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# JPM AT THE BARCLAYS GLOBAL FINANCIAL SERVICES CONFERENCE

**TRANSCRIPT**

September 15, 2020

# MANAGEMENT DISCUSSION SECTION

**Jason M. Goldberg**

*Analyst, Barclays Capital, Inc.*

Moving right along, very pleased to have JPMorgan Chase with us next. As a reminder, to the left hand side of your screen are audience response polling questions. If we don't get to them during the presentation, we can certainly publish the results tonight. So there's probably four questions like we've asked other companies, please click through them. You can hit the next button on top after you respond. And also, there is ability to ask questions from the audience on the top left hand corner of your screens, just hit the question button and you can submit the question and we'll ask it if time is allowed.

Next up, very pleased to have JPMorgan Chase, from the company, Jenn Piepszak, Chief Financial Officer. Morning, Jenn.

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**Jennifer A. Piepszak**

*Chief Financial Officer, JPMorgan Chase & Co.*

Good morning, Jason. Thanks for having me.

# QUESTION AND ANSWER SECTION

**Jason M. Goldberg**

*Analyst, Barclays Capital, Inc.*

**Q**

Thank you. Let's jump right in here. Maybe the best place to start is just what you're seeing from at the health of your consumer and corporate customers, particularly as some of these government programs work their way through the system and the amount of stimulus recedes. And maybe any indicators you can share on performance of your wholesale clients and then just what are you observing from consumer book, retail clients in terms of income, spending, and just other financial health indicators?

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**Jennifer A. Piepszak**

*Chief Financial Officer, JPMorgan Chase & Co.*

**A**

Sure. So, before I get into either wholesale or consumer, I'll start by saying that things look better than we thought they would. The data looks pretty good relative to what we would have thought at second quarter earnings. But importantly, we still haven't seen the typical recessionary indicators that you would expect to see at this point. And so, while things do look a little bit better than we thought they would, we're still dealing with an enormous amount of uncertainty looking ahead.

So, just starting with wholesale, there I'd say of course the pace of the recovery varies by industry. Certain industries are obviously still under a lot of pressure, airlines, lodging, restaurants, other T&E. Actions taken by central banks and governments have been constructive. Market liquidity is very good. Equity markets have been supportive. I would describe the latter part of the first quarter and the second quarter really about raising liquidity, and the third quarter has been more about what I'd call balance sheet optimization. Almost all of our clients who drew revolvers at the end of the first quarter and second quarter have paid them down. CEO confidence is coming back, but importantly I would say with measured optimism. Obviously, we have an election, we have a potential second wave, we have tapering of stimulus, as you said, so still lots of things to be worried about.

And then on downgrades, the pace of downgrades has slowed a bit here in the third quarter, but that's more a function of the amount of debt that we saw companies take on in the second quarter relative to what we've seen here in the third quarter. So we do expect that to pick up again consistent with our reserves.

And then on the consumer side, it's very interesting. We see a consumer with a fair bit of reserves. What you would typically see in a recession is the savings rate fall. We're actually seeing the savings rate increase, and that's because we've seen spending go down, but we've seen discretionary income be flat or up in some cases where typically you would see spending down, but you'd also see discretionary income down. And so we've seen the savings rate increase. So, for whatever it might be that we're facing next, we see a consumer with a fair bit of reserves to fall back on.

The second wave or the stubborn first wave that we saw throughout the summer was met with, I would say, behavioral changes. People learning to live with the virus, their spend continues to recover. In fact, if you look at credit and debit in aggregate over the last two weeks,

we're down less than 1% year-over-year. Just in terms of the dynamics there, perhaps not surprisingly card not present, very strong, actually up year-over-year. Debit also strong, up year-over-year. Millennials, up year-over-year. Boomers, down year-over-year. So we do see some differences by age group. And then in terms of looking at states with higher unemployment versus states with lower unemployment, we actually don't see very much difference there.

I'd say sentiment has been lower recently with the consumer, but still not near what we saw in the Great Financial Crisis. And then, of course, housing has been strong. So equity in homes is holding up. Markets have been good, so 401(k)s are in good shape. And we've seen card payment rates actually higher. So when you think about the consumer balance sheet, again it looks like it's in pretty good shape. So all of that being said, I'll kind of end where I started which is we still have lots of uncertainty about what's ahead of us and whether the tailwinds of reopening can more than offset the headwinds from government stimulus fading.

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### **Jason M. Goldberg**

*Analyst, Barclays Capital, Inc.*

**Q**

It sounds good. I guess JPMorgan has been increasing its market share across its businesses for several years now. One of the things where it's kind of positive is that those with scale and technology advantages will continue to take share against the COVID-19 backdrop. I mean where do you see the biggest opportunities to further grow the franchise in a COVID and post-COVID environment?

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### **Jennifer A. Piepszak**

*Chief Financial Officer, JPMorgan Chase & Co.*

**A**

So I'll start with the biggest opportunities which really haven't changed since we talked about them at Investor Day regardless of the environment we're in right now. So if you look at the consumer businesses, market expansion is still something we're very excited about, very much committed to. Deepening with our customers – there just one example – if you look at our deposit outflows to investments, we capture about 30%, which is pretty good relative to peers, but our wealth management business still has a 1% market share here in the US. So we have a big opportunity there.

And then small business – there we're relatively underpenetrated in small business relative to consumer, so that remains an opportunity for us. And then on the wholesale side – in the Market's business we've been investing in talent and technology to enhance the client experience with more sophisticated execution tools. We've been investing in Cash Equities and Prime Brokerage and really making great progress there. And then even in Investment Banking, there are opportunities at sub-product or regional market level. In the Commercial Bank, we have the international expansion which of course – in the Commercial Bank, we can take advantage of the existing infrastructure that's in many of these markets from the CIB. And then in AWM, International Private Bank is an opportunity for us and we continue to have opportunities in Asset Management, China being a good example.

And then as we think about post-COVID, it is true scale and digitization of everything is certainly top of mind in terms of advantages. There, I would say, start with the electronification of everything. As I said, I think given the investments that we've been making, I think we are well positioned to meet our customers and clients where they want to do business with us. And I think given the duration of the pandemic, I think we'll see permanent behavioral changes, and I think we're well positioned to grow on that. I would say also our capital position will be in – we talked at second quarter earnings about our capital position. We look at it under a number of scenarios. And I think even under more difficult scenarios, I think we'll emerge with a strong capital position relatively speaking to be able to take advantage of any opportunities. And then we'll have a data advantage. We should have a data advantage in something like consumer lending when you think about everything that we're learning about our customers through this period and our ability to really see the full financial picture of our customers. So we should have a data advantage as well.

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### **Jason M. Goldberg**

*Analyst, Barclays Capital, Inc.*

**Q**

I guess how, if at all, has the pandemic changed the strategic priorities and investments, and one of things I was interested about is just how has it impacted your branch footprint expansion plans?

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### **Jennifer A. Piepszak**

*Chief Financial Officer, JPMorgan Chase & Co.*

**A**

Sure. So I would say broadly speaking, it hasn't impacted our priorities. It is true that we've done some reprioritization to accelerate certain things in terms of our digital capabilities as an example, given customer needs through the crisis. But broadly speaking, we haven't changed our priorities. And then as it relates to the branch footprint, we are learning a lot and there's still a lot more to learn. We won't make any decisions before we've had the benefit of really learning everything we can and listening to our customers. But it is possible that we accelerate some of our de-densification plans. So it is possible that we de-densify in certain markets while we continue to expand to new markets.

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**Jason M. Goldberg**

*Analyst, Barclays Capital, Inc.*

**Q**

Got it. And then maybe we could maybe take some time and kind of just maybe walk through the income statement for the moment – net interest income, net interest margin, clearly top of mind to investors at the moment. You've talked to a full year net interest income in the \$56 billion area. Are you still comfortable with that?

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**Jennifer A. Piepszak**

*Chief Financial Officer, JPMorgan Chase & Co.*

**A**

So, for NII, we're revising our guidance to about \$55 billion for the full year and that's primarily because we're seeing higher payment rates in Card and so lower outstandings. That, obviously, has a positive offset in credit, so again one of the positive things we're seeing but is a headwind for NII. And then in Home Lending, jumbo originations have been very strong, but more than offset by faster prepays. So we're revising from \$56 billion to \$55 billion – about \$55 billion.

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**Jason M. Goldberg**

*Analyst, Barclays Capital, Inc.*

**Q**

Okay. That's helpful. And I guess against that, I know you kind of look at net interest margins than outcome, but I always get asked about it. So I'm going to ask you. How's that progressing?

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**Jennifer A. Piepszak**

*Chief Financial Officer, JPMorgan Chase & Co.*

**A**

Yes. And you are right. It is an outcome and it is a function of both NII and balance sheet. And of course, the balance sheet is harder to predict right now. And we manage the balance sheet, of course, to optimize NII, capital, liquidity, interest rate risk. So I would expect to see some compression from here in terms of where we closed the second quarter and that's largely because we continue to see deposit growth and deployment opportunities are harder to find. And so, that should normalize when we see some more normalized loan growth and cash deployment opportunities will obviously be a contributor as well.

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**Jason M. Goldberg**

*Analyst, Barclays Capital, Inc.*

**Q**

All right. And you mentioned deposit growth in the balance sheet. So, if I look both loan and deposit growth have been kind of validated throughout the crisis, albeit abating in the second quarter. Maybe some more detail in terms of what you're seeing now from both a wholesale and a retail perspective.

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**Jennifer A. Piepszak**

*Chief Financial Officer, JPMorgan Chase & Co.*

**A**

On deposit growth?

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**Jason M. Goldberg**

*Analyst, Barclays Capital, Inc.*

**Q**

And loans.

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**Jennifer A. Piepszak**

*Chief Financial Officer, JPMorgan Chase & Co.*

**A**

And loans. Okay. Sure. So, well, I'll start with deposit growth. There we thought that we would see – sequentially we thought we would see deposits start to normalize and come down. That is not what we've seen. Looking at the consumer side, we thought we would see with higher spend and tax payments, we thought we would see consumer deposits come down a bit. Still, of course, very strong growth year-over-year. That's not what we're seeing in part for the reasons I described in terms of the savings rate of the consumer that continues to improve. And therefore – and spending has leveled off. And so we have seen consumer deposits up just a little bit, I would say, even quarter-over-quarter and still very strong year-over-year.

And then on the wholesale side, we thought that would normalize as well. Securities Services remains elevated. Clients are holding liquidity and we have some organic growth. So we're not seeing what we would have expected even on the wholesale side.

So deposit growth continues. And loan growth, I think it's fair to say, will be challenged. As I said, the majority – a vast majority of our clients who drew revolvers have now paid them down. And as we look at loan growth, Card, as I said, payment rate higher than we would have thought. But that will normalize at some point. Home Lending, again, seeing faster prepaids. And again, that's another positive for the consumer because it frees up cash flow for the consumer given the number of prepayments we're seeing. And so I think that will normalize. It's hard to predict when. I think CEO confidence – when CEO confidence comes back, we'll see M&A, we'll see capital investment and that will be supportive of loan growth as well, but again it's hard to predict when.

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**Jason M. Goldberg**

*Analyst, Barclays Capital, Inc.*

**Q**

Just one more question on NII. You kind of gave the guidance that implies second half of the year is going to be below that of the first half. I imagine at this point, you're starting to think about next year. And just, I mean, what do you see as the kind of puts and takes around net interest income in this very low rate environment?

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**Jennifer A. Piepszak**

*Chief Financial Officer, JPMorgan Chase & Co.*

**A**

Yeah. So it's important to remember that this year, we only have three quarters of this very low rate environment. The first quarter was a bit more normal, and so next year, we'll have four quarters of a very low rate environment. So all else equal, I think what's implied in our outlook for the second half of this year is a good place to start for next year, so \$13 billion plus or minus a quarter is a good place to start for next year. But of course, it's only September, and a lot can change, and balance sheet growth and mix will be really a key factor for 2021.

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**Jason M. Goldberg**

*Analyst, Barclays Capital, Inc.*

**Q**

Maybe shifting gears on the fee income front, but first half of the year, robust trading, investment banking, mortgage and kind of weakness in service charges and card fees. Some of those trends began to reverse in the latter part of 2Q. I'll get in trouble if I don't ask this, but what's your outlook for Markets, investment banking fees, and just maybe kind of other fee income categories?

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**Jennifer A. Piepszak**

*Chief Financial Officer, JPMorgan Chase & Co.*

**A**

Yeah. Sure. So I'll start with Markets. We saw robust client activity in July and the early part of August. September is always an important month and perhaps more so this year, so we still have a few weeks to go. But my best view at this point would be 20% – about 20% up year-over-year for the Markets business. And then for IB fees, also stronger than we would have thought at second quarter earnings. There, I'd say, up mid-single digits year-over-year, and that's against the third quarter of 2019, which was the best third quarter ever. So, very strong performance there as well.

And then in terms of the other categories, mortgage production remains very strong here in the third quarter, so it feels very similar to the second quarter. And then we have seen higher spend, as I said, so we should see higher non-interest revenue on Card, and then service fees will be up a little bit as well.

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**Jason M. Goldberg**

*Analyst, Barclays Capital, Inc.*

**Q**

So it sounds like while NII may be a bit below your expectations, fee income is tracking better than anticipated?

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**Jennifer A. Piepszak**

*Chief Financial Officer, JPMorgan Chase & Co.*

**A**

Yes.

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**Jason M. Goldberg**

*Analyst, Barclays Capital, Inc.*

**Q**

That's good. And we'll come back to fee income if we have time. Maybe shift gears on to the cost side. You've talked to \$65 billion in expenses this year, and in medium-term manage your overhead ratio target of under 55%. I guess, any near-term opportunities and changes in terms of how you're managing expenses through this period, maybe how has tech spend been impacted at all?

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**Jennifer A. Piepszak**

*Chief Financial Officer, JPMorgan Chase & Co.*

**A**

Yeah. So, again, sort of similar with investments and priorities, there hasn't been a significant change. We're obviously looking at things very, very closely as we always do. And we continue to realize structural expense efficiencies, as we have been for many years now. So broadly speaking, I would say no, no big changes. As it relates to this year, we're revising our guidance there to expenses of \$66 billion, up from \$65 billion. And that's predominantly due to the performance here in the third quarter. So revenue and volume-related expenses really driving that increase from \$65 billion to \$66 billion.

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**Jason M. Goldberg**

*Analyst, Barclays Capital, Inc.*

**Q**

Got it. So, a good – that's a good thing.

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**Jennifer A. Piepszak**

*Chief Financial Officer, JPMorgan Chase & Co.*

**A**

It's a good thing. Yes, we like to say, there are good expenses and bad expenses. And we're always after the bad expenses and we're perfectly fine with the good ones.

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**Jason M. Goldberg**

*Analyst, Barclays Capital, Inc.*

**Q**

Okay. I guess, over to longer term, what kind of opportunities do you think there might be with more of your employees kind of working from home and customers increasingly interacting with you through more technology?

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**Jennifer A. Piepszak**

*Chief Financial Officer, JPMorgan Chase & Co.*

**A**

Yeah. So, it's very intuitive, very logical to think that there should be some benefits, given all we're learning about the things that we're capable of, with so many of our employees working from home and so many of our customers now interacting with us digitally. But there's still a lot to learn before we make any permanent decisions. But it is possible that we have some portion of our workforce working at home in any given week, and therefore, there's possible real estate savings that we could realize. And of course, with our customers interacting more with us digitally, there's productivity to be realized there as well. So, definitely, opportunities, a lot to learn through this time. We've already learned a lot, but there's still a lot more to learn before we make any more permanent decisions.

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**Jason M. Goldberg**

*Analyst, Barclays Capital, Inc.*

**Q**

Okay. That's fair. And maybe one last on expenses. What levers do you have as the revenue backdrop remains challenging with low rates, and I assume at some point trading will normalize?

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**Jennifer A. Piepszak**

*Chief Financial Officer, JPMorgan Chase & Co.*

**A**

Yeah. So, I mean, there we have the levers, the natural levers of revenue and volume-related expenses that will always be there in a more challenging revenue environment. So, those – and that's not an insignificant portion of our expense base. We also, as I said, remain very, very focused on structural expense efficiencies and expect to continue to deliver on those regardless of the revenue environment. And then, we do have a very significant amount of investments every year. And we don't make those decisions lightly, but we could – if things got really tough,

we could, of course, re-decision significant amounts of the investment portfolio. But that's not something, given our current baseline outlook that we think is smart or even necessary.

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**Jason M. Goldberg**

*Analyst, Barclays Capital, Inc.*

**Q**

That's fair. Maybe shifting gears to another big topic at the moment is credit quality. We look – you've built the ACL by almost \$7 billion in the first quarter as the pandemic began to take hold, another \$9 billion in addition in the second quarter as the economic outlook further deteriorated in April. Because, given expectations have been much more stable quarter-to-date, your kind of introductory remarks kind of pointed to that, how should we think about further reserve builds in the coming quarter? It looks like things are coming in better than reserved for, and could we even see reserve releases in the near term?

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**Jennifer A. Piepszak**

*Chief Financial Officer, JPMorgan Chase & Co.*

**A**

So, for the third quarter here, I'd say, yes, things are looking better than we would have thought. But as I said before, there is still an enormous amount of uncertainty about how this will ultimately unfold particularly for the consumer. And so, here in the third quarter, we have a process. It's an extensive process. It goes on right up until the last moment when we close the books and we're not finished with that process yet. So – but my best estimate right now would be nothing meaningful in terms of a build or a release. So, best estimate at this point is near-zero for the third quarter. And then going forward, we'll see. As we said at second quarter earnings, we are reserved for something beyond our base case, but we would have to have confidence in the outlook before we would release reserves.

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**Jason M. Goldberg**

*Analyst, Barclays Capital, Inc.*

**Q**

That's fair. And I guess, so far, we've not seen elevated net charge-offs. I guess, assuming your base case plays out, when do you think we'll expect to see charge-offs start to materialize?

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**Jennifer A. Piepszak**

*Chief Financial Officer, JPMorgan Chase & Co.*

**A**

Yeah. It's such a good question, because as I said, we're not seeing anything that you would typically expect to see at this point in a recession. And so, on the wholesale side, given the amount of liquidity that's out there, losses there have been delayed as well. So, we may see some losses there later this year, but more likely you'll really see that start to emerge in the first half of 2021.

On the consumer side, the math is pretty straightforward. You have to fill up the delinquency buckets and then they roll to loss. And we haven't started to really, in any meaningful way, fill up the delinquency buckets. And so, on the consumer side, I think it's easy to see that that could be the back half of 2021 before we really start to see those losses realized in a material way.

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**Jason M. Goldberg**

*Analyst, Barclays Capital, Inc.*

**Q**

I guess, looking at your second quarter 10-Q, there's a lot of helpful new data around forbearance. I guess a couple questions off of that. First, as more and more customers have reached kind of the end of the forbearance period, is there any additional color on what you're seeing or provide in terms of customers exiting versus re-enrolling and some trends there?

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**Jennifer A. Piepszak**

*Chief Financial Officer, JPMorgan Chase & Co.*

**A**

Sure. So, what we have left is about \$42 billion. The vast majority of that is in Home Lending and that represents about 6% of the total service portfolio, so about \$17 billion of that is on balance sheet. So, as I said, the vast majority is Home Lending. About a third have exited forbearance, and the remainder have either been auto-enrolled or actively re-enrolled. And then in Card & Auto, the majority of customers have reached the end of their initial payment relief period, over 90% in Card, over 80% in Auto, and less than 15% or 20% there have re-enrolled. So, like I said, the vast majority of what we have remaining is in Home Lending.

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**Jason M. Goldberg**

*Analyst, Barclays Capital, Inc.*

**Q**

Got it. I guess, even in the best of times, it's difficult for an outsider to gauge early-stage credit indicators, but loans – with loans in forbearance the pull through into NPLs and NCOs is even further delayed. What metrics are you internally looking at, and what are they telling you?

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**Jennifer A. Piepszak**

*Chief Financial Officer, JPMorgan Chase & Co.*

**A**

Yeah. Yes. So, we're looking at everything that's knowable, as you can imagine. And I would say that even those metrics still aren't showing us what we would typically expect to see again at this point in a recession. And so on the consumer side, we have the unique ability to really see the full financial picture of our customers. So, there we look at bureau data, we look at card spend, we look at debit spend, we look at DDA data, so we can really understand the cash flows of our customers and their behavior around paying down debt.

And then, on the wholesale side, looking at the – looking at leverage, looking at revenue and cash flow forecasts and CRE, looking at rental payment data, and so we're staying very, very close to our customers and clients through this time. But like I said, still not really seeing what you would expect to see at this point.

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**Jason M. Goldberg**

*Analyst, Barclays Capital, Inc.*

**Q**

Got it. And maybe shift gears to capital as we kind of work our way through. But obviously, dividend increases share buybacks paused for the third quarter. I did catch Jamie's off-handed comment on the third – on the second quarter earnings call about not ruling out buybacks for Q4, which, I think, caught many by surprise. I guess, first, can you give some color on how you're managing capital near-term and kind of any changes to kind of longer-term capital priorities?

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**Jennifer A. Piepszak**

*Chief Financial Officer, JPMorgan Chase & Co.*

**A**

So, I'll start at the end, which is no changes to longer-term capital priorities. It is always our priority to invest in our businesses, always our priority to serve our customers and clients for organic growth. So, no change there. And the way we're managing it is the way we always do except for, I would say, and we talked about this at second quarter earnings, that we are looking at a number of different scenarios, scenarios that include, as we described them, extreme adverse conditions to make sure that we're comfortable with our capital base.

And in terms of Jamie's comment, I would just say that in the fourth quarter, if we don't have regulatory constraints, if we have excess capital, which we do today even after all we've done through the crisis here, that I wouldn't rule out share buybacks. But it will be – it will obviously depend on whether we have regulatory constraints, and we're going to be very, very prudent in terms of how we think about the number of different scenarios and what our capital looks like under those scenarios.

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**Jason M. Goldberg**

*Analyst, Barclays Capital, Inc.*

**Q**

I guess on that vein, the stress capital buffer is slated to go into effect on October 1. Your requirement, I think, is 11.3% here, which is, obviously, on a standardized basis. However, the economic outlook has deteriorated. By extension, this has presumably impacted counterparty credit risk, which could put upward pressure on advanced RWAs. How should we think about your binding constraint going forward?

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**Jennifer A. Piepszak**

*Chief Financial Officer, JPMorgan Chase & Co.*

**A**

Yeah. Yeah. So, it is true, of course, that advanced RWA is risk-sensitive, and so it has moved during this period and we've had to pay a lot more attention to it, given the sensitivity to the deteriorating environment. Having said that, the stress capital buffer is only applicable under standardized. So, the capital conservation buffer of 2.5% still remains under advanced. So, our minimum under advanced is 10.5%, whereas the minimum under standardized with SCB is 11.3%. So, you still have a pretty high bar before advanced becomes your binding constraint. So – and we talked again at second quarter earnings about the different scenarios. In the extreme adverse scenario, it is possible that advanced becomes the binding constraint, but probably not before then, given the 11.3% minimum in standardized.

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**Jason M. Goldberg**  
*Analyst, Barclays Capital, Inc.*

**Q**

I guess maybe one more on capital. We're a little bit more than three months away from year-end. What are your thoughts on remaining in the 3.5% GSIB bucket? There's, clearly, been some upward pressures out there.

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**Jennifer A. Piepszak**  
*Chief Financial Officer, JPMorgan Chase & Co.*

**A**

Yeah. Always a question at this time of year and we've always said that it's going to become increasingly difficult to stay in the 3.5% bucket, and that is perhaps more true than ever this year. And so, we're not going to compromise our role in this recovery. We're not going to compromise our client franchises to manage down to the 3.5% bucket. So without recalibration, much needed, long overdue recalibration that we've been talking about for a long time, I do think that we'll be in the 4% bucket at the end of this year. But, it's important to know that that's not effective until the first quarter of 2023.

And so, we have 2021 to do a few things. One, we could manage to 3.5% in 2021. And I should note that a big part of the reason why it is more difficult now versus the previous years is because of Fed balance sheet expansion. And so it is possible that we can manage back down in 2021 to the 3.5%, or we could get the much needed, long-awaited recalibration, which would also, of course, help.

And then on the stress capital buffer, there are a few things that we could do there and we plan to do. There are some that are mechanical on our end. And then we could move securities, and we have this quarter into held to maturity, which helps the stress capital buffer. So, we also think, obviously, that's scenario dependent. So all else equal, we think that we can manage the stress capital buffer down. So, there's a few different levers that we would have through 2021 to manage down either GSIB to 3.5% or SCB. So, I would say, you should still think about us as targeting 11.5% to 12%, regardless of the fact that we may be in the 4% bucket at year-end.

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**Jason M. Goldberg**  
*Analyst, Barclays Capital, Inc.*

**Q**

Interesting. All right. We have some audience questions. We've about 8, 9 minutes left. So, I've got a few of them. There's a lot, but we'll kind of take them in order. First, are you continuing to tighten lending standards at this point, or has it run its course?

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**Jennifer A. Piepszak**  
*Chief Financial Officer, JPMorgan Chase & Co.*

**A**

Yeah. So, there – it's an interesting question – we are always evaluating our risk strategies, even in benign times. So, we are – there are a lot of dials, particularly on the consumer side, that we are always managing. And so, it's – you can't really answer that question in a binary way, yes or no. So, we're always looking at things at a very, very surgical level. I would say, we are very much focused on existing customers, focused on relief actions, helping our customers get through this time. But we are lending to new customers as well. So, we are certainly open for business.

I would say some of the things that we do is we might look to tighten LTV and FICO bands in terms of how we think about lending. We may look at certain riskier products and make them less available, if you think about home equity or balance transfer or something like that. But again, those are things that we're always doing, and, of course, we continue to do now. And then on the wholesale side, it's client-by-client. And so, we're staying very close to our clients. But I wouldn't say that we're making any changes to our underwriting standards.

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**Jason M. Goldberg**  
*Analyst, Barclays Capital, Inc.*

**Q**

Got it. And then another one from the audience. We are about three quarters into using the CECL standard for setting credit reserves. When CECL was proposed, it got a lot of criticism and it continues to be questioned. Do you have any observations?

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**Jennifer A. Piepszak**  
*Chief Financial Officer, JPMorgan Chase & Co.*

**A**

Sure. I mean, we're not big fans of CECL. But having said that, I do recognize that the FASB spent many, many years looking at it, and an alternative was never obvious. And so it has been very interesting introducing CECL during this period of time. And of course, that has been very challenging, given the evolving macroeconomic outlook. And so that has been challenging. It's possible that would have been equally as challenging under the incurred model as well. It's obviously a very challenging period for forecasting on any level. I would say what's most

important to us for CECL is for the regulators to really take a look at the capital framework and harmonize the capital framework with what is now the accounting framework.

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**Jason M. Goldberg**

*Analyst, Barclays Capital, Inc.*

**Q**

Yeah. We have Hal Schroeder from FASB talking tomorrow. So that should be interesting.

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**Jennifer A. Piepszak**

*Chief Financial Officer, JPMorgan Chase & Co.*

**A**

Oh.

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**Jason M. Goldberg**

*Analyst, Barclays Capital, Inc.*

**Q**

I guess the next audience question is, you are in the middle of carrying out a \$6 billion – \$16 billion tender. Can you elaborate on the rationale for this type of action at this point?

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**Jennifer A. Piepszak**

*Chief Financial Officer, JPMorgan Chase & Co.*

**A**

Sure. So, first of all, the tender is for debt that has not very, very long to go in terms of its maturity. So given that it's short-dated in remaining maturity, it doesn't count for TLAC. So it's not a compromise to TLAC. And we have a lot of liquidity. So you can really think about it as a cash deployment opportunity. It does make economic sense for us and it could have an impact here in the third quarter, but should help with NII down the road.

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**Jason M. Goldberg**

*Analyst, Barclays Capital, Inc.*

**Q**

Got it. We have a few minutes remaining. We can maybe take a look at some of the audience response questions. But the first one we've been asking of the companies is or the investors rather is, what's your positioning in the stock? Interestingly, for JPMorgan, 60% overweight, which is certainly at the higher end of that we've seen so far and the numbers are kind of closer to the 40% area over the last several quarters.

The second question is, what secular trend do you think is most important for JPM to successfully capture? And here, by far, the number one answer was customers increasingly engaging digitally versus in-person, followed by harnessing emerging technologies like AI, machine learning, robotics. So that's interesting.

And then the next question would be around kind of what's your biggest area of concern around JPMorgan? And the number one area was prolonged period of low absolute level of rates. So interesting, Jenn, that actually came in ahead of credit costs. I think, you did a good job of kind of talking about opportunities and challenges there.

And then the last question we had is, what is the top reason to own JPMorgan stock? And there, it looks like the answers were very evenly kind of dispersed with really a three-way tie with the first answer between earnings and book value growth, ability to leverage scale, and diversified revenue stream. So it looks those are the factors that you capture that many of the other banks, I guess, you compete against, don't.

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**Jennifer A. Piepszak**

*Chief Financial Officer, JPMorgan Chase & Co.*

**A**

Yeah. I mean, it is interesting that low rates was the answer in a way except for perhaps not, because given the data, as of late, has been relatively positive compared to what we might have thought when we closed the books with our reserves in the second quarter. I think that makes sense. When you think about us in a low rate environment, we're obviously not immune to the effects of a low rate environment. But we have a diversified business, and we have strong opportunities in non-interest revenue on the fee side and so – and rates will normalize at some point. And in the meantime, we're building enormous franchise value to be realized in a more normal rate environment.

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**Jason M. Goldberg**  
*Analyst, Barclays Capital, Inc.*

Great. Well, Jenn, we covered a lot of ground. I really appreciate you taking the time. I hope our next meeting is actually in-person.

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**Jennifer A. Piepszak**  
*Chief Financial Officer, JPMorgan Chase & Co.*

I do, too.

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**Jason M. Goldberg**  
*Analyst, Barclays Capital, Inc.*

But appreciate it and stay safe.

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**Jennifer A. Piepszak**  
*Chief Financial Officer, JPMorgan Chase & Co.*

Great. You too. You too. Thanks for having me, Jason.

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**Jason M. Goldberg**  
*Analyst, Barclays Capital, Inc.*

Thank you.

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**Jennifer A. Piepszak**  
*Chief Financial Officer, JPMorgan Chase & Co.*

All right. Bye.

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