.

While we are not likely to voluntarily dip into any of our regulatory buffers, this scenario would require us to do so, but notably only to a small extent. It's also worth noting that based on the limited information provided from the Fed about their U and W scenarios, we believe that our Extreme Adverse scenario simulates an even worse path for the economy over the next 12-months. And even if we get this wrong and our losses are twice as high, we still wouldn't use the entire SCB.

Jamie Dimon

This is Jamie. I'd just like to amply a couple of these points. So, we are showing this example, obviously it's predicated on a lot of assumptions, which we're not going to give you a lot of detail on, just simply to show that we could bear another $20 billion of loan loss reserves. That $20 billion brings us to an Extreme Adverse, which roughly may equate to U or W of the Fed, and we're going to do a lot more analysis on that because obviously we need to prepare for that.

We dip into advanced CET1, that's because we're taking no actions. So, I've always told you that advanced capital is very pro-cyclical. So, as things get downgraded, your RWA goes way up. The capital base doesn't change that much, but the RWA goes way up. And there'd be lots of actions we would take that we could avoid that from taking place whatsoever.

The other thing I want to point out is this Extreme Adverse probably can't happen in one quarter. It will happen in several quarters. Because we really know kind of what July looks like and August and stuff like that. So, even if the economy starts to head there, it will take us a couple of quarters before you make the determination that that has a 100% possibility. Remember, this is saying, we now believe it's 100%. Of course, things can be worse by the way, but we're just trying to show you that how much capital the Company does have. And the dividend -- now I'm going to be -- it sounds like I'm going to contradict myself. I am not. Okay? Today, we have all that PPNR, all of that earnings, all the things. So, it'd be kind of foolish to get the future of Extreme Adverse and cut your dividend. Because we can easily get through very, very tough times and never cut the dividend. However, if you enter something like Extreme Adverse, all of a sudden, you have new scenarios which are even worse. You don't know. So, at one point, the Board will consider cutting the dividend because it will basically get even worse in Extreme Adverse and we want to be able to handle anything out there. The primary concern of the Company is to serve our clients, serve our community through thick and think, and no one should ever worry about JPMorgan Chase. So, there's no intent to do it. But if things get really bad, I mean, we use the word materially and significantly, that’s something we should look at.

The other thing, by the way is these loan losses are our best estimate of loan losses and not the CCAR type of stuff. You all are doing estimates that show DFAST and Fed adverse. We will not move that kind of money on credit. Okay? And on the next page, Jen’s going to explain some stuff. I'm going to make a few slight additional comments. I also want you to -- she said that we're not going to use temporary buffers. I think, the temporary is a funny thing to go into a crisis that you could use it for a while but disappears on March 1st or February 1s. So, my view is, we shouldn't rely on anything like that.

Jennifer Piepszak

And I’ll just add Jamie to the point on advanced RWA. If you look on the slide and you can see we traveled from 13.1% to 10.4%. About half of that is just the RWA increasing and the other half is the [indiscernible].

So, anyway, as Jamie said, moving on to page nine. All of this is against the backdrop of a capital framework that still has opportunity for recalibration. So, while we talked about this for years, it has perhaps never been more important.

I'll start with CCAR and Jamie just made this point. But, it is not predictive of what we actually think would happen. And the best example of this might be the global market shock. It is a significant portion of the SCB, and we've obviously experienced a very different result here in the first half of 2020. So, we continue to believe that there are opportunities to rationalize the overall capital framework, including the points we've repeatedly made about GSIB. These changes will foster a higher pace of economic growth over time without compromising financial stability.

Jamie Dimon

Yes. Again, I just want to emphasize couple of things here. So, look, the point of CCAR was that banks can handle extreme stress and if everything goes wrong. CCAR itself is not a predictive forecast of what your results might be. So, all the CCAR tests roughly equate to global financial crisis and all the CCAR tests always have us losing somewhere between $25 billion and $30 billion over the ensuing nine quarters. But, in ensuing nine quarters at the Lehman, we made $30 billion. We never lost money in a quarter. We take action, we diversify, we've got to have streams of earnings. And we're not against CCAR, because that's protecting you from the worst of the worst of the worst. But that's not necessarily predictive.

The global market shock, which I think they have $25 billion in counterparty losses. Again, just to be instructive of that, in ‘08 and ‘09, you had Fannie Mae go bankrupt, Freddie Mac go bankrupt, you had Bear Stearns effectively, you had Lehman Bros. effectively, you had AIG effectively, you had tons of financial institutions in Europe, tons of counterparty failures and our trading results in the worst two quarters combined was a loss of $4 billion, not $25 billion. And of course, it was quickly made back because as we pointed out, when things get bad in trading, spreads gap out, and then all of a sudden you're making more money trading because you -- and you have recoveries in position. So, the stress capital buffer of 3.3% is not indicative of what we would lose. And so, -- and I hope over time, we could drive that down by taking real actions to a number close to 2.5%.

GSIB itself, I pointed out before, I'm not against the concept of big banks and the more capital. But GSIB is -- it's not the same CCAR. CCAR includes your diversification, your strength, your earnings, your PPNR, and things like that, GSIB does not. It’s just a measure of size multiplied over and over and over. It doesn't include diversification. It doesn't include margins. It doesn't include actions. It doesn't include -- it's just really not representative of all, but I would say is risk of a company or something like that. And so, we have enough capital to handle a lot of stuff, which is we've always run the Company that way, so that we can handle at adverse times because in my short lifetime, I've seen crises over and over and over and over. We're not predicting them. We're just prepared for them. So, I stop there.

Jennifer Piepszak

Okay. Thank you. All right. So, let's go onto the businesses. So, we'll start on page 10 with Consumer & Community Banking. So, CCB reported a net loss of $176 million, including reserved builds of $4.6 billion. Revenue of $12.2 billion was down 9% year-on-year, driven by deposit margin compression, lower transaction activity, and customer relief, partially offset by strong deposit growth and Home Lending margin expansion. The deposit margin was down 108 basis points a year-on-year on a sharp decline in rates, but deposit growth was a record 20% year-on-year, up over $130 billion. We would estimate that approximately 50% of that growth is COVID-related due to government stimulus for consumers and small businesses, lower consumer spending and tax payment delays.

Mobile users were up 10% year-on-year. And since the start of the pandemic, we’ve seen increased levels of digital engagement. For example, quick deposit enrollment is up 2 times pre-COVID levels.

As I noted earlier for consumer lending, the overall activity for the quarter reflected an environment that continued to evolve. Auto loan and lease originations were down 9% year-on-year due to the exit of the Mazda partnership. Excluding this impact, auto originations for up mid-single-digits. And while the Home Lending market was favorable, Home Lending total originations were down 1% year-on-year, driven by a decline in correspondent volume substantially offset by an increase in retail volume.

Total CCB loans were down 7% year-on-year, driven by Home Lending down 14% due to prior loan sales and card down 7% and lower spend, offset by business banking up 59% due to PPP originations. Expenses of $6.6 billion we're down 3%, driven by lower travel-related benefit, structural and marketing expenses. And lastly credit costs included the $4.6 billion reserve builds I mentioned earlier and net charge-off of $1.3 billion, driven by card.

Now, turning to the Corporate & Investment Bank on page 11. CIB reported net income of $5.5 billion and an ROE of 27% on revenue of $15.4 billion. Investment Banking revenue of $3.4 billion was up 91% year-on-year, largely driven by our strong performance in capital markets, as well as the gains on our bridge book, which was primarily a function of improved market conditions.

IB fees for the quarter were an all time record, up 54% year-on-year. We maintained our number one rank and grew market share to the 9.8% for the first half of the year. In advisory, we were up 15%, driven by the closing of a few notable transactions. That underwriting fees were up 55%. We maintained our number one rank in overall wallet and we’re the leaders and the lead left across leveraged finance. In equity underwriting, fees were up 93% and we grew share by approximately 200 basis points relative to the first quarter.

With regards to outlook, we expect third quarter IB fees to be down, both sequentially and year-on-year due to the usual seasonal decline and lower M&A announcements year-to-date. And if the economy begins to stabilize, we expect capital markets to revert to normal levels. However, any sustained period of instability could result in additional demand for liquidity, and therefore increase capital markets activity.

Moving to markets, total revenue was $9.7 billion, up 79% year-on-year, an all-time record, driven by strong performance throughout the quarter, and it was only later in June that activity began to revert to more normal levels. We saw strength across products and regions for both flow training and large episodic transactions.

While strong line activity was a continuation of the first quarter theme, our market-making activity this quarter benefited from improved market liquidity, and we were able to better monetize flows.

Fixed income was up 99% year-on-year or 120%, adjusted for the gain from the IPO of Tradeweb last year, driven by very active primary and secondary markets across products, particularly in macro. Equity was up 38%, largely driven by strong client activity in equity derivatives and cash.

Looking forward, we expect the slowdown that we started to see towards the end of June, to continue. In addition, the second half of last year was very strong, making any year-on-year comparison difficult. But obviously, the environment makes forecasting markets performance even more challenging than usual. Wholesale payments revenue of $1.4 billion was down 3% year-on-year, primarily driven by our reporting reclassification and merchant services. Security services revenue of $1.1 billion was up 5% year-on-year as continued elevated volatility in the second quarter drove increased transaction volume and higher average deposit balances.

Credit adjustments and other was a gain of $510 million, as I mentioned upfront, driven by the tightening of funding spent on derivatives and was a partial reversal of the losses in the first quarter. Expenses of $6.8 billion were up 19% compared to the prior year due to revenue-related expenses. Finally, credit cost of $2 billion reflects the net reserve build I referred to earlier.

Now moving on to Commercial Banking on page 12. Commercial Banking reported a net loss of $691 million, which included reserve build of approximately $2.4 billion. Revenue of $2.4 billion was up 5% year-on-year, driven by higher deposits and loans and equity investment gain and higher investment banking revenue, largely offset by lower deposit NII. Record gross investment banking revenues of $851 million were up 44% year-on-year, due to increased bonds and equity underwriting activity. Expenses of $899 million were down 3% year-on-year, driven by lower structural expenses.

Deposits of $237 billion were up 41% year-on-year as the increase in balances from March has largely remained on our balance sheet as clients look to remain liquid in this environment.

End of period loans were up 7% year-on-year but down 4% quarter-on-quarter. C&I loans were down 7% quarter-on-quarter as revolver utilization while still elevated has declined significantly from the all-time highs in March. However, this is partially offset by the impact of PPP loans.

CRE loans were flat with generally lower originations in both commercial term lending and real estate banking. Credit costs for $2.4 billion included the reserve build mentioned earlier and $79 million of net charge-offs, roughly half of which were in oil and gas.

Now on to Asset & Wealth Management on page 13. Asset & Wealth Management reported net income of $658 million with pretax margin and ROE of 24%. Revenue of $3.6 billion for the quarter was up 1% year-on-year as growth in average deposit and loan balances along with higher brokerage activity was largely offset by deposit margin compression.

Expenses of $2.5 billion were down 3% year-on-year with lower structural as well as volume and revenue-related expenses, partially offset by continued investments in advisors.

Credit costs were $223 million, driven by the reserve builds that I mentioned earlier. For the quarter, net long-term inflows were $29 billion, positive across all channels and all regions, led by fixed income and equity. At the same time, we saw net liquidity inflows of $95 billion, making us the number one institutional money manager globally. AUM of $2.5 trillion and overall client assets of $3.4 trillion, up 15% and 12% year-on-year respectively, were driven by cumulative net inflows into liquidity and long-term products.

And finally, deposits were up 20% year-on-year on growth in interest-bearing products and loans were up 12% with strength in both wholesale and mortgage lending.

Now on to corporate on page 14. Corporate reported a net loss of $568 million. Revenue was a loss of $754 million, down $1.1 billion year-on-year, driven by lower interest income on lower rates, including the impact of faster prepays on mortgage securities. And expenses of $147 million were down $85 million year-on-year.

Now, let's turn to page 15 for the outlook. You'll see here that despite the uncertain environment, our latest full year outlook remains largely in line with our previous guidance. Based on the latest insights, we expect net interest income to be approximately $56 billion and adjusted expenses to be approximately $65 billion, which is slightly higher than expected previously, reflecting the outperformance in the second quarter, and will ultimately be an outcome of our performance in the second half of the year.

So, to wrap up, against the backdrop of an unprecedented environment, our second quarter performance highlighted the benefits of our diversification and scales and the resulting earnings power of our company. While the range of outcomes is broader than ever before, our priorities remain unchanged. We are focused on supporting our employees, customers, clients and communities around the globe, and on being good stewards of the capital entrusted to us by our shareholders.

I'd like to end by thanking all of those who continue to serve on the frontlines of this crisis and our people here at JPMorgan Chase, who have demonstrated unwavering fortitude and dedication through these times.

And with that, operator, please open the line for Q&A.

Question-and-Answer Session

Operator

Certainly. [Operator Instructions] Our first question comes from John McDonald of Autonomous.

John McDonald

Good morning, Jen and Jamie. Jen, I was wondering if you could give us some incremental color on your commercial exposures to heavily COVID impacted sectors across CRE and C&I, so thinking oil and gas, travel and retail, just to help us understand the types of areas where your incremental commercial reserve building was directed towards this quarter.

Jennifer Piepszak

Sure. So, I'll start by saying, the most impacted sectors, like the ones that you mentioned, represent about a third of our overall exposure. More than half of that is investment grade and two thirds of the non-investment grade is secured. And in terms of the second quarter downgrades, well, first I'd say, in the first quarter, when we were really looking at a deep but short-lived downturn, we were really very much focused on the most impacted sectors. And now that we're looking at a more protracted downturn, we're reserved for a much more broad-based impact across sectors. So, just to put that in context, the second quarter reserve build, about 40% of that is in the most impacted sectors versus two thirds of the builds in the first quarter, was the most impacted sectors. And then, in terms of the downgrades that we saw in the second quarter, less than a third of those were in the most impacted sectors.

John McDonald

And just for your definition of most impacted sectors, what would you be including in that?

Jennifer Piepszak

Consumer and retail, oil and gas, real estate, retail and lodging, and sub-sectors, as you think about real estate.

John McDonald

Okay. Just a quick follow-up question. You maintained the NII outlook for the year, despite a pretty big drop in net interest margin. Could you talk about the dynamics embedded in that second half outlook for NII and maybe how trading NII might play into the thinking?

Jennifer Piepszak

Yes. It's a great question. And you're spot on, which is markets help NII. So, the outperformance in markets helps NII, but can be a headwind on NIM, just given that the NIM is below the average. So, yes, it was maintaining that outlook did have something to do with the outperformance of markets. You're right.

Operator

Our next question is from Betsy Graseck from Morgan Stanley.

Betsy Graseck

Hi. Good morning. Thanks. Jennifer, just to kick off with a question, on page three, you went through a lot of detail around the forbearance that you've been given and the percentage that has been paying you at least once during the deferral period. Could you give us a sense on these different asset classes that you've outlined in your base case, what are you assuming those delinquencies end up becoming?

Jennifer Piepszak

So, I won't go into specific details, but I'll just say a couple of things, which is, it is still too early to really read a whole lot into what we're seeing. The visibility here remains low I would say given the amount of support that is out there. But, you are right that we are considering these customers to be higher risk, given that they are in forbearance program. So, we did account for that as we thought about our reserves.

Betsy Graseck

Okay. Because I'm thinking, all right, you've got the inverse of the right hand column could be construed as what should be expected to become delinquencies over time. And I'm wondering, as a follow-up question, you mentioned during the prepared remarks that if your assumptions are realized that you could be basically close to fully reserved for the cycle.

Maybe if you can give us a sense as to which assumptions you are talking about because I know you're expecting an outcome that's worse than your base. So, I was just a little confused about what I should assume your base cases and what assumptions you're pointing to that if realized, you're done on the reserving.

Jennifer Piepszak

Sure. So, first of all, there are a lot of assumptions, given as I said, the visibility is still quite low. So, assumptions around the economic outlook and I'll come back to that; assumptions around consumer payment behavior; and then assumptions around stimulus. So, going back to the economic outlook, we have five different scenarios. We did lean in more heavily to the downside scenarios, relative to what we would have otherwise done. Even the Fed has put equal weight on downside scenarios and their base case. So, we certainly thought having a conservative bias there was the prudent thing to do. And so, as you look at that slide five, that is just the base case. So, you can see there, exiting this year just under 11%. When you then look at the weighted outcome of unemployment across the five scenarios, we end up with double-digit unemployment through the first half of 2021 versus what you see on page five, there is just the base case, which shows some improvements relative to the fourth quarter getting down to just under 8% by the end of 2021.

Jamie Dimon

Betsy, as I just clarify, the base case, if you took Morgan Stanley's estimates or Mike Feroli or JP Morgan or the Fed estimates for their base case, that is basically the base case. Embedded in that are all these assumptions about that stimulus and P2P and all these are things. So, that is the base case, and we're reserved more than that. So, therefore, if the base case happens, we may be over-reserved. I hope the base case happens.

Operator

Our next question is from Jim Mitchell of Seaport.

Jim Mitchell

Maybe just a quick follow-up on the consumer and delinquencies. Obviously, you had an impact from deferral programs and delinquencies -- actually 30-day delinquencies were actually down. Can you talk to what you're seeing in the non-deferral programs? It doesn't seem like we're seeing much stress at all, even in the early stage delinquencies. What would you attribute that to? What are you seeing is your non-deferral programs?

Jennifer Piepszak

I mean, simply I would attribute it to the amount of support that is out there in the form of stimulus. And so, as I said, the visibility on what we're dealing with is very, very low, because we're not seeing right now what you would typically expect to see, given a recession. And so, the way we have to think about reserving is all about the outlook, because we're not actually seeing it today. And so, Jamie has said this many times, May and June will prove to be the easy bumps in terms of its recovery. And now we're really hitting the moment of truth, I think in the months ahead.

Jamie Dimon

Yes. And just to amplify, in the normal recession, unemployment goes up, delinquencies go up, charges go up, home prices go down. None of that's true here. Incomes go down, savings go down. Savings are up, incomes are up, home prices are up. So, you will see the effect of this recession. You're not going to see it right away because of all the stimulus and the fact, 60% or 70% of the unemployed are making more money than they were making when they were working. So, it’s just very peculiar times.

Jim Mitchell

Maybe a follow-up on DFAST. Jamie, you made comments about the market shock. We kind of went through a market shock and everyone's trading held up quite well. Do you see that changing the Fed's view over time in terms of how they think about stress losses in the trading book, or is it -- or you don’t think that's too optimistic?

Jamie Dimon

I don't expect any change. And like I said, they're not -- what they're looking at is they are making sure a bank can withstand the bad -- as if they were all the worst bank. They're not giving credit to banks for things happy and good. So I'm not against that concept. I just want to say, if it goes really bad and you do everything totally wrong, what happens to your trading or something like that? And they do the same assumptions like outflows. The outflows they have on liquidity are worse than the outflows of the worst bank in the worst crisis. But, they just want to make sure that every bank can withstand that.

Operator

Our next question is from Brian Kleinhanzl of KBW.

Brian Kleinhanzl

Sure. Thanks. Quick question on the balance sheet. I mean, obviously, there's tremendous balance sheet growth as liquidity built up in the quarter. But, how are we thinking about that on a go forward basis? Is that expected to roll off over the next couple quarters? Is that kind of persistent and expected to stick around, and you're just going to be operating with a much larger balance sheet in near term?

Jennifer Piepszak

So, I'll start with deposits. I mean, in the first quarter, it was very much a wholesale story. And we said we expected to normalize, and we have seen that. We started to see that. So, looking ahead on wholesale, I think there are puts and takes. We'll continue to see revolvers pay down, security services will likely continue to normalize. I think, tailwinds for deposits Fed balance sheet expansion will be slower but will continue. And we do think we'll continue to see organic growth.

On the consumer side, probably down from here on tax payments as well as the pickup in consumer spending. But, in both cases, I think we'll continue to see very, very strong year-on-year growth, both for wholesale and consumer in the latter part of this year.

And then, in terms of balance sheet management, I mean, we managed the balance sheet across multiple dimensions, NII, liquidity, capital and interest rate risk. And so, we have had $400 billion of deposit growth since the end of last year. And when you consider, as you know that some of that growth is likely to be transitory and deployment opportunities have been diminished, given the rate environment, we have held a decent amount of that in cash. However, we did add about $88 billion in securities here in the second quarter and on the deposit side, we've been very-disciplined on a pay rates.

Brian Kleinhanzl

So, if those deposits have grown, we should expect more to migrate from deposits on the asset side into securities? Are you looking to fund loans on those?

Jamie Dimon

As the Fed grows the balance sheet, it's going to end up in deposits. And for the most part, a lot of deposits is going to be securities. Because the loan growth usually go to recession doesn't go up that much.

Jennifer Piepszak

We should see -- as consumer spending recovers, we should see some growth in cards, which will help but will have PPP starting to pay down, and as Jamie said, loan growth, but slightly slower.

Jamie Dimon

I should point out that look at the big numbers. We have over $1 trillion between cash held at the central banks, which is close to $400 billion or $500 billion; treasuries, which is close to $700 billion; and other very liquid assets, mostly in good securities, that's $1 trillion. People look at the safety and soundness of institution like this. That is a tremendous sum of money. Some is required -- we are required to hold a lot of liquidity, but of some it just because we're investing conservatively.

Brian Kleinhanzl

Thanks.

Operator

Our next question is from Matt O'Connor of Deutsche Bank.

Matt O'Connor

Good morning. I was just wondering if you could talk a bit about the expected timing of starting to see some charge-off. Obviously there's a lot of unknowns with the stimulus and the forbearance, but what are your assumptions in terms of when charge-offs start growing up, maybe where they peak and how long they at that level?

Jennifer Piepszak

It's really difficult to know. I mean, first, we have to start seeing delinquencies. And so later this year -- but next year will be much heavier on charge-off, as you think about realizing the assumptions that we've made in the reserves. It's very -- it’s difficult to know. The good thing is CECL is life of loan. So, we feel well covered for the scenarios that we're looking at.

Matt O'Connor

And then, remind us, you are seeing some creep in the nonperforming assets. Obviously, it's off low levels, but they are starting to go up. And remind us why that's not starting to feed into net charge-offs, or if this is just a timing issue and will in the next quarter or two?

Jennifer Piepszak

Yes. When you look at that non-accrual increase in wholesale, half of that is one client. So, it's really -- I wouldn't draw any conclusions from that. And as you say, it's creeping up off a very low level. So again, we still aren't seeing what you would expect to see in terms of recessionary indicators.

Operator

Our next question is from Mike Mayo of Wells Fargo.

Mike Mayo

Hi. Just more on the reserve question. So, if the Fed's base case is achieved, then you are over reserved. If your base case assumptions....

Jamie Dimon

We hope we're over-reserved…

Mike Mayo

And if your base case assumptions, which are more conservative, are realized, then okay, you're done with the reserve building. And if it's worse, then you'll have to add more reserves. But since the end of the quarter, we're seeing an increase in COVID cases in Florida and Texas and California and elsewhere. And isn't there a link between increasing COVID cases with deaths with economic activity, or how do you think about that? And I'm staring at slide two, and I can't get my eyes off that debit and credit card sales volume. And it seems like it's flattening off here in June. So, since the end of the quarter, A, if you were to kind of mark-to-market your thinking as of this second with what's happening, do you feel better, worse or the same versus the end of the quarter, as it relates to your assumptions?

Jamie Dimon

We feel exactly the same today that we did at the end of the quarter that's sort of mark to market. And Mike, we are very clear. We cannot forecast the future. We don't know. We're also very clear that -- I know at least I think you're going to have a much murkier economic environment going forward than you had in May and June and that -- you have to be prepared. You're going to have a lot of ins and outs. People get scared about COVID. They're going to get scared about the economy, small businesses, the companies, bankruptcies, emerging markets. So, it is just going to be murky, which is why, if you look at the base case, adverse and extreme adverse case, they're all possible. And we're just guessing the probabilities of those things. That's what we're doing. We are prepared for the worst case. We simply don't know. I don't think anyone knows. And this -- the word unprecedented rarely is used properly. This time, it’s been used properly. It's unprecedented what's going on around the world. Obviously, COVID itself is a main attribute. So, the Fed’s W case, they made it very clear. Their W case is that COVID comes back in a big way in the fall, and you have to shut down the economy again. And obviously, we’ve got to be careful. We don't know the probability of that. We simply don't know, by the way we’re wasting time guessing.

Jennifer Piepszak

And then, I would just add Mike, just to clarify that we are reserved for something worse than the base case. And for all the reasons you said, they informed our decision to lean in a bit more on the downside scenarios. And so, while there is a bit of a -- we hope, a conservative bias here, this does represent our best estimate based upon everything we know, which does include the sort of slowdown that you referenced in terms of more recent activities.

Mike Mayo

And my follow-up would be kind of the flip side, during this very difficult time, you've grown deposits over the past year equal to the fifth largest bank. I mean, the deposit growth is kind of off the charts here. So, you said half of that is due to COVID. But is the other half due to share gains, so I guess there's several questions in that. But, how much of that is related to digital banking and how much of that do you expect to go away once this crisis has passed?

Jennifer Piepszak

So, I talked a little bit about kind of how we're thinking about deposits looking forward. Also I do clarify, like when we said 50% COVID-related. That was on the consumer side. And so, that we do think some of that will lead with tax payments and consumer spending coming back. And then, in terms of how much of this is share gain, it's difficult to know. At this point, historically, we have performed well in lower rate environments. And I think you're right, I think it is because of our digital capabilities and our branch footprint and our people and all the things that we offer that differentiate us in a time like this.

Operator

Our next question is from Erika Najarian from Bank of America.

Erika Najarian

The first question is for Jamie. A lot of investor feedback has indicated that they are encouraged by the fact that banks can remain profitable while absorbing pretty significant provisions, which you've proven today, but are hesitant about bank stocks, given the overhang of DFAST resubmissions in the fourth quarter, and what that could imply for the dividend. And I guess, I just -- I know you alluded to this in your prepared remarks, but I'm wondering, under the scenario that you see, playing out and relative to that 60 basis points of CTE1 generation per quarter, what is your view on dividend sustainability outside of that Extreme Adverse case?

Jamie Dimon

That's completely sustainable. And if we enter the Extreme Adverse case, the Board should and will consider reducing it. As I pointed out, the Extreme Adverse case itself is completely sustainable with the dividend. The reason they would consider reducing it, is because once you enter like 14% or 15% unemployment, you don't know the future. So, now you're going to have another Extreme Adverse case, which is going to be 20% unemployment. And therefore, you protect yourself from that and cutting the dividend is cheap equity. And so, the goal is to sustain the dividends. You can look at the numbers. It’s completely miniscule relative quarter-by-quarter. So, this decision could be made, as you enter these things. And we're all hoping the base case happens.

Erika Najarian

And just as a quick follow-up, we also got this question from investors, in the Extreme Adverse case, is there a preference towards cutting the dividend or a temporary suspension or is there a difference between the two?

Jamie Dimon

There's no difference between the two. You cut your dividend. You got to hopefully put it back when the time comes. And so, the temporary suspension just sounds peculiar. It's a suspension. And I've done that twice in my life. It's a prudent thing to do. And if you might need that capital going forward, you could think you're going to get that terrible, something like that. So, then the other thing, you can ask the other question. If the base case happens, we're going to end up with far too much capital generation. And we'll start buying back stock again, which I hope we can do before it goes way up.

Operator

Our next question…

Jamie Dimon

We don't expect that this year. But, I wouldn't completely rule it out in the fourth quarter.

Operator

And our next question is from Glenn Schorr of Evercore.

Glenn Schorr

Hello, there. Question for you. So, we had this big market rebound in the overall markets and that's led to a lot of revenue. But, given this outlook on the uncertain past that we've been talking through this whole time, I'm curious on ways you think about potentially derisking on balance sheet. Now, some of it is just this huge liquidity buildup is a derisked balance sheet. I get that. But, are there proactive things you can do to reduce the high leverage RWA in a more stressed environment? Have you been selling into this recovery is I guess my question?

Jennifer Piepszak

I guess, there is two components to it, which is the Investment Securities portfolio and then proactive things we could do on RWA, if that answers your question. Glenn, I'll start with Investment Securities. We are being cautious. And we have opportunistically looked to reduce credit exposure there over the second quarter. And then, on RWA, we are -- because we're preparing for a range of outcomes, we are spending a lot of time thinking about if we needed to, what could we do? But, it is sort of a last resort because we certainly don't want to have any impact on clients and customers. And so, we're ready -- we're looking at it. But we haven't done anything I would say proactively at this point. We're very much focused on helping clients and customers get through this crisis.

Jamie Dimon

So, let me answer this way. On the consumer side, we, like other banks have seen, are kind of prudent tightening with how you do credit. That's already happened. And obviously, you could do some more. But Jen, you had some great numbers about how good credit is. I think, the -- give those FICO’s numbers you gave me the other day. Well, how much better Home Lending is…

Jennifer Piepszak

Oh! That was -- that on the LTV, the weighted average LTV. I mean, it's really extraordinary. And I was in mortgage, so I should have remembered, but I did have to ask. And in 2010, our weighted average LTV on the portfolio in Home Lending was 90% and it's now 56%.

Jamie Dimon

And you can assume it's better in credit cards, it's better and auto. We have less subprime. That's a consumer side. On the lending -- on the business side, we've always been prudent. We're always very tight and careful and stuff like that. Usually what happens in downturns like this, you get a little -- more serious about security and the management team and responsiveness and raising capital. So, a lot of these companies have been raising a lot of capital.

On the investment side, and this is a kind of a peculiarity of accounting again, we can actually make it more conservative, putting securities into help maturity, which we've done very little and I'm going to consider -- I don't personally understand why that reduces risk, but it does reduce your SCB. And, maybe we'll do that over time. But, the security portfolios are pretty prudent. There are -- and in trading it's every day. So trading is -- just think of trading is that Daniel, and Troy Rohrbaugh and Jason Sippel and the whole team, they are every single day managing those risks and those exposures. And you could assume that they're managing very, very well and tightly today. And we certainly are not punting for fences or anything like that. We're trying to be very cautious and serve our clients. And so, yes, you are more conservative. And reducing RWA, yes, we can, if we wanted, we could start doing that by all these various things.

Glenn Schorr

Thanks. One quickie on the consumer side. I'm curious if you have -- we're now four months into the bulk of the lockdown in the United States and some of your branches have been either closed or drive-up only, and we're watching your deposits grow like a weed. So, I'm curious if you've learned any lessons that might change your thoughts on the branch network, on your organic growth efforts as we go forward and come out of this someday?

Jamie Dimon

Yes. So, deposit number -- deposits went up with the PPP. Deposits went up because of the payroll checks that people got. Deposits went up -- the revolvers are taken down by $50 billion, something like that. And of course all of that's already reversed and stuff like that. So, you have to look at both sides of that. But, you were going to say something, Jen?

Jennifer Piepszak

I was going to add on -- of course, we're learning a lot. I mean, I mentioned the quick deposit enrollment. But, we haven't learned enough to make any changes to our strategy around branch expansion. In fact, we just opened our hundredth branch in market expansion. So, we're really excited about that. We think we'll open probably another 75 this year. So, we'll be nearly halfway to the 400 branches that we talked about in market expansion. And so, we'll see -- we do have -- still have about a 1,000 branches that are closed. And it's possible that we learn something that helps us think about accelerating de-densification or consolidation, but it'll be at the margin. And we're not going to make any big changes quickly because we want to make sure that we have the benefit over time of watching our customer behavior. So, they can really be the ones that inform our strategy.

Operator

Our next question is from Charles Peabody of Portales Partners.

Charles Peabody

Yes. Good morning. Two questions, one on page six, you give the SLR ratio as adjusted for the temporary relief programs on the capital. I wonder if you had a similar ratio for CET1. And part of that question would also be, which would be the more confined ratio starting next March?

Jamie Dimon

There is no temporary relief in CET1.

Jennifer Piepszak

Well, CET1, the only -- and I'm not even trying to call it relief. There's a phase in on CET1, but it's over many years. And so, I don't necessarily think about that as temporary, like SLR. SLR at this point, it is temporary, it is due to expire in the first quarter of next year, which is why we're very-focused on managing that without the exclusions.

Jamie Dimon

And they're both. We manage them both. So, I wouldn't say one is more than the other. We manage something like 20 different capital liquidity ratios.

Charles Peabody

And Jamie, FSOC is meeting today behind closed doors. If I understand, there are two topics. One that has to do with secondary mortgage market liquidity and the other with the COVID stress test overlay. Do you have any thoughts or insights as to what they may be discussing on either of those?

Jamie Dimon

I don't. The COVID, you could be -- obviously we have some insights. The COVID, obviously we're going to run a new stress test, we're going to look at all step cases, UW and stuff like that because they laid it out, perfectly reasonable that people would refer to that kind of stress test. I think the mortgage markets is a different issue. Okay? And we've been very consistent that mortgages, believe it or not are more -- far more costly than they should be. Normally, you'd be looking at -- if you looked at the 10-year rate, which is 60 basis points, the mortgage is basically 1.6% or 1.8%, instead of 3.3%. The cost of the reason for that is because the cost of servicing and origination is so high, it's obviously got to be passed through. It's high because there's enormous amount of rules and regulations put in place that a lot do not create safety and soundness. Safety and soundness is basically 80% LTV, verified people's incomes, make sure you're doing the right kind of stuff. And the second one is because it's very no securitization market. The securitization market is important because it reduces your risk-weighted asset and puts more incentive for banks to put on your balance sheet. And the securitization market is a real transfer of risk to somebody else. So, I think they should change that. They should change it immediately. The beneficiary of that will be non-agency mortgages, which are even more -- a lot more expensive than agency mortgages. So, once you have a securitization market that people believe in and you have to change Reg A, B a little bit that, you have a much better market, the cost of mortgage will come down, and will particularly come down for people that are at the lower end. I mean, so this should be phased and it should be phased right away.

Operator

Our next question is from Saul Martinez of UBS.

Saul Martinez

I have a broader question, and I just want to get your perspectives on public policy and banks and a little bit more broadly than the discussion about capital planning and stress testing. And I know banks are working hard to be part of solution this time and not part of the problem. But, we're also having more open discussions about things like inequality and social justice, which, in my opinion, are long overdue. But, I worry that fair or not, banks are sort of being depicted as being on the wrong side of some of those issues. And I think you see that in things like the mainstream press's depiction of big banks in PPP and stuff like that. And I'm just curious if you are concerned at all about populist anti-bank policies gaining traction, however you want to define them, whether it's breaking up the banks, directed lending, rate capture, or whatever, in a pretty polarized political environment, or do you think I'm being too alarmist or overly concerned about stuff that is pretty unlikely in our country? So, just kind of want to get your perspective just generally and how banks fit into the overall policy and political backdrop.

Jamie Dimon

Then thing you got to do every single day when you go to work is to do the right thing for the right reason, serve your customers, and we try to do this. We try very hard to take care of our employees, to train people, we try very hard to advance black lead into the company and finance and others. And of course, we make mistakes. And so, I understand some of the angst out there. But, we try to do the best we can. We get involved in policy, like this mortgage thing, that would be better for Americans. And we understand that people want banks to help America and we do. The most important thing that we can do is be healthy and vibrant bank through this crisis and continue to serve our clients.

And remember, responsible lending is good lending. Irresponsible lending is bad lending. So, very often, we hear that banks should do more of that. No, irresponsible stuff is irresponsible. It will lead to bad outcomes. And that's kind of what happened last time around. So, we try to do it right and we try to listen very carefully when there's criticism and sometimes -- and often legitimate about what we could have done better or should do better or try to do better in the future.

Saul Martinez

Okay. That's helpful. I guess as broad as that question was, I am going to ask a very narrow question for Jen and on your NII guidance. I presume that includes gains on PPP fees for unforgiven loans. And have you quantified that or sized that up in terms of where you think the magnitude of those figures could be?

Jennifer Piepszak

So, we've been really clear on PPP, which is that we don't intend to profit from PPP. That doesn't mean that you won't have some geography issues. So you'll have some revenue and then you'll have expenses and the profit will be near zero. It is immaterial amount this quarter, given these fees are recognized over the lives of the loans. So, it's very little this quarter, both revenue and expenses.

And looking out, you'll see -- we'll see more of that probably in the third and fourth quarter. Again, it will still be zero on the bottom line. And even the gross numbers won't be meaningful in the grand scheme of things.

Operator

Our next question is from Gerard Cassidy of RBC.

Gerard Cassidy

Can you share with us the reclassification of the wholesale portfolio that you talked about? How often do you go through that process where you have to look to reclassify the corporate loans? And second, you touched on earlier in a question about some of the COVID-related sectors that are being impacted because of what we're going through. Can you highlight for us what is the most stressed within that COVID group that you mentioned?

Jennifer Piepszak

So, first on that reclassification, we mentioned it was a geography issue in Merchant Services. But, it didn't have to…

Jamie Dimon

There was no reclassification of wholesale loans.

Jennifer Piepszak

Yes. And then, in terms of the most impacted, I mean, they are the ones that you would expect to see around travel, oil and gas, and real estate and retail. So, it's the sectors that you would expect to see.

Although, as I said earlier, and it's important to note that for the downgrades that we experienced in the second quarter, less than a third of them were in the most impacted industry. So, really this is -- we're seeing this as being much more broad-based.

Gerard Cassidy

Okay. Thank you. And then second, I may have missed this, so I apologize. But, in your slide 3, you gave a very good detail on the forbearance on the consumer portfolio. Do you have any numbers on the commercial and corporate portfolios that loans that might be in forbearance? And is it more commercial real estate or C&I?

Jennifer Piepszak

They're just not meaningful numbers. We would have included them, had they been? So, I'll just go back to what we said, which is we're just not seeing what you would typically see.

Jamie Dimon

But they end up in non-performing.

Jennifer Piepszak

They end up in non-performing.

Jamie Dimon

We don't have a category in wholesale or commercial, the same way you have a category in consumer.

Operator

And our next question is from Ken Usdin of Jefferies.

Ken Usdin

Thanks. Good morning. Just a question on the points in slides you made about capital and long-term opportunities for recalibration. First, I guess, will you have any dialogue with the Fed about the 3.3 SCB as some other banks have mentioned? And then, secondly, where do you think we stand on the GSIB recalibration to your points about systemic risk, not that shouldn't impact a bank's balance sheet?

Jamie Dimon

We're not going to go back to the Fed and the 3.3%, but obviously we're looking at why 3.3% and we can try to adjust our plans going forward to try to reduce that number a little bit. Because we have another CCAR coming up in a couple of months, so there's no reason for us to go through extensive work as opposed to fix what's already there. And GSIB, look, I've always thought GSIB needed a lot of recalibration. But, there are things they should have recalibrated for already, which is America gold plated, which I think is wholly unnecessary. They should have taken cash and treasury and a whole bunch of stuff out of the calculation. Because obviously it goes way up when the Fed does things like they're doing recently and they never adjusted it for growth in the economy or growth in the shadow banking system, which they were supposed to do. So, I'm just hoping they go about and do that at one point. But these things get so wrapped up in political. People politicize very complicated calculations, which I thought kind of peculiar and funny. But my view is that they do the numbers, they should do them right. And they're just not right anymore.

Ken Usdin

Yes. And the second question is just going back to slide three. You lay out the percent of accounts on this page. Auto seems to be the biggest. And then, in the supplement on page 13, the balances seem to imply a bigger percent on deferral. Just can you talk a little bit about the differences there and then why do you think you're seeing more accounts in auto deferring versus other asset classes? Thank you.

Jennifer Piepszak

Okay. I don't actually know the answer to reconciling the supplement to slide 3. So, Jason and team can follow up with you on that one.

Ken Usdin

Maybe then, just a comment about auto on deferrals and why do you -- what do you think you're seeing in that customer base versus others? And do you think that means anything different for forward credit trends?

Jamie Dimon

No.

Jennifer Piepszak

No, yes.

Operator

Our next question is from Chris Kotowski of Oppenheimer.

Chris Kotowski

Good morning. Thank you. I guess, I just think it was such an extraordinary quarter for capital raising. Dealogic shows over $2 trillion of debt and equity raised in the quarter. And I guess, a two-part question around that. One is, as you look at that, was a good portion of that in kind of the stressed areas, and presumably capital that’s junior to your bank debt? And to what extent has all that helped raise the quality of bank loans? And then, secondly, looking forward, I mean, did all the companies that needed to and could raise capital do so in the second quarter and therefore, we're looking at kind of the flat spot going forward, or do you see this kind of -- like there's an ongoing need for a lot of these companies continue to raise capital?

Jamie Dimon

I think -- first of all, it is across the board. I mean, you saw strong companies, weaker companies, high-yield markets opened up. Converts, I put converts and equity in there too. People did a lot of capital raising. I think, it was wise. I think a lot of people said, they pre-funded a lot of the capital needs to make sure that can get through whatever this crisis means for their company and their industry and stuff like that. So, I don't think it would be like it was before, so it'll definitely come down, but I still think there's opportunity for some people to pre-fund some of that. But, it is pre-funding because this is not capital -- a lot of this capital's not being raised to go spend. It’s being raised to sit in the balance sheet so that you're prepared for whatever comes next. And you've heard a lot of companies make statements and you guys got to go through yourself about, we’ve got two years of cash, we’ve got three years of cash, we’ve got -- people want to be prepared. I think it's appropriate.

Chris Kotowski

Okay. That’s it for me. Thank you.

Jamie Dimon

But just for your models, we don't expect revenues in Investment Banking, they will normalize or even come down below normal next quarter and the quarters out. At one point, we can't predict month by month exactly, and for trading because no one else, cut it in half, cut it in half. And that will probably be closer to the future than if you say it's going to still be double what it normally runs.

Operator

And our next question is from Andrew Lim of Société Générale.

Andrew Lim

Thanks for taking my questions. And I think they are quite straightforward. I just wanted some clarity really on the nature of CECL provisioning. And obviously, you've made some very big provisions based on much more conservative assumptions. But, the nature of CECL provisioning obviously should meant that in the third quarter, if your assumptions do not change, then your provisions should fall down quite considerably versus the second quarter to a much more normal level. I just wanted to see how you thought about that for third quarter?

Jennifer Piepszak

Sure. So, I would start by saying where we are right now, while there is a conservative bias to where we are right now, it is our best estimate of what we're facing. We certainly hope that in the future we look back on this as a conservative moment, but this is our best estimate. And so, if our assumptions are realized, and again, our reserve reflects something worse than the base case. So, if that's realized, then we shouldn't see meaningful reserve builds in the third quarter, or if that continues to be -- in the third quarter.

Andrew Lim

So, I mean, context, would it be similar to that we've seen 2019, for example?

Jennifer Piepszak

Yes. You have reserves for growth but not for the prices.

Andrew Lim

Exactly. That's very clear. And then, on the CIB trading environment, obviously we saw June and we've seen a bit of July. Would you say that's normalized to the level consistent with what we've seen in 2019, or are you still seeing some pretty strong trading following through into the second quarter -- sorry, into the third quarter ?

Jamie Dimon

I just answered said that question. You should assume it's going to fall in half. We don't know, it's only a couple weeks into this thing. But we don't assume we have these unbelievable trading results going forward. And hopefully, we'll do better than that. And we simply don't know. I also said one point of reserving since it's probabilistic. You can actually change nothing in your assumptions, but the probabilities of potential outcomes and put up more reserves.