

# JPMorgan Chase & Co. (NYSE: JPM)

<b>JPMorgan Chase &amp; Co. (NYSE: JPM)</b>	<b>1</b>
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## Jamie Dimon's Annual Letter to Shareholders - Apr 5, 2023

<https://reports.jpmorganchase.com/investor-relations/2022/ar-ceo-letters.htm>

As these events unfold, America remains divided within its borders, and its global leadership role is being challenged outside of its borders. Nevertheless, this is the moment when we should put aside our differences and work with other Western nations to come together in defense of democracy and essential freedoms, including free enterprise. During other times of great crisis, we have seen America, in partnership with other countries around the globe, unite for a common cause. This is that moment again, when our country needs to work across public and private sectors to lead while improving American competitiveness — which also means re-establishing the American promise of providing equal access to opportunity for all. JPMorgan Chase, a company that historically has worked across borders and boundaries, will do its part to ensure the global economy is safe and secure.

Jamie Dimon's American Dream

Third, while we don't run the company worrying about the stock price in the short run, in the *long run* we consider our stock price a measure of our progress over time. This progress is a function of continual investments in our people, systems and products, in good and bad times, to build our capabilities. These important investments will also drive our company's future prospects and position it to grow and prosper for decades. Measured by stock performance, our progress is exceptional. For example, whether looking back 10 years or even farther to 2004, when the JPMorgan Chase/Bank One merger took place, we have significantly outperformed the Standard & Poor's 500 Index and the Standard & Poor's Financials Index.

Stock price doesn't matter in the short-term.

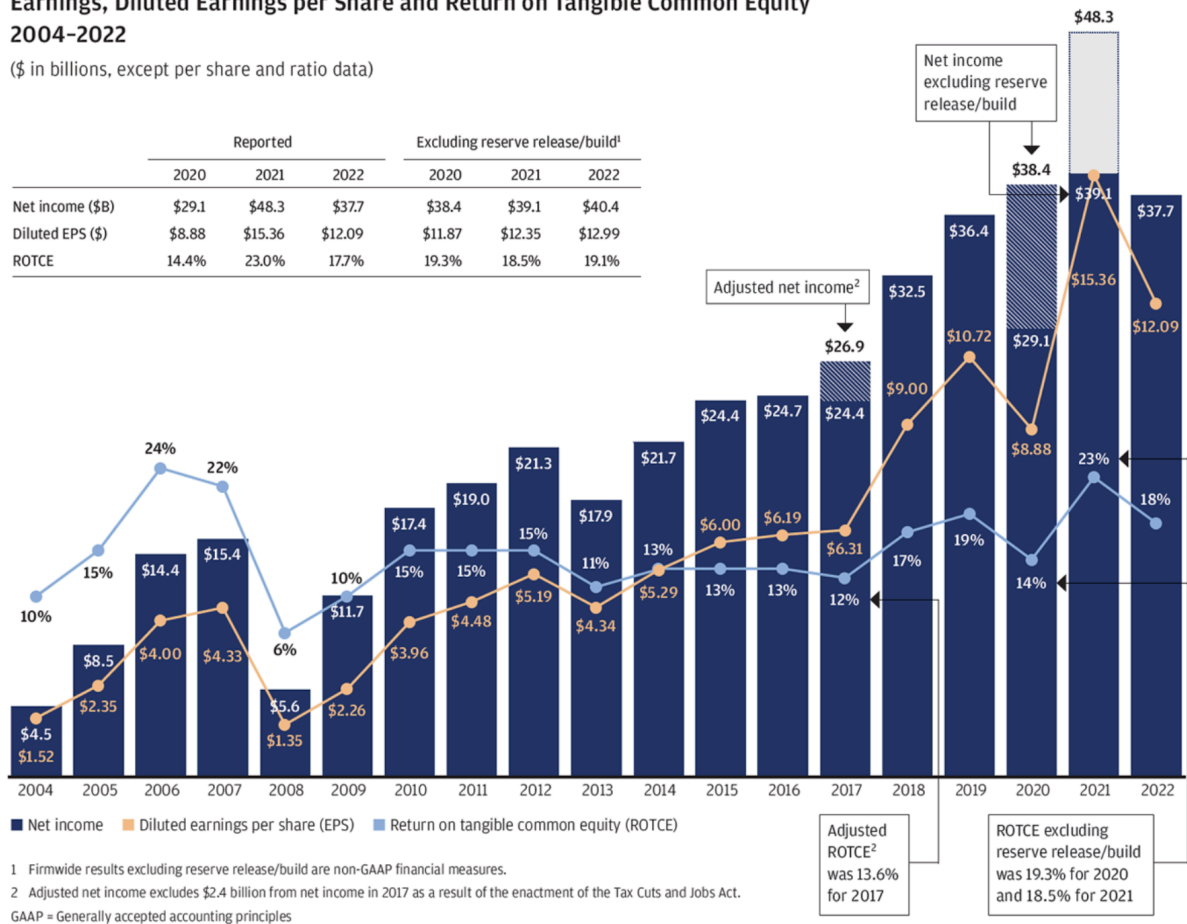
Sixth, we operate with a very important silent partner — the U.S. government — noting as my friend Warren Buffett points out that his company's success is predicated upon the extraordinary conditions our country creates. He is right to say to his shareholders that when they see the American flag, they all should say thank you. We should, too. JPMorgan Chase is a healthy and thriving company, and we always want to give back and pay our fair share. We do pay our fair share — and we want it to be spent well and have the greatest impact. To give you an idea of where our taxes and fees go: In the last 10 years, we paid more than \$43 billion in federal, state and local taxes in the United States and almost \$19 billion in taxes outside of the United States. We also paid the Federal Deposit Insurance Corporation over \$10 billion so that it has the resources to cover failure in the American banking sector. Our partner — the federal government — also imposes significant regulations upon us, and it is imperative that we meet all legal and regulatory requirements imposed on our company.

The parallels between Warren Buffett and Jamie Dimon are impressive.

## Earnings, Diluted Earnings per Share and Return on Tangible Common Equity 2004-2022

(\$ in billions, except per share and ratio data)

	Reported			Excluding reserve release/build <sup>1</sup>		
	2020	2021	2022	2020	2021	2022
Net income (\$B)	\$29.1	\$48.3	\$37.7	\$38.4	\$39.1	\$40.4
Diluted EPS (\$)	\$8.88	\$15.36	\$12.09	\$11.87	\$12.35	\$12.99
ROTCE	14.4%	23.0%	17.7%	19.3%	18.5%	19.1%

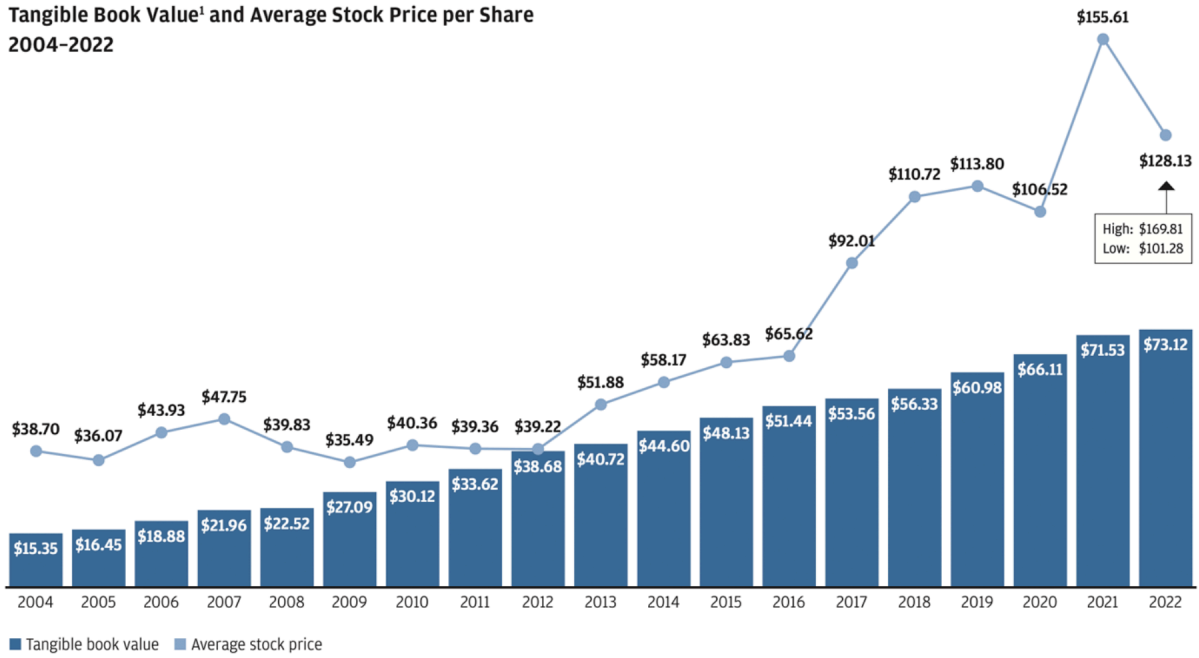


1 Firmwide results excluding reserve release/build are non-GAAP financial measures.

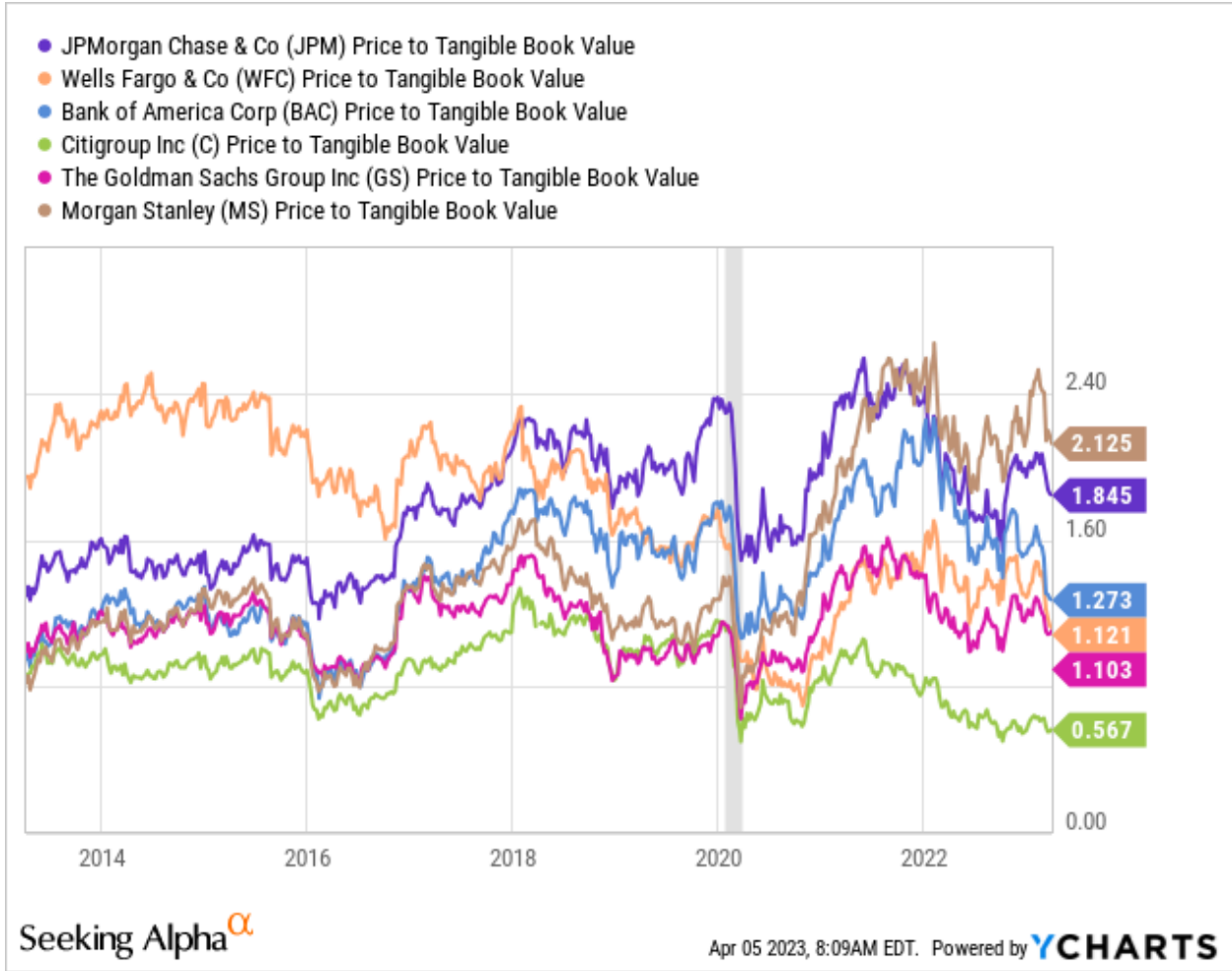
2 Adjusted net income excludes \$2.4 billion from net income in 2017 as a result of the enactment of the Tax Cuts and Jobs Act.

GAAP = Generally accepted accounting principles

**Tangible Book Value<sup>1</sup> and Average Stock Price per Share  
2004-2022**



<sup>1</sup> 9% compound annual growth rate since 2004.



JPM generally trade at a premium to competitors

### JPMorgan Chase & Co (JPM) Price to Tangible Book Value



Seeking Alpha  $\alpha$

Apr 05 2023, 8:10AM EDT. Powered by **YCHARTS**

And it is trending towards the 10-year average.

Stock total return analysis			
	Bank One	S&P 500 Index	S&P Financials Index
<b>Performance since becoming CEO of Bank One (3/27/2000–12/31/2022)<sup>1</sup></b>			
Compounded annual gain	11.3%	6.1%	4.6%
Overall gain	1,047.8%	287.7%	176.1%
	JPMorgan Chase & Co.	S&P 500 Index	S&P Financials Index
<b>Performance since the Bank One and JPMorgan Chase &amp; Co. merger (7/1/2004–12/31/2022)</b>			
Compounded annual gain	9.9%	8.9%	4.4%
Overall gain	471.6%	386.8%	120.0%
<b>Performance for the period ended December 31, 2022</b>			
Compounded annual gain/(loss)			
One year	(12.6)%	(18.1)%	(10.5)%
Five years	7.7%	9.4%	6.4%
Ten years	14.9%	12.6%	12.1%
This chart shows actual returns of the stock, with dividends reinvested, for heritage shareholders of Bank One and JPMorgan Chase & Co. vs. the Standard & Poor's 500 Index (S&P 500 Index) and the Standard & Poor's Financials Index (S&P Financials Index).			
<sup>1</sup> On March 27, 2000, Jamie Dimon was hired as CEO of Bank One.			

JPM has outperformed the S&P 500 and the financial sector over the long-term.

## Client Franchises Built Over the Long Term

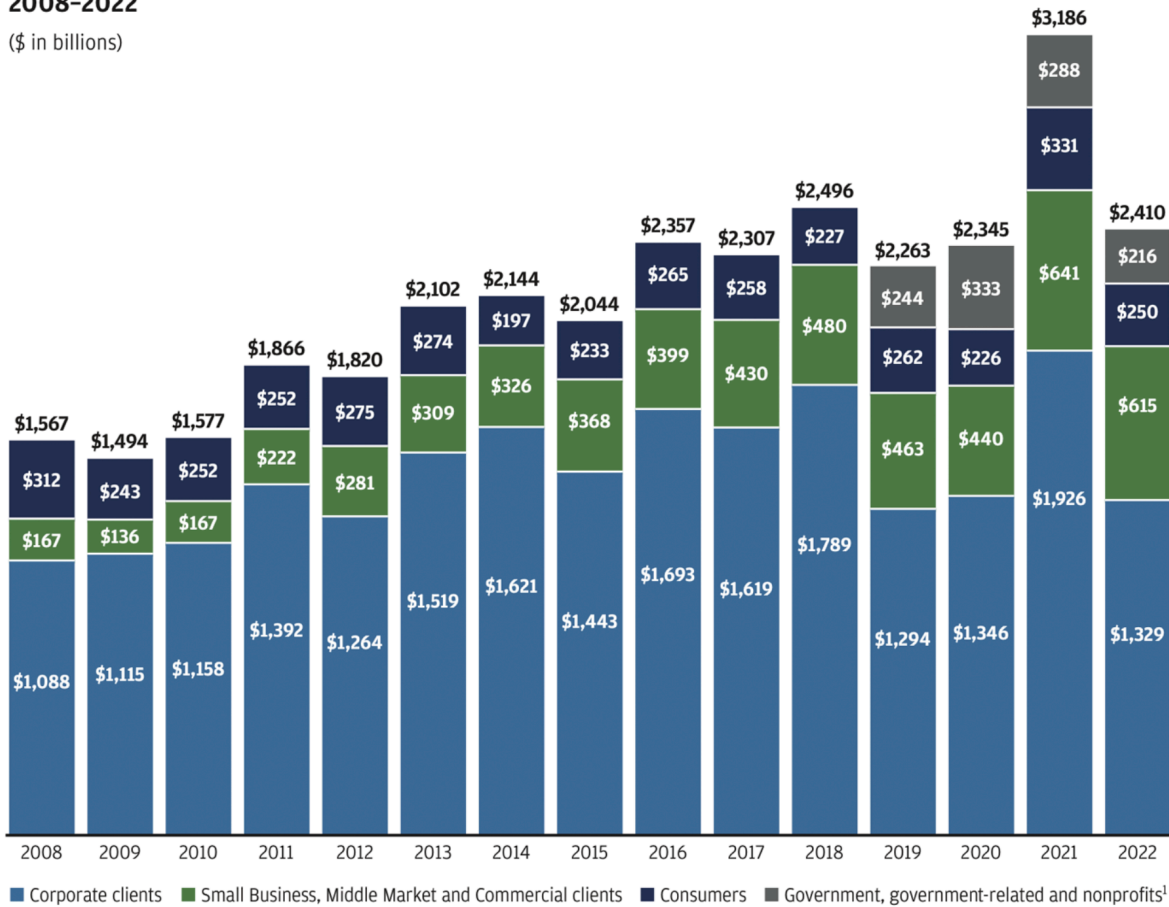
	2006	2012	2021	2022		
<b>Consumer &amp; Community Banking</b>	Average deposits (\$B) <sup>1</sup>	\$204	\$414	\$1,055	\$1,163	<ul style="list-style-type: none"> <li>■ Serve 79M U.S. consumers and 5.7M small businesses</li> <li>■ 63M active digital customers<sup>8</sup>, including 50M active mobile customers<sup>9</sup></li> <li>■ Primary bank relationships for 78% of consumer checking accounts</li> <li>■ #1 retail deposit share</li> <li>■ #1 deposit market share position in each of the largest banking markets in the country (NYC, LA and Chicago) while maintaining branch presence in all contiguous 48 U.S. states</li> <li>■ #1 primary bank for U.S. small businesses</li> <li>■ #1 U.S. credit card issuer based on sales and outstandings<sup>10</sup></li> <li>■ #2 among lenders in the J.D. Power 2022 U.S. Mortgage Origination Satisfaction Study<sup>11</sup></li> <li>■ #2 owned mortgage servicer<sup>12</sup></li> <li>■ #3 bank auto lender<sup>13</sup></li> </ul>
	Deposits market share <sup>2</sup>	4.4%	7.1%	10.3%	10.9%	
	# of top 50 markets where we are #1 (top 3)	7 (14)	7 (18)	8 (25)	11 (25)	
	Business Banking primary market share <sup>3</sup>	5.1%	6.2%	9.2%	9.3%	
	Client investment assets (\$B) <sup>1</sup>	~\$80	\$159	\$718	\$647	
	Total payments volume (\$T) <sup>4</sup>	NA	\$1.8	\$5.0	\$5.6	
	% of digital non-card payments <sup>5</sup>	<25%	~40%	75%	77%	
	Credit card sales (\$B)	\$257	\$381	\$894	\$1,065	
	Debit card sales (\$B)	NA	\$205	\$467	\$491	
	Debit and credit card sales volume (\$B)	NA	\$586	\$1,361	\$1,555	
	Credit card sales market share <sup>6</sup>	16%	20%	22%	22%	
	Credit card loans (\$B, EOP)	\$153	\$128	\$154	\$185	
	Credit card loans market share <sup>7</sup>	19%	18%	17%	17%	
	Active mobile customers (M)	NA	12.4	45.5	49.7	
# of branches	3,079	5,614	4,790	4,787		
# of advisors <sup>1</sup>	NM	2,963	4,725	5,029		
<b>Corporate &amp; Investment Bank</b>	Global investment banking fees <sup>14</sup>	#2	#1	#1	#1	<ul style="list-style-type: none"> <li>■ &gt;90% of Fortune 500 companies do business with us</li> <li>■ Presence in over 100 markets globally</li> <li>■ #1 in global investment banking fees for the 14th consecutive year<sup>14</sup></li> <li>■ Consistently ranked #1 in Markets revenue since 2011<sup>15</sup></li> <li>■ J.P. Morgan Research ranked as the #1 Global Research Firm, #1 Global Equity Research Team and #1 Global Fixed Income Research Team<sup>19</sup></li> <li>■ #1 in USD payments volume<sup>20</sup></li> <li>■ #1 in U.S. Merchant transaction processing<sup>21</sup></li> <li>■ #2 custodian globally<sup>22</sup></li> </ul>
	Market share <sup>14</sup>	8.7%	7.7%	9.3%	8.0%	
	Total Markets revenue <sup>15</sup>	#8	#1	#1	#1	
	Market share <sup>15</sup>	6.3%	8.6%	12.1%	11.7%	
	FICC <sup>15</sup>	#7	#1	#1	#1	
	Market share <sup>15</sup>	7.0%	9.0%	12.3%	11.0%	
	Equities <sup>15</sup>	#8	#3	co-#1	#1	
	Market share <sup>15</sup>	5.0%	7.8%	11.8%	13.1%	
	Assets under custody (\$T)	\$13.9	\$18.8	\$33.2	\$28.6	
	Average client deposits (\$B) <sup>16</sup>	\$190	\$356	\$715	\$687	
	Firmwide Payments revenue (\$B) <sup>17</sup>	\$5.0	\$6.7	\$9.9	\$13.9	
Firmwide Payments revenue rank (share) <sup>18</sup>	NA	NA	#1 (7.2%)	#1 (8.4%)		
Firmwide average daily security purchases and sales (\$T)	NA	NA	\$2.9	\$3.1		
<b>Commercial Banking</b>	# of top 75 MSAs with dedicated teams	36	52	66	69	<ul style="list-style-type: none"> <li>■ 141 locations across the U.S. and 34 international locations, with 7 new cities added in 2022</li> <li>■ \$1.5B revenue from Middle Market expansion markets, up 26% YoY</li> <li>■ Credit, banking and treasury services to ~25K Commercial &amp; Industrial clients and ~31K real estate owners and investors</li> <li>■ 18 specialized industry coverage teams</li> <li>■ #1 overall Middle Market Bookrunner in the U.S.<sup>26</sup></li> <li>■ Over 80,000 incremental affordable housing units financed in 2022<sup>27</sup></li> </ul>
	# of bankers	1,203	1,240	2,254	2,360	
	New relationships (gross) <sup>23</sup>	NA	NA	2,252	2,277	
	Average loans (\$B)	\$53.6	\$120.1	\$205.0	\$223.7	
	Average deposits (\$B)	\$73.6	\$195.9	\$301.5	\$294.3	
	Gross investment banking revenue (\$B) <sup>24</sup>	\$0.7	\$1.6	\$5.1	\$3.0	
	Multifamily lending <sup>25</sup>	#28	#1	#1	#1	
<b>Asset &amp; Wealth Management</b>	Mutual Funds with a 4/5-star rating <sup>28</sup>	119	172	206	203	<ul style="list-style-type: none"> <li>■ 90% of 10-year JPMAM long-term mutual fund AUM performed above peer median<sup>33</sup></li> <li>■ Business with 61% of the world's largest pension funds, sovereign wealth funds and central banks</li> <li>■ #3 in 5-year cumulative net client asset flows behind BlackRock and Morgan Stanley<sup>34</sup></li> <li>■ Positive client asset flows in 2022 across all regions, with strength in brokerage, equity, custody and fixed income</li> <li>■ \$98B in Alternatives fundraising over two years</li> <li>■ #2 in Institutional Money Market Funds AUM<sup>35</sup></li> <li>■ 49% of Asset Management AUM managed by female and/or diverse portfolio managers<sup>36</sup></li> </ul>
	Client assets (\$T) <sup>29</sup>	\$1.3	\$2.0	\$4.3	\$4.0	
	Traditional assets (\$T) <sup>29,30</sup>	\$1.2	\$1.7	\$3.6	\$3.4	
	Alternatives assets (\$B) <sup>29,31</sup>	\$100	\$177	\$364	\$372	
	Deposits (\$B) <sup>29</sup>	\$52	\$141	\$282	\$233	
	Loans (\$B) <sup>29</sup>	\$30	\$79	\$218	\$214	
	# of Global Private Bank client advisors <sup>29</sup>	1,506	2,371	2,738	3,137	
	Global Private Bank (Euromoney) <sup>32</sup>	#7	#3	#1	#1	

NA = Not available  
 NM = Not meaningful  
 AUM = Assets under management  
 EOP = End of period  
 FICC = Fixed income, currencies and commodities  
 JPMAM = J.P. Morgan Asset Management  
 MSA = Metropolitan statistical area

USD = U.S. dollar  
 YOY = Year-over-year  
 M = Millions  
 B = Billions  
 T = Trillions  
 K = Thousands

## New and Renewed Credit and Capital for Our Clients 2008–2022

(\$ in billions)

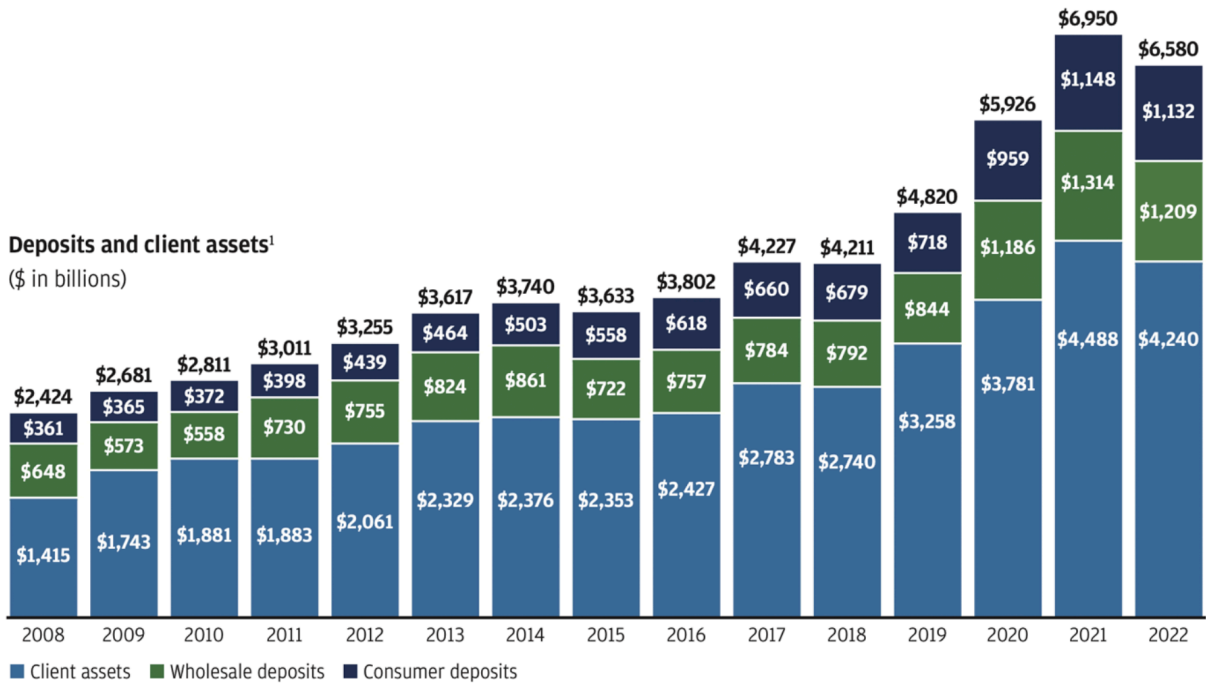


<sup>1</sup> Government, government-related and nonprofits available starting in 2019; included in Corporate clients and Small Business, Middle Market and Commercial clients for prior years.



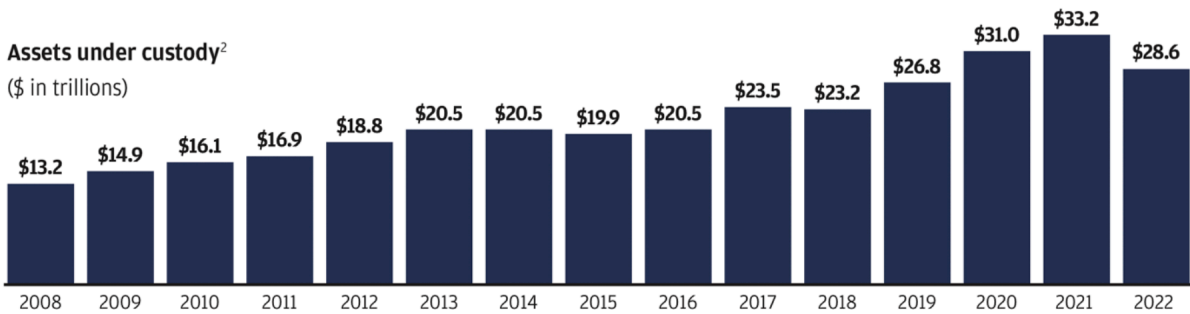
## Assets Entrusted to Us by Our Clients

at December 31, 2022



## Assets under custody<sup>2</sup>

(\$ in trillions)

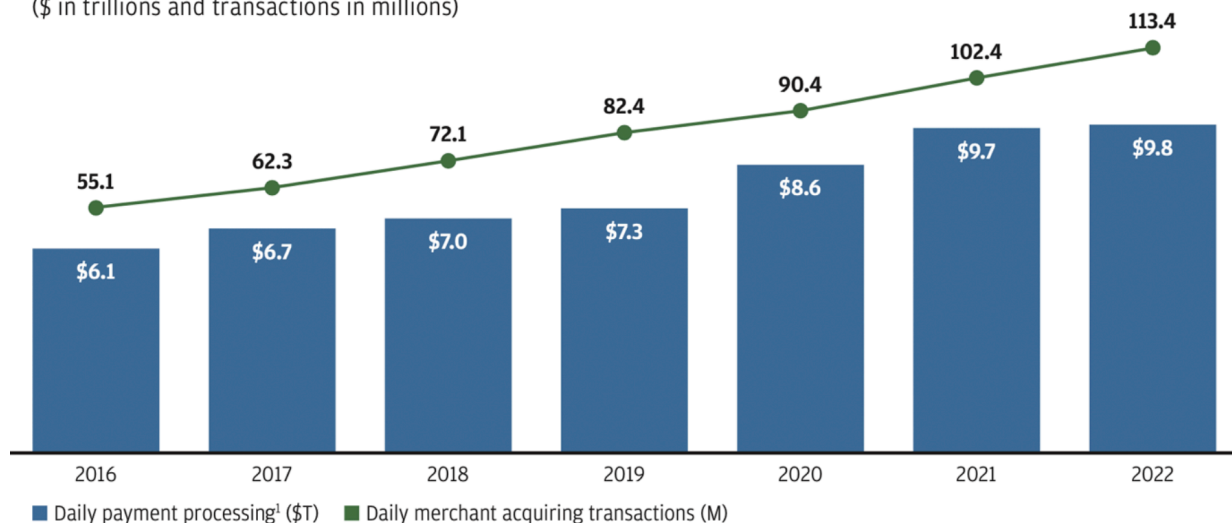


1 Represents assets under management, as well as custody, brokerage, administration and deposit accounts.

2 Represents activities associated with the safekeeping and servicing of assets.

## Daily Payment Processing and Merchant Acquiring Transactions

(\$ in trillions and transactions in millions)



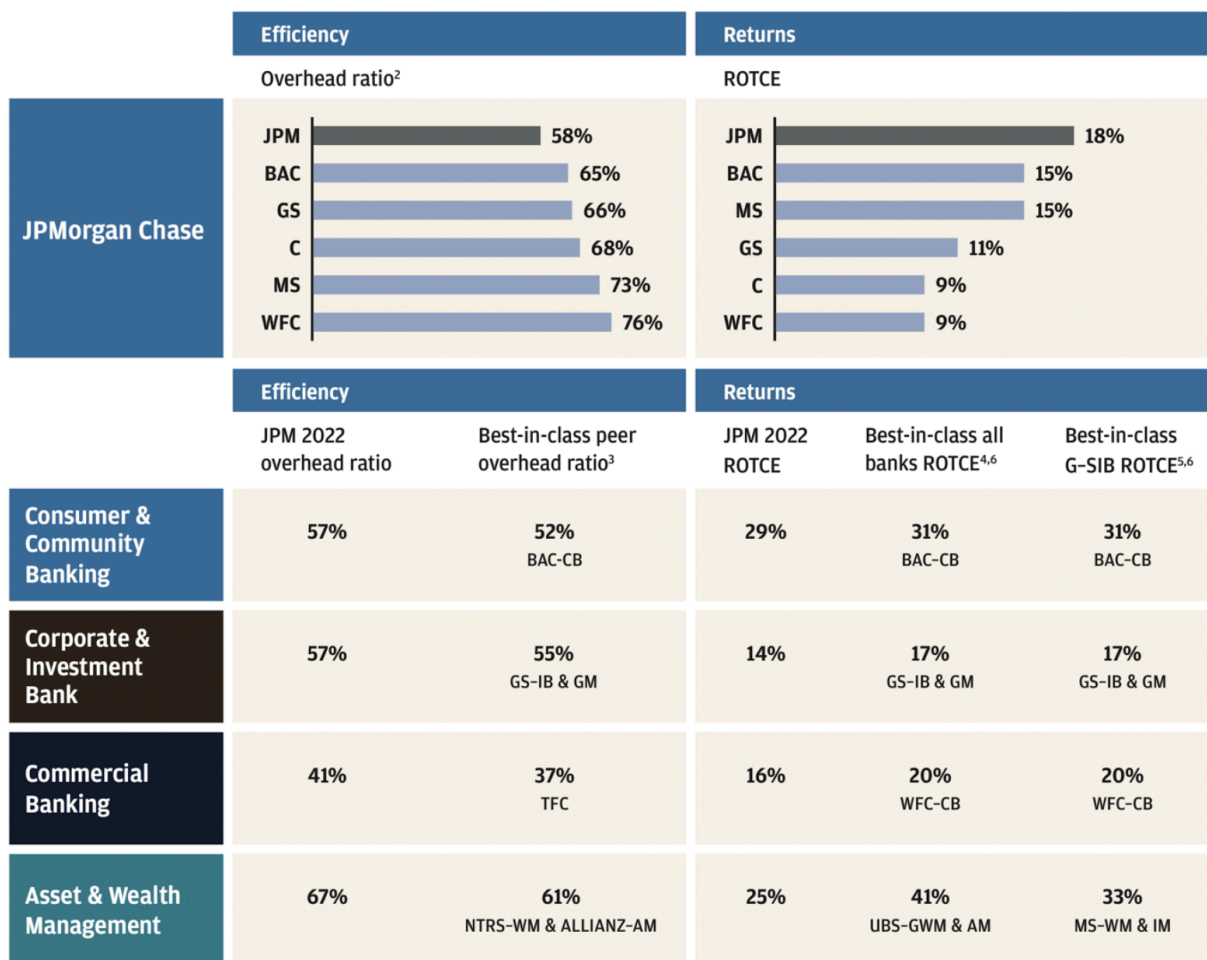
<sup>1</sup> Based on firmwide data using regulatory reporting guidelines as prescribed by the Federal Reserve Board.

M = Millions

T = Trillions

Despite its large size, JPM keeps growing

## JPMorgan Chase Exhibits Strength in Both Efficiency and Returns When Compared with Large Peers and Best-in-Class Peers<sup>1</sup>



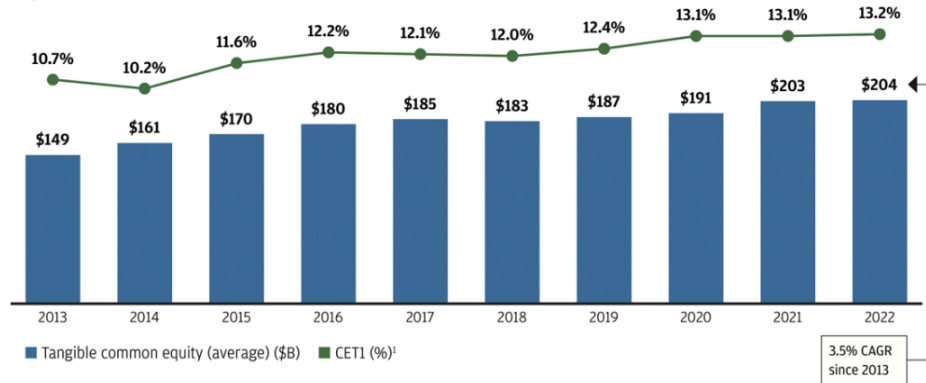
G-SIB = Global systemically important banks  
 ROTCE = Return on tangible common equity

## Our Fortress Balance Sheet

Selected data for the year ended December 31, 2022

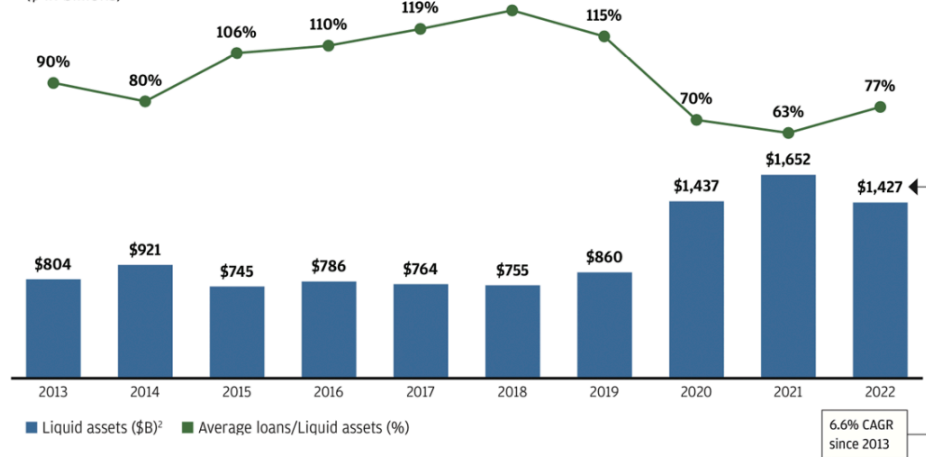
### Tangible Common Equity (Average)

(\$ in billions)



### Liquid Assets<sup>2</sup>

(\$ in billions)



Net income applicable to common stockholders (\$B)	\$16.6	\$20.1	\$22.4	\$22.6	\$22.6	\$30.7	\$34.6	\$27.4	\$46.5	\$35.9
Capital returned to common stockholders (\$B) <sup>3</sup>	\$9.2	\$9.6	\$10.8	\$14.4	\$22.0	\$27.9	\$34.0	\$16.3	\$28.5	\$13.2
ROTCe (%)	11%	13%	13%	13%	12%	17%	19%	14%	23%	18%

## Why We Are Proud of JPMorgan Chase

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Our vision is simple and unchanged: We aim to be the most respected financial services firm in the world, serving corporations and individuals. To that end, it is imperative that we run a healthy, vibrant and responsible company. In addition to traditional banking, we do a lot to help the communities in which we operate, which, in turn, provides the foundation for increased opportunity and prosperity for all. And just to note, while we are proud of the good things we do every day, we are also an organization that acknowledges the mistakes we make along the way, which is important to do. And when we do make mistakes, we own up to them, learn from them and then move on.

While our company has a rich history, is proud of the critical role it plays in powering economic growth and has done exceptionally well over the past 200 years, research has shown that purpose-driven companies achieve stronger business results and have greater impact by doing better for their customers, employees and shareholders. Our intention in documenting our purpose for ourselves is to help energize our employees, differentiate our company from our competitors, and push our organization to innovate on behalf of our clients, colleagues and communities. In addition, we are launching a new effort – internally and externally – to showcase how the work we do matters and has tangible impact locally and around the world.

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**Our Purpose**      The impact that JPMC aspires to have

# Make Dreams Possible

for everyone, everywhere, every day

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**Our Vision**      The ambition we hold ourselves to

We aim to be the most respected financial services firm in the world, serving corporations and individuals.

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**Our Values**      The mindsets that unite us all

## Service

We put our customers first, building with their needs in mind, providing world-class service and growing to reach people, businesses and communities everywhere.

## Heart

We take pride in what we do and care deeply about our customers, communities and each other. We have a culture of teamwork, trust, humanity and humility. We create space for people to bring their full selves to work.

## Curiosity

We're distinguished by our capacity to imagine and build. Our innovations are powered by a deep understanding of our customers and clients. We bring our capabilities and experience to bear on the toughest challenges in the world.

## Courage

We lead with expertise, foresight and fortitude to deliver exceptional results. We face facts and make disciplined decisions grounded in data, with a long-term view. We strive to stand up for what we believe in and do the right thing.

## Excellence

Our quality and rigor at scale are unmatched. We attract world-class talent and create an environment where they can thrive. We set high expectations, commit to strong performance and hold ourselves accountable to the highest standards of integrity.

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**Our Principles**      The Business Principles that guide how we work

Exceptional Client Service

Operational Excellence

A Commitment to Integrity, Fairness and Responsibility

A Great Team and Winning Culture

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**Our Promises**      Our value proposition to employees, customers, communities, and shareholders

We power economic growth, serving our customers, clients and communities for over 200 years.

We uplift communities around the world, making tangible impact at scale.

We champion opportunity and enterprise that unlock equity, inclusion and sustainable growth.

We are a great place to work—an unmatched combination of humanity and excellence at scale.

Jamie Dimon's annual letters are textbooks on leadership

## THE STATE OF OHIO: HOW JPMORGAN CHASE DRIVES COMMUNITY GROWTH

When JPMorgan Chase does business in a community, we do more than just open branches. We lend to small, mid-sized and big businesses; we hire, pay well and provide great benefits; and we finance hospitals, schools, grocery stores, homes, automobiles and governments. For more than 200 years, this approach has enabled us to make investments that have a lasting impact on local economies, families and neighborhoods while also supporting them in good and challenging times.

We have been in Ohio since 1812, and our experience there serves as a great example of how our resources drive growth on the ground.

## BANKING TURMOIL AND REGULATORY GOALS

The recent failures of Silicon Valley Bank (SVB) in the United States and Credit Suisse in Europe, and the related stress in the banking system, underscore that simply satisfying regulatory requirements is not sufficient. Risks are abundant, and managing those risks requires constant and vigilant scrutiny as the world evolves. Regarding the current disruption in the U.S. banking system, most of the risks were *hiding in plain sight*. Interest rate exposure, the fair value of held-to-maturity (HTM) portfolios and the amount of SVB's uninsured deposits were always known – both to regulators and the marketplace. The unknown risk was that SVB's over 35,000 corporate clients – and activity within them – were controlled by a small number of venture capital companies and moved their deposits in lockstep. It is unlikely that any recent change in regulatory requirements would have made a difference in what followed. Instead, the recent rapid rise of interest rates placed heightened focus on the potential for rapid deterioration of the fair value of HTM portfolios and, in this case, the lack of stickiness of certain uninsured deposits. Ironically, banks were incented to own very safe government securities because they were considered highly liquid by regulators and carried very low capital requirements. Even worse, the stress testing based on the scenario devised by the Federal Reserve Board (the Fed) never incorporated interest rates at higher levels. This is not to absolve bank management – it's just to make clear that this wasn't the finest hour for many players. All of these colliding factors became critically important when the marketplace, rating agencies and depositors focused on them.

**These failures were not good for banks of any size.**

Any crisis that damages Americans' trust in their banks damages **all banks** – a fact that was known even before this crisis. While it is true that this bank crisis “benefited” larger banks due to the inflow of deposits they received from smaller institutions, the notion that this meltdown was good for them in any way is absurd.

**Let's be very thoughtful in our reaction to recent events.**

While this crisis will pass, lessons will be learned, which will result in some changes to the regulatory system. However, it is extremely important that we avoid knee-jerk, whack-a-mole or politically motivated responses that often result in achieving the opposite of what people intended. Now is the time to deeply think through and coordinate complex regulations to accomplish the goals we want, eliminating costly inefficiencies and contradictory policies. Very often, rules are put in place in one part of the framework without appreciating their consequences in combination with other regulations. America has had, and continues to have, the best and most dynamic financial system in the world – from various types of investors to its banks, rule of law, investor protections, transparency, exchanges and other features. We do not want to throw the baby out with the bath water.

I don't think the current banking crisis can be better explained.

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**We should have common goals on how we want the banking system to work.**

- **We want to strengthen regional, midsized and community banks, which are essential to the American economic system.** They fill a critical role in small communities, offering local knowledge and local relationships that some large banks simply can't provide – or can't provide cost-effectively. Overall, we want to maintain the extraordinary strength this tiered system affords. JPMorgan Chase directly supports this goal as we are one of the largest bankers in America to regional and community banks. We bank approximately 350 of America's 4,000+ banks across the country. This means we make loans to them or raise capital for them. In addition, we process payments for them, finance some of their mortgage activities, advise them on acquisitions, provide them with interest rate swaps and foreign exchange, and buy and sell securities for them. And we also finance their local communities (think hospitals, schools and larger companies) in ways they cannot.
- **We need large, complex banks to continue to play a critical role in the U.S. and global financial system.** And we need to recognize that they do so in a way regional banks can't. Large banks are complex not because they want to be, but because they operate in complex global markets. Regional banks simply cannot manage the scale and complexity of transactions in 50 or 60 countries around the world to help some of America's best and largest companies accomplish their goals. Think of equity, debt, M&A, research, swaps, foreign exchange, large payments systems, global custody and so on. It takes a global workforce with deep expertise and significant capabilities to provide these services. These large global banks finance not just the world's largest companies but the world's development institutions and even countries. Having some of the best large, complex banks in the world is essential to the success of America's biggest companies, its economic system and its global competitiveness, which says nothing against the importance of having great midsized and community banks as well. And contrary to what some say – to be safe, a global bank needs both huge economies of scale and the strength of diversified earnings streams.

- **We should want a system in which a bank failure does not cause undue panic and financial harm.** While you don't want banks to fail all the time, it should be allowed to happen and the resolution should follow a completely prescribed process. In almost all bank failures, uninsured deposits never resulted in lost money – but the very fear of loss can cause a run on any bank having characteristics similar to a bank that has failed. Resolution and recovery regulations did not work particularly well during the recent crisis – we should bring clarity and reassurance to both the unwinding process and measures to reduce the risk of additional bank runs. It should also be noted that banks pay for any bank failure (through fees paid to the Federal Deposit Insurance Corporation) as they pay for the whole financial regulatory system. And yes, while these costs are ultimately passed on to their customers – that is true for all industries – the cost is just the price of implementing proper regulations.
- **We want proper transparency and strong regulations.** However, it should be noted that regulations, the supervisory regime and the resolution regime currently in place did not stop SVB and Signature Bank from failing – and from causing systemwide issues. We should not aim for a regulatory regime that eliminates all failure but one that reduces the chance of failure and the odds of contagion. We should carefully study why this particular situation happened but not overreact. Strong regulations should not only minimize bank failures but also help to maintain the strength of banks as both the guardians of the financial system and engines that finance the great American economic machine.
- **We should want market makers to have the ability to effectively intermediate,** particularly in difficult markets, with central banks only stepping in during exceptional situations. In the last few years, we have had many situations in which disruptions in the market were, in my opinion, largely caused by certain regulations that did not improve the safety of the market maker but, instead, damaged the safety of the whole system. In addition, many of the new “shadow bank” market makers are fair-weather friends – they do not step in to help clients in tough times.
- **We need banks to be there for their clients in tough times.** And they have been. Banks can flex their capital and provide their clients with a lot of loans and liquidity when they really need it. For example, at the beginning of the COVID-19 crisis in March 2020, banks deployed over \$500 billion in liquidity for clients and \$500 billion in PPP loans – and this does not include banks' share of the nearly \$2 trillion in loans that entered forbearance. Banks also play a unique and fundamental role in the transmission of monetary policy because deposits in banks can be loaned out, effectively “creating” money. Some regulations and some accounting rules have become too procyclical and make it harder to do this.

- **Regulation, particularly stress testing, should be more thoughtful and forward looking.** It has become an enormous, mind-numbingly complex task about crossing t's and dotting i's. For example, the Fed's stress test focuses on only one scenario, which is unlikely to happen. In fact, this may lull risk committee members at any institution into a false sense of security that the risks they are taking are properly vetted and can be easily handled. A less academic, more collaborative reflection of possible risks that a bank faces would better inform institutions and their regulators about the full landscape of potential risks.
- **We should decide a priori what should stay in the regulatory system and what shouldn't.** There are reasons for certain choices, and they should not be the accidental outcome of uncoordinated decision making. Regulatory arbitrage is already forcing many activities, from certain types of lending to certain types of trading, outside the banking system. Among many questions that need definitive answers, a few big ones would be: Do you want the mortgage business, credit and market-making, along with other essential financial services, inside the banking system or outside of it? What would be the long-term effect of that choice? Under the new scheme, would nonbank credit-providing institutions be able to provide credit when their clients need them the most? I personally doubt that many of them could.
- **We need banks to be attractive investments.** It is in the interest of the financial system that banks not become "un-investable" because of uncertainty around regulations that affect capital, profitability and long-term investing. Erratic stress test capital requirements and constant uncertainty around future regulations damage the banking system without making it safer. While it is perfectly reasonable that a bank refrain from stock buybacks, dividends or growth under certain circumstances, it would be far better for the entire banking system if these rules were clearly enumerated (i.e., stipulate that a bank needs to reduce its buybacks and dividend if they breach certain thresholds).

**Banks will play a smaller role in the global financial system.**

The chart below shows both the decreasing role and size of U.S. banks relative to the global economy alongside the increasing role and size of shadow banks. The data illustrates this dynamic. We expect this trend to continue for all the reasons I've discussed.

**Size of the Financial Sector/Industry**

(\$ in trillions)

		2010	2022	
<b>Size of banks in the financial system</b>	Global GDP <sup>1</sup>	\$ 64.9	\$ 89.5	
	Total U.S. debt and equity market	\$ 57.5	\$ 123.2	
	Total U.S. broker-dealer inventories	\$ 4.1	\$ 4.4	
	U.S. G-SIB market capitalization	\$ 0.8	\$ 1.2	
	U.S. bank loans	\$ 6.6	\$ 12.1	
	U.S. bank liquid assets <sup>2</sup>	\$ 2.8	\$ 7.5	
	Federal Reserve total assets	\$ 2.4	\$ 8.6	
	Federal Reserve RRP volume	\$ <0.1	\$ 2.6	
<b>Shadow banks</b>	Hedge fund and private equity AUM <sup>3</sup>	\$ 2.8	\$ 9.0	
	Top 50 sovereign wealth fund AUM <sup>4</sup>	\$ 3.6	\$ 10.3	
	Total private direct credit <sup>5</sup>	\$ 14.0	\$ 22.0	
	U.S. money market funds <sup>6</sup>	\$ 3.0	\$ 5.2	
	U.S. private equity-backed companies (K) <sup>7</sup>	<u>1996</u>	6.0	11.2
	U.S. publicly listed companies (K) <sup>8</sup>	7.3	4.2	4.6
	Nonbank share of mortgage originations <sup>9</sup>	<u>2000</u>	9%	62%
	Nonbank share of leveraged lending	54%	82%	75%

Sources: FactSet, S&P Global Market Intelligence, Assets and Liabilities of Commercial Banks in the United States H.8 data, Financial Accounts of the United States Z.1 data, World Federation of Exchanges, Pitchbook, Preqin and World Bank

AUM = Assets under management

GDP = Gross domestic product

G-SIB = Global systemically important banks

RRP = Reverse repurchase agreements

K = Thousands

I have written before about the diminishing role of public companies in the American financial system. They peaked in 1996 at 7,300 and now total 4,600. Conversely, the number of private U.S. companies backed by private equity firms has grown from 1,900 to 11,200 over the last two decades. And this does not include the increasing number of companies owned by sovereign wealth funds and family offices. This migration is serious and worthy of critical study, and it may very well increase with more regulation and litigation coming. We really need to consider: Is this the outcome we want?

There are good reasons for such healthy private markets, and some good outcomes have resulted from them as well. The reasons are complex and may include public market factors such as onerous reporting requirements, higher litigation expenses, costly regulations, cookie-cutter board governance, less compensation flexibility, heightened public scrutiny and the relentless pressure of quarterly earnings.

With intensified public reporting, investors' growing needs for environmental, social and governance information and the universal proxy — which makes it very easy to put disruptive directors on a board — the pressure to become a private company will rise. Corporate governance principles are becoming more and more templated and formulaic, which is a negative trend. For example, sometimes proxy advisors automatically judge board members unfavorably if they have been on the board a long time, without a fair assessment of their actual contributions or experience. And some simple, sensible governance principles are far better than the formulaic ones. The governance of major corporations is evolving into a bureaucratic compliance exercise instead of focusing on its relationship to long-term economic value. Good corporate governance is critical, and a little common sense would go a long way.

## Public companies are a dying breed

**The new universal proxy is likely to create havoc for companies.**

The new universal proxy makes it such that one investor with one share, who owns it for as little as one day, can nominate a director for any reason, at relatively low cost. In my view, it is likely that not just activists but also special interest groups will nominate directors. Not only would this be extremely disruptive to the board, but, almost by their nature, special interest groups would be counter to shareholders' interests. While we fully respect being transparent — protecting investors and shareholder rights — director election processes are becoming too far removed from shareholder interests.

While there are legitimate complaints against entrenched boards, good boards often tend to interview prospective candidates for their brains, integrity, work ethic, management and collaboration skills, and experience. With this new universal proxy, it's easy to envision a time when a proxy season will be like a political campaign, with interest groups on both sides of an issue trying to elect a board member. Disruptive boards, which can be caused by just a single troublesome member, are an anathema to shareholders' interests. This is unlikely to end well.

One of the reasons why they are dying

## Evaluating and Managing the Economic and Geopolitical Risks Ahead

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We usually don't worry about typical economic fluctuations and often compare economic forecasting with weather forecasting: It is extremely complicated, easy to do in the short term and far more difficult to do in the long run. It is particularly hard to forecast true longer-term inflection points in the economy. Although we don't want to waste time on "normal" fluctuations, we do want to be *prepared* for economic extremes – we look at multiple possibilities and probabilities and manage our company so that we can *handle all of them*, whether or not we think they actually will happen. After we spoke last year about storm clouds, some of those storms did, indeed, hit, and, unfortunately, some of those threatening clouds are still here.

2022 was not normal, economically speaking, and, in fact, 2022 witnessed several dramatic events – the Ukraine war began; inflation hit a 40-year high of 9%; the federal funds rate experienced one of its most rapid increases, up 425 basis points, albeit from a low level; stock markets were down 20%; unemployment fell to a 50-year low at 3.5%; and the U.S. economy was bolstered by frequent fiscal stimulus and by high and rising government debt while supply chain issues eased. In addition, work from home began to raise commercial real estate challenges and, finally, long- and short-term interest rates presented a sharply inverted yield curve, which is "eight for eight" in terms of predicting a recession (more on this later). But, surprisingly, the global economy marched ahead.

Here & Now	>	In Front of Us: Storm Clouds Ahead	
<p>Still Good Economy</p> <ul style="list-style-type: none"><li>■ Healthy consumer</li><li>■ Healthy jobs</li><li>■ Higher wages</li><li>■ Good credit</li><li>■ Home values up over 10 years</li><li>■ Recovering supply chain</li><li>■ Normalized interest rates</li><li>■ Healthy business</li></ul>		<p>Abnormal QT &amp; Fiscal Spending</p> <ul style="list-style-type: none"><li>■ Consumer excess savings close to zero by year-end</li><li>■ Large quantitative tightening (QT) and other unknowns, reducing liquidity and triggering higher long-term interest rates</li><li>■ Higher fiscal spending</li><li>■ Higher climate spending</li><li>■ Lingering effects of fiscal stimulus</li><li>■ Possible persistent inflation, requiring higher interest rates</li><li>■ Maybe no end in sight</li></ul>	<p>War, Energy Crisis, Trade, China</p> <ul style="list-style-type: none"><li>■ Unpredictable war</li><li>■ Energy and food crisis averted for now</li><li>■ Disproportionate suffering imposed on poor people and nations</li><li>■ Inflationary trade adjustments</li><li>■ Economic alliances in flux</li><li>■ Potential for rising oil and gas prices</li><li>■ Huge economic and geopolitical strains</li></ul>

**Managing risks is far more than simply meeting the Fed's annual stress test.**

While it is critical that we meet and pass the Fed's Comprehensive Capital Analysis and Review (CCAR) stress test, managing risk is far more than that – and we are fairly fanatical when it comes to managing risk. Our company does hundreds of stress tests a week, which include market movements reflective of many past crises (such as volatility resulting from the Russia-Ukraine conflict and the pandemic in 2020) and *rapidly rising interest rates*.

The Fed's CCAR stress test, by its nature, has fairly arbitrary results since it uses only one different and hypothetical scenario each year. This creates uncertainty around our capital requirements (as I mentioned, this may damage the value of bank stocks and the banking system). If I were a shareholder, I would want to know if my company would really lose the \$44 billion after taxes (over a nine-quarter period) that the stress test shows. And the answer is absolutely not.

While I understand why regulators stress test this way – they are essentially trying to ensure that banks survive the worst-case scenario (which assumes multiple problems at a struggling bank without any benefit from good management or rapid response) – the methodology clearly does not result in an accurate *forecast* of how our company would perform under adverse circumstances. I have very little doubt that if the severely adverse scenario played out, JPMorgan Chase would perform far better than the stress test projections. I believe we would actually make money over the nine quarters in the Fed's stress scenario.

Here's one example that illustrates this. From March 5 to March 20, 2020, when the stock market fell 24% and the bond index spread gapped from 191 to 446 basis points prior to major Fed intervention, our *actual* trading revenue was higher than normal as we actively made markets for our clients. By contrast, the *hypothetical* stress test had us losing a huge amount of money in market-making, based on the way it is calculated. One more thing to point out: JPMorgan Chase now has enough total loss-absorbing capacity to bear out peak CCAR losses (using the Fed's numbers) more than *eight times over*.

In addition to CCAR testing, we stress test for various types of huge market disruptions. For example, we stress counterparties – such as hedge funds, large asset managers or trading houses – for extremely large market moves, perhaps an instantaneous 130 basis point move in Treasuries or 50% to 60% moves in commodities. Our shareholders should know that regarding any major international bank, we remain well-collateralized across all of our exposures. Even if one of those banks went bankrupt overnight, we would be okay. While there is always a risk that we won't receive a margin call or that some trades may default and leave us exposed to large market risk, the losses likely would not be material.

# 1Q23 Earnings Analysis - Apr 15, 2023

<https://www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/investor-relations/documents/quarterly-earnings/2023/1st-quarter/dff65b34-7980-4e70-be70-1ff6d9466df4.pdf>

## 1Q23 Financial highlights

ROTCE <sup>1</sup> <b>23%</b>	CET1 capital ratios <sup>2</sup> Std. <b>13.8%</b>   Adv. <b>13.9%</b> Total Loss-Absorbing Capacity <sup>2</sup> <b>\$488B</b>	Std. RWA <sup>3</sup> <b>\$1.7T</b> Cash and marketable securities <sup>4</sup> <b>\$1.4T</b> Average loans <b>\$1.1T</b>
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<b>Income statement</b>	<ul style="list-style-type: none"> <li>• 1Q23 net income of \$12.6B and EPS of \$4.10</li> <li>• Managed revenue of \$39.3B<sup>5</sup> <ul style="list-style-type: none"> <li>– Included net investment securities losses of \$868mm</li> </ul> </li> <li>• Expense of \$20.1B and managed overhead ratio of 51%<sup>5</sup></li> </ul>
<b>Balance sheet</b>	<ul style="list-style-type: none"> <li>• Loans: average loans of \$1.1T up 6% YoY and flat QoQ</li> <li>• Deposits: average deposits of \$2.3T down 8% YoY and down 3% QoQ</li> <li>• CET1 capital of \$227B<sup>2</sup> <ul style="list-style-type: none"> <li>– Standardized CET1 capital ratio of 13.8%<sup>2</sup>; Advanced CET1 capital ratio of 13.9%<sup>2</sup></li> </ul> </li> </ul>
<b>Capital distributed</b>	<ul style="list-style-type: none"> <li>• Common dividend of \$3.0B or \$1.00 per share</li> <li>• \$1.9B of common stock net repurchases<sup>6</sup></li> <li>• Net payout LTM of 33%<sup>7</sup></li> </ul>

SIGNIFICANT ITEMS (\$MM, EXCLUDING EPS)	Pretax	Net income	EPS
Net investment securities losses in Corporate	(\$868)	(\$660)	(\$0.22)



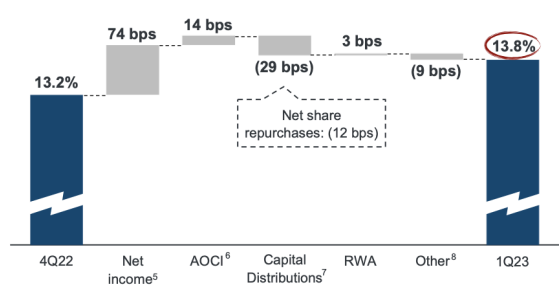
**\$B, EXCEPT PER SHARE DATA**

				\$ O/(U)			
				1Q23	4Q22	1Q22	
Net interest income				\$20.8	\$0.5	\$6.9	
Noninterest revenue				18.5	3.3	0.9	
<b>Managed revenue<sup>1</sup></b>	<b>\$B</b>	<b>1Q23</b>	<b>4Q22</b>	<b>1Q22</b>	<b>39.3</b>	<b>3.8</b>	<b>7.7</b>
<b>Expense</b>	Net charge-offs	\$1.1	\$0.9	\$0.6	<b>20.1</b>	<b>1.1</b>	<b>0.9</b>
	Reserve build/(release)	1.1	1.4	0.9			
<b>Credit costs</b>	<b>Credit costs</b>	<b>\$2.3</b>	<b>\$2.3</b>	<b>\$1.5</b>	<b>2.3</b>	<b>(0.0)</b>	<b>0.8</b>
<b>Net income</b>				<b>\$12.6</b>	<b>\$1.6</b>	<b>\$4.3</b>	
Net income applicable to common stockholders				\$12.2	\$1.6	\$4.3	
EPS – diluted				\$4.10	\$0.53	\$1.47	
ROE <sup>2</sup>	1Q23	ROE	O/H ratio	18%	16%	13%	
	CCB	40%	49%				
ROTC <sup>2,3</sup>	CIB	16%	55%	23	20	16	
	CB	18%	37%				
Overhead ratio – managed <sup>1,2</sup>	AWM	34%	65%	51	53	61	
<b>Memo:</b>							
NII excluding Markets <sup>4</sup>				\$20.9	\$0.9	\$9.2	
NIR excluding Markets <sup>4</sup>				10.0	0.1	(1.1)	
Markets revenue				8.4	2.7	(0.4)	
<b>Managed revenue<sup>1</sup></b>				<b>39.3</b>	<b>3.8</b>	<b>7.7</b>	
Adjusted expense <sup>5</sup>				\$19.9	\$0.9	\$0.9	
Adjusted overhead ratio <sup>1,2,5</sup>				51%	53%	60%	

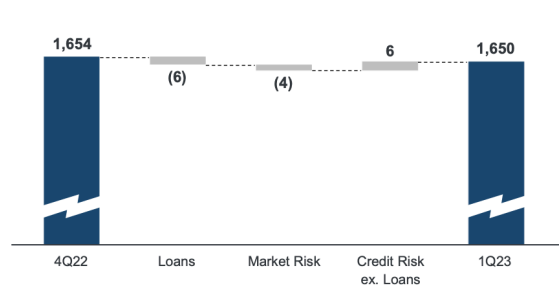
**\$B, EXCEPT PER SHARE DATA**

	1Q23	4Q22	1Q22
<b>Risk-based capital metrics<sup>1</sup></b>			
CET1 capital	\$227	\$219	\$208
CET1 capital ratio – Standardized	13.8%	13.2%	11.9%
CET1 capital ratio – Advanced	13.9	13.6	12.7
Basel III Standardized RWA	\$1,650	\$1,654	\$1,751
<b>Leverage-based capital metric<sup>2</sup></b>			
Firm SLR	5.9%	5.6%	5.2%
<b>Liquidity metrics<sup>3</sup></b>			
Firm LCR	114%	112%	110%
Bank LCR	140	151	181
Total excess HQLA	\$368	\$437	\$625
HQLA and unencumbered marketable securities	1,431	1,427	1,662
<b>Balance sheet metrics</b>			
Total assets (EOP)	\$3,744	\$3,666	\$3,955
Deposits (average)	2,320	2,380	2,516
Tangible book value per share <sup>4</sup>	76.69	73.12	69.58

**STANDARDIZED CET1 RATIO (%)<sup>1</sup>**



**STANDARDIZED RISK-WEIGHTED ASSETS (\$B)<sup>1</sup>**



The bank reported record quarterly revenues.

Let's look at the individual segments.

# Consumer & Community Banking<sup>1</sup>

## SELECTED INCOME STATEMENT DATA (\$MM)

	\$ O/(U)		
	1Q23	4Q22	1Q22
<b>Revenue</b>	<b>\$16,456</b>	<b>\$663</b>	<b>\$4,274</b>
Banking & Wealth Management <sup>2</sup>	10,041	459	4,026
Home Lending	720	136	(449)
Card Services & Auto	5,695	68	697
<b>Expense<sup>2</sup></b>	<b>8,065</b>	<b>153</b>	<b>410</b>
<b>Credit costs</b>	<b>1,402</b>	<b>(443)</b>	<b>724</b>
Net charge-offs (NCOs)	1,052	207	499
Change in allowance	350	(650)	225
<b>Net income</b>	<b>\$5,243</b>	<b>\$687</b>	<b>\$2,335</b>

## FINANCIAL PERFORMANCE

- **Net income of \$5.2B, up 80% YoY**
- **Revenue** of \$16.5B, up 35% YoY, driven by higher net interest income
- **Expense** of \$8.1B, up 5% YoY, largely driven by higher compensation, including wage inflation and headcount growth, as well as investments in the business, largely offset by lower auto lease depreciation
- **Credit costs** of \$1.4B
  - NCOs of \$1.1B, up \$499mm YoY, predominantly driven by Card Services
  - Reserve build of \$300mm in Card Services and \$50mm in Home Lending

## KEY DRIVERS / STATISTICS (\$B)<sup>3</sup>

	1Q23	4Q22	1Q22
Equity	\$52.0	\$50.0	\$50.0
ROE	40%	35%	23%
Overhead ratio	49	50	63
Average loans	\$449.8	\$448.5	\$428.9
Average deposits	1,113.0	1,142.5	1,153.5
Active mobile customers (mm) <sup>4</sup>	50.9	49.7	46.5
Debit & credit card sales volume <sup>5</sup>	\$387.3	\$411.1	\$351.5

- Average loans up 5% YoY and flat QoQ
- Average deposits down 4% YoY and 3% QoQ
  - EOP deposits down 4% YoY and up 1% QoQ
- Active mobile customers up 9% YoY
- Debit & credit card sales volume up 10% YoY
- Client investment assets down 1% YoY and up 7% QoQ

## KEY DRIVERS / STATISTICS (\$B) – DETAIL BY BUSINESS

	1Q23	4Q22	1Q22
<b>Banking &amp; Wealth Management</b>			
Business Banking average loans <sup>5</sup>	\$19.9	\$20.5	\$24.8
Business Banking loan originations	1.0	1.1	1.0
Client investment assets (EOP)	690.8	647.1	696.3
Deposit margin	2.78%	2.48%	1.22%
<b>Home Lending</b>			
Average loans	\$172.1	\$174.5	\$176.5
Loan originations <sup>7</sup>	5.7	6.7	24.7
Third-party mortgage loans serviced (EOP)	575.9	584.3	575.4
Net charge-off/(recovery) rate	(0.04)%	(0.08)%	(0.17)%
<b>Card Services &amp; Auto</b>			
Card Services average loans	\$180.5	\$177.0	\$149.4
Auto average loans and leased assets	80.3	80.0	85.7
Auto loan and lease originations	9.2	7.5	8.4
Card Services net charge-off rate	2.07%	1.62%	1.37%
Card Services net revenue rate	10.38	10.06	9.87
Card Services sales volume <sup>5</sup>	\$266.2	\$284.8	\$236.4

# Corporate & Investment Bank<sup>1</sup>

## SELECTED INCOME STATEMENT DATA (\$MM)

	\$ O/(U)		
	1Q23	4Q22	1Q22
<b>Revenue</b>	<b>\$13,600</b>	<b>\$3,002</b>	<b>\$24</b>
Investment Banking revenue	1,560	171	(497)
Payments <sup>2</sup>	2,396	276	495
Lending	267	(56)	(54)
<b>Total Banking</b>	<b>4,223</b>	<b>391</b>	<b>(56)</b>
Fixed Income Markets	5,699	1,960	1
Equity Markets	2,683	752	(372)
Securities Services	1,148	(11)	80
Credit Adjustments & Other	(153)	(90)	371
<b>Total Markets &amp; Securities Services</b>	<b>9,377</b>	<b>2,611</b>	<b>80</b>
<b>Expense<sup>2</sup></b>	<b>7,483</b>	<b>988</b>	<b>120</b>
<b>Credit costs</b>	<b>58</b>	<b>(83)</b>	<b>(387)</b>
<b>Net income</b>	<b>\$4,421</b>	<b>\$1,107</b>	<b>\$49</b>

## KEY DRIVERS / STATISTICS (\$B)<sup>3</sup>

	1Q23	4Q22	1Q22
Equity	\$108.0	\$103.0	\$103.0
ROE <sup>2</sup>	16%	12%	16%
Overhead ratio	55	61	54
Comp/revenue	30	29	30
IB fees (\$mm)	\$1,654	\$1,467	\$2,050
Average loans	228.1	225.8	212.4
Average client deposits <sup>4</sup>	633.7	649.7	709.1
Merchant processing volume <sup>5</sup>	558.8	583.2	490.2
Assets under custody (\$T)	29.7	28.6	31.6
ALL/EOP loans ex-conduits and trade <sup>6</sup>	1.81%	1.67%	1.31%
Net charge-off/(recovery) rate <sup>6</sup>	0.11	0.02	0.05
Average VaR (\$mm)	\$45	\$60	\$64

## FINANCIAL PERFORMANCE

- **Net income of \$4.4B, up 1% YoY; revenue of \$13.6B, flat YoY**
- **Banking revenue**
  - IB revenue of \$1.6B, down 24% YoY
    - IB fees down 19% YoY, predominantly driven by lower debt underwriting fees
  - Payments revenue of \$2.4B, up 26% YoY
    - Excluding the net impact of equity investments, primarily a gain in the prior year, up 55%, predominantly driven by higher rates, partially offset by lower deposit balances
  - Lending revenue of \$267mm, down 17% YoY, predominantly driven by mark-to-market losses on hedges of retained loans, largely offset by higher net interest income on higher loan balances
- **Markets & Securities Services revenue**
  - Markets revenue of \$8.4B, down 4% YoY
    - Fixed Income Markets revenue of \$5.7B, flat YoY, reflecting higher revenue in Rates and Credit and lower revenue in Currencies & Emerging Markets
    - Equity Markets revenue of \$2.7B, down 12% YoY, against a strong first quarter in the prior year
  - Securities Services revenue of \$1.1B, up 7% YoY, driven by higher rates, partially offset by lower deposit balances and market levels
- **Expense of \$7.5B, up 2% YoY, reflecting higher compensation, including headcount growth and wage inflation, largely offset by lower revenue-related compensation**
- **Credit costs of \$58mm**

# Commercial Banking<sup>1</sup>

## SELECTED INCOME STATEMENT DATA (\$MM)

	\$ O/(U)		
	1Q23	4Q22	1Q22
<b>Revenue</b>	<b>\$3,511</b>	<b>\$107</b>	<b>\$1,113</b>
Middle Market Banking	1,681	62	701
Corporate Client Banking	1,176	67	346
Commercial Real Estate Banking	642	(24)	61
Other	12	2	5
<b>Expense</b>	<b>1,308</b>	<b>54</b>	<b>179</b>
<b>Credit costs</b>	<b>417</b>	<b>133</b>	<b>260</b>
<b>Net income</b>	<b>\$1,347</b>	<b>(\$76)</b>	<b>\$497</b>

## KEY DRIVERS / STATISTICS (\$B)<sup>2</sup>

	1Q23	4Q22	1Q22
Equity	\$28.5	\$25.0	\$25.0
ROE	18%	22%	13%
Overhead ratio	37	37	47
Payments revenue (\$mm) <sup>3</sup>	\$2,028	\$1,989	\$1,022
Gross IB revenue (\$mm) <sup>4</sup>	\$881	\$700	\$729
Average loans <sup>5</sup>	238.0	235.3	210.7
Average client deposits	266.0	278.9	316.9
Allowance for loan losses	3.6	3.3	2.4
Nonaccrual loans	0.9	0.8	0.8
Net charge-off/(recovery) rate <sup>6</sup>	0.06%	0.06%	0.01%
ALL/loans <sup>6</sup>	1.49	1.42	1.11

## FINANCIAL PERFORMANCE

- **Net income of \$1.3B, up 58% YoY**
- **Revenue** of \$3.5B, up 46% YoY, driven by higher deposit margins, partially offset by lower deposit-related fees
  - Payments revenue of \$2.0B, up 98% YoY
  - Gross IB revenue of \$881mm, up 21% YoY
- **Expense** of \$1.3B, up 16% YoY, largely driven by higher compensation, including headcount growth, as well as higher volume-related expense
- **Credit costs** of \$417mm, reflecting a net reserve build
- **Average loans** of \$238B, up 13% YoY and up 1% QoQ
  - C&I<sup>7</sup> up 18% YoY and up 1% QoQ
  - CRE<sup>7</sup> up 8% YoY and up 1% QoQ
- **Average deposits** of \$266B, down 16% YoY and 5% QoQ, predominantly driven by continued attrition in non-operating deposits as well as seasonally lower balances

# Asset & Wealth Management<sup>1</sup>

## SELECTED INCOME STATEMENT DATA (\$MM)

	\$ O/(U)		
	1Q23	4Q22	1Q22
<b>Revenue</b>	<b>\$4,784</b>	<b>\$196</b>	<b>\$469</b>
Asset Management	2,434	276	120
Global Private Bank	2,350	(80)	349
<b>Expense</b>	<b>3,091</b>	<b>69</b>	<b>231</b>
<b>Credit costs</b>	<b>28</b>	<b>(4)</b>	<b>(126)</b>
<b>Net income</b>	<b>\$1,367</b>	<b>\$233</b>	<b>\$359</b>

## KEY DRIVERS / STATISTICS (\$B)<sup>2</sup>

	1Q23	4Q22	1Q22
Equity	\$16.0	\$17.0	\$17.0
ROE	34%	26%	23%
Pretax margin	35	33	30
Assets under management ("AUM")	\$3,006	\$2,766	\$2,960
Client assets	4,347	4,048	4,116
Average loans	211.5	214.2	214.6
Average deposits	224.4	237.0	287.8

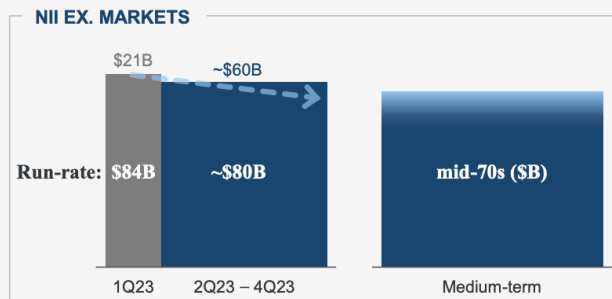
## FINANCIAL PERFORMANCE

- **Net income of \$1.4B, up 36% YoY**
- **Revenue** of \$4.8B, up 11% YoY, driven by higher deposit margins on lower balances and a valuation gain of \$339mm on the Firm's initial investment in the Asset Management joint venture in China as a result of taking 100% ownership, partially offset by the impact of lower average market levels on management fees and lower performance fees
- **Expense** of \$3.1B, up 8% YoY, predominantly driven by higher compensation, including headcount growth, higher revenue-related compensation and the impact of acquisitions
- **AUM** of \$3.0T was up 2% YoY and client assets of \$4.3T were up 6% YoY, driven by continued net inflows
  - For the quarter, AUM had long-term net inflows of \$47B and liquidity net inflows of \$93B
- **Average loans** of \$211B, down 1% YoY and down 1% QoQ
- **Average deposits** of \$224B, down 22% YoY and down 5% QoQ

## FIRMWIDE

Expect FY2023 net interest income and net interest income excluding Markets of **~\$81B**, market dependent

1



### SIGNIFICANT SOURCES OF UNCERTAINTY

- **Deposit reprice (magnitude and timing)**
  - Consumer behavior and competitive dynamics
- **Hard vs. soft landing**
  - Impacts both rates and loan growth
- **Loan growth**, including card revolve
- **Securities reinvestment** strategy
- **Impact of policy choices**
  - Pace of **quantitative tightening**
  - Path of **Fed Funds rate**
  - Size and terms of **RRP**

2

Expect FY2023 adjusted expense of **~\$81B**, market dependent

3

Expect FY2023 Card Services NCO rate of **~2.60%**

**JPMORGAN CHASE REPORTS FIRST-QUARTER 2023 NET INCOME OF \$12.6 BILLION (\$4.10 PER SHARE)**

**FIRST-QUARTER 2023 RESULTS<sup>1</sup>**

	<p>ROE <b>18%</b> ROTCE<sup>2</sup> <b>23%</b></p>	<p>CET1 Capital Ratios<sup>3</sup> Std. <b>13.8%</b>   Adv. <b>13.9%</b> Total Loss-Absorbing Capacity<sup>3</sup> <b>\$488B</b></p>	<p>Std. RWA<sup>3</sup> <b>\$1.7T</b> Cash and marketable securities<sup>4</sup> <b>\$1.4T</b> Average loans <b>\$1.1T</b></p>
<b>Firmwide Metrics</b>	<ul style="list-style-type: none"> <li>Reported revenue of \$38.3 billion and managed revenue of \$39.3 billion<sup>2</sup>, including \$868 million of net investment securities losses</li> <li>Credit costs of \$2.3 billion included a \$1.1 billion net reserve build and \$1.1 billion of net charge-offs</li> <li>Average loans up 6%; average deposits down 8%</li> </ul>	<p>Jamie Dimon, Chairman and CEO, commented on the financial results: “We reported strong results in the first quarter, delivering net income of \$12.6 billion, record revenue of \$38.3 billion, and an ROTCE of 23%. We continued to generate considerable amounts of capital, and our CET1 ratio increased to 13.8%, compared to a regulatory requirement of 12.5% and our target of 13% for the first quarter (which we had already exceeded). Our years of investment and innovation, vigilant risk and controls framework, and fortress balance sheet allowed us to produce these returns, and also act as a pillar of strength in the banking system and stand by our clients during a period of heightened volatility and uncertainty.”</p> <p>Dimon continued: “Our lines of business saw continued momentum in the quarter. In Consumer &amp; Community Banking, consumer spending remained healthy with combined debit and credit card sales up 10% and card loans up 21%. In the Corporate &amp; Investment Bank, Markets revenue fell 4% versus a very strong prior year, and we focused on supporting clients as they navigated volatile market conditions. Global Investment Banking fees remained challenged for the industry, although we significantly outperformed the overall wallet. In Commercial Banking, we earned record revenue, with exceptionally strong Payments revenue, up 98%. Finally, Asset &amp; Wealth Management performed well with strong long-term inflows of \$47 billion across products.”</p> <p>Dimon added: “The U.S. economy continues to be on generally healthy footings—consumers are still spending and have strong balance sheets, and businesses are in good shape. However, the storm clouds that we have been monitoring for the past year remain on the horizon, and the banking industry turmoil adds to these risks. The banking situation is distinct from 2008 as it has involved far fewer financial players and fewer issues that need to be resolved, but financial conditions will likely tighten as lenders become more conservative, and we do not know if this will slow consumer spending. We also continue to monitor for potentially higher inflation for longer (and thus higher interest rates), the inflationary impact of continued fiscal stimulus, the unprecedented quantitative tightening, and geopolitical tensions including relations with China and the unpredictable war in Ukraine. While we hope these clouds will dissipate, the Firm is prepared for a broad range of outcomes, and we are confident that we can serve the needs of our customers and clients in all environments.”</p> <p>Dimon concluded: “Finally, I want to recognize our outstanding employees across the globe. Thanks to their efforts, we extended credit and raised \$588 billion in capital in the quarter for small and large businesses, governments, and U.S. consumers, as well as efficiently onboarded a significant amount of new clients across many of our businesses.”</p>	
<b>CCB</b> ROE 40%	<ul style="list-style-type: none"> <li>Average deposits down 4%; client investment assets down 1%</li> <li>Average loans up 5% YoY and flat QoQ; Card Services net charge-off rate of 2.07%</li> <li>Debit and credit card sales volume<sup>5</sup> up 10%</li> <li>Active mobile customers<sup>6</sup> up 9%</li> </ul>		
<b>CIB</b> ROE 16%	<ul style="list-style-type: none"> <li>#1 ranking for Global Investment Banking fees with 8.7% wallet share in 1Q23</li> <li>Total Markets revenue of \$8.4 billion, down 4%, with Fixed Income Markets flat and Equity Markets down 12%</li> </ul>		
<b>CB</b> ROE 18%	<ul style="list-style-type: none"> <li>Gross Investment Banking revenue<sup>7</sup> of \$881 million, up 21%</li> <li>Average loans up 13% YoY and up 1% QoQ; average deposits down 16%</li> </ul>		
<b>AWM</b> ROE 34%	<ul style="list-style-type: none"> <li>Assets under management (AUM) of \$3.0 trillion, up 2%</li> <li>Average loans down 1% YoY and down 1% QoQ; average deposits down 22%</li> </ul>		

**SIGNIFICANT ITEMS**

- 1Q23 results included:
  - \$868 million net investment securities losses in Corporate (\$0.22 decrease in earnings per share)

**CAPITAL DISTRIBUTED**

- Common dividend of \$3.0 billion or \$1.00 per share
- \$1.9 billion of common stock net repurchases<sup>8</sup>
- Net payout LTM<sup>8,9</sup> of 33%

**FORTRESS PRINCIPLES**

- Book value per share of \$94.34, up 9%; tangible book value per share<sup>2</sup> of \$76.69, up 10%
- Basel III common equity Tier 1 capital<sup>3</sup> of \$227 billion and Standardized ratio<sup>3</sup> of 13.8%; Advanced ratio<sup>3</sup> of 13.9%
- Firm supplementary leverage ratio of 5.9%

**OPERATING LEVERAGE**

- 1Q23 expense of \$20.1 billion; reported overhead ratio of 52%; managed overhead ratio<sup>2</sup> of 51%

**SUPPORTED CONSUMERS, BUSINESSES & COMMUNITIES**

- \$588 billion of credit and capital<sup>10</sup> raised in 1Q23
  - \$57 billion of credit for consumers
  - \$9 billion of credit for U.S. small businesses
  - \$232 billion of credit for corporations
  - \$280 billion of capital raised for corporate clients and non-U.S. government entities
  - \$10 billion of credit and capital raised for nonprofit and U.S. government entities, including states, municipalities, hospitals and universities

## JPMORGAN CHASE (JPM)

Results for JPM (\$ millions, except per share data)				4Q22		1Q22	
	1Q23	4Q22	1Q22	\$ O/(U)	O/(U) %	\$ O/(U)	O/(U) %
Net revenue - reported	\$ 38,349	\$ 34,547	\$ 30,717	\$ 3,802	11 %	\$ 7,632	25 %
Net revenue - managed	39,336	35,566	31,590	3,770	11	7,746	25
Noninterest expense	20,107	19,022	19,191	1,085	6	916	5
Provision for credit losses	2,275	2,288	1,463	(13)	(1)	812	56
<b>Net income</b>	<b>\$ 12,622</b>	<b>\$ 11,008</b>	<b>\$ 8,282</b>	<b>\$ 1,614</b>	<b>15 %</b>	<b>\$ 4,340</b>	<b>52 %</b>
Earnings per share - diluted	\$ 4.10	\$ 3.57	\$ 2.63	\$ 0.53	15 %	\$ 1.47	56 %
Return on common equity	18 %	16 %	13 %				
Return on tangible common equity	23	20	16				

<https://www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/investor-relations/documents/quarterly-earnings/2023/1st-quarter/88617d8a-a183-45a7-acd9-eea77b439879.pdf>

SELECTED INCOME STATEMENT DATA	QUARTERLY TRENDS						
	1Q23	4Q22	3Q22	2Q22	1Q22	1Q23 Change	
						4Q22	1Q22
<b>Reported Basis</b>							
Total net revenue	\$ 38,349	\$ 34,547	\$ 32,716	\$ 30,715	\$ 30,717	11 %	25 %
Total noninterest expense	20,107	19,022	19,178	18,749	19,191	6	5
Pre-provision profit (a)	18,242	15,525	13,538	11,966	11,526	18	58
Provision for credit losses	2,275	2,288	1,537	1,101	1,463	(1)	56
<b>NET INCOME</b>	<b>12,622</b>	<b>11,008</b>	<b>9,737</b>	<b>8,649</b>	<b>8,282</b>	<b>15</b>	<b>52</b>
<b>Managed Basis (b)</b>							
Total net revenue	39,336	35,566	33,491	31,630	31,590	11	25
Total noninterest expense	20,107	19,022	19,178	18,749	19,191	6	5
Pre-provision profit (a)	19,229	16,544	14,313	12,881	12,399	16	55
Provision for credit losses	2,275	2,288	1,537	1,101	1,463	(1)	56
<b>NET INCOME</b>	<b>12,622</b>	<b>11,008</b>	<b>9,737</b>	<b>8,649</b>	<b>8,282</b>	<b>15</b>	<b>52</b>
<b>EARNINGS PER SHARE DATA</b>							
Net income: Basic	\$ 4.11	\$ 3.58	\$ 3.13	\$ 2.77	\$ 2.64	15	56
Diluted	4.10	3.57	3.12	2.76	2.63	15	56
Average shares: Basic	2,968.5	2,962.9	2,961.2	2,962.2	2,977.0	—	—
Diluted	2,972.7	2,967.1	2,965.4	2,966.3	2,981.0	—	—
<b>MARKET AND PER COMMON SHARE DATA</b>							
Market capitalization	\$ 380,803	\$ 393,484	\$ 306,520	\$ 330,237	\$ 400,379	(3)	(5)
Common shares at period-end	2,922.3	2,934.3	2,933.2	2,932.6	2,937.1	—	(1)
Book value per share	94.34	90.29	87.00	86.38	86.16	4	9
Tangible book value per share ("TBVPS") (a)	76.69	73.12	69.90	69.53	69.58	5	10
Cash dividends declared per share	1.00	1.00	1.00	1.00	1.00	—	—
<b>FINANCIAL RATIOS (c)</b>							
Return on common equity ("ROE")	18 %	16 %	15 %	13 %	13 %		
Return on tangible common equity ("ROTCE") (a)	23	20	18	17	16		
Return on assets	1.38	1.16	1.01	0.89	0.86		
<b>CAPITAL RATIOS (d)</b>							
Common equity Tier 1 ("CET1") capital ratio	13.8 % (e)	13.2 %	12.5 %	12.2 %	11.9 %		
Tier 1 capital ratio	15.4 (e)	14.9	14.1	14.1	13.7		
Total capital ratio	17.4 (e)	16.8	16.0	15.7	15.4		
Tier 1 leverage ratio	6.9 (e)	6.6	6.2	6.2	6.2		
Supplementary leverage ratio ("SLR")	5.9 (e)	5.6	5.3	5.3	5.2		

SELECTED BALANCE SHEET DATA (period-end)	QUARTERLY TRENDS						1Q23 Change	
	1Q23	4Q22	3Q22	2Q22	1Q22	4Q22	1Q22	
Total assets	\$3,744,305	\$3,665,743	\$3,773,884	\$3,841,314	\$3,954,687	2 %	(5)%	
Loans:								
Consumer, excluding credit card loans	311,433	311,375	313,796	317,212	312,489	—	—	
Credit card loans	180,079	185,175	170,462	165,494	152,283	(3)	18	
Wholesale loans	637,384	639,097	628,375	621,449	608,513	—	5	
<b>Total Loans</b>	<b>1,128,896</b>	<b>1,135,647</b>	<b>1,112,633</b>	<b>1,104,155</b>	<b>1,073,285</b>	(1)	5	
Deposits:								
U.S. offices:								
Noninterest-bearing	655,766	644,902	688,292	714,478	721,401	2	(9)	
Interest-bearing	1,298,620	1,276,346	1,304,012	1,343,802	1,412,589	2	(8)	
Non-U.S. offices:								
Noninterest-bearing	25,071	27,005	26,629	26,983	27,542	(7)	(9)	
Interest-bearing	397,796	391,926	389,682	386,281	399,675	1	—	
<b>Total deposits</b>	<b>2,377,253</b>	<b>2,340,179</b>	<b>2,408,615</b>	<b>2,471,544</b>	<b>2,561,207</b>	2	(7)	
Long-term debt	295,489	295,865	287,473	288,212	293,239	—	1	
Common stockholders' equity	275,678	264,928	255,180	253,305	253,061	4	9	
Total stockholders' equity	303,082	292,332	288,018	286,143	285,899	4	6	
Loans-to-deposits ratio	47 %	49 %	46 %	45 %	42 %			
Headcount	296,877	293,723	288,474	278,494	273,948	1	8	
<b>95% CONFIDENCE LEVEL - TOTAL VaR</b>								
Average VaR (a)	\$ 47	\$ 61	\$ 54	\$ 54	\$ 63	(23)	(25)	
<b>LINE OF BUSINESS NET REVENUE (b)</b>								
Consumer & Community Banking	\$ 16,456	\$ 15,793 (e)	\$ 14,281 (e)	\$ 12,558 (e)	\$ 12,182 (e)	4	35	
Corporate & Investment Bank	13,600	10,598 (e)	11,925 (e)	12,003 (e)	13,576 (e)	28	—	
Commercial Banking	3,511	3,404	3,048	2,683	2,398	3	46	
Asset & Wealth Management	4,784	4,588	4,539	4,306	4,315	4	11	
Corporate	985	1,183	(302)	80	(881)	(17)	NM	
<b>TOTAL NET REVENUE</b>	<b>\$ 39,336</b>	<b>\$ 35,566</b>	<b>\$ 33,491</b>	<b>\$ 31,630</b>	<b>\$ 31,590</b>	11	25	
<b>LINE OF BUSINESS NET INCOME/(LOSS)</b>								
Consumer & Community Banking	\$ 5,243	\$ 4,556 (e)	\$ 4,344 (e)	\$ 3,108 (e)	\$ 2,908 (e)	15	80	
Corporate & Investment Bank	4,421	3,314 (e)	3,522 (e)	3,717 (e)	4,372 (e)	33	1	
Commercial Banking	1,347	1,423	946	994	850	(5)	58	
Asset & Wealth Management	1,367	1,134	1,219	1,004	1,008	21	36	
Corporate	244	581	(294)	(174)	(856)	(58)	NM	
<b>NET INCOME</b>	<b>\$ 12,622</b>	<b>\$ 11,008</b>	<b>\$ 9,737</b>	<b>\$ 8,649</b>	<b>\$ 8,282</b>	15	52	
<b>MEMO: SELECTED FIRMWIDE METRICS</b>								
<b>Wealth Management (c)</b>								
Client assets (in billions)	\$ 2,594	\$ 2,438	\$ 2,302	\$ 2,177	\$ 2,389	6	9	
Number of client advisors	8,314	8,166	8,127	7,756	7,614	2	9	
<b>J.P.Morgan Payments (d)</b>								
Total net revenue	4,458	4,423	3,762	3,130	2,595	1	72	
Merchant processing volume (in billions)	558.8	583.2	545.4	539.6	490.2	(4)	14	
Average deposits (in billions)	707	732	748	816	821	(3)	(14)	



**QUARTERLY TRENDS**

						1Q23 Change	
	1Q23	4Q22	3Q22	2Q22	1Q22	4Q22	1Q22
<b>REVENUE</b>							
Investment banking fees	\$ 1,649	\$ 1,418	\$ 1,674	\$ 1,586	\$ 2,008	16 %	(18)%
Principal transactions	7,615	4,434	5,383	4,990	5,105	72	49
Lending- and deposit-related fees	1,620	1,655	1,731	1,873	1,839	(2)	(12)
Asset management fees	3,465	3,432	3,495	3,517	3,652	1	(5)
Commissions and other fees	1,695	1,574	1,574	1,723	1,710	8	(1)
Investment securities losses	(868)	(874)	(959)	(153)	(394)	1	(120)
Mortgage fees and related income	221	98	314	378	460	126	(52)
Card income	1,234	1,226	1,086	1,133	975	1	27
Other income	1,007	1,392	900	540	1,490	(28)	(32)
<b>Noninterest revenue</b>	<b>17,638</b>	<b>14,355</b>	<b>15,198</b>	<b>15,587</b>	<b>16,845</b>	23	5
Interest income	37,004	33,054	25,611	18,646	15,496	12	139
Interest expense	16,293	12,862	8,093	3,518	1,624	27	NM
<b>Net interest income</b>	<b>20,711</b>	<b>20,192</b>	<b>17,518</b>	<b>15,128</b>	<b>13,872</b>	3	49
<b>TOTAL NET REVENUE</b>	<b>38,349</b>	<b>34,547</b>	<b>32,716</b>	<b>30,715</b>	<b>30,717</b>	11	25
Provision for credit losses	2,275	2,288	1,537	1,101	1,463	(1)	56
<b>NONINTEREST EXPENSE</b>							
Compensation expense	11,676	10,009	10,539	10,301	10,787	17	8
Occupancy expense	1,115	1,271	1,162	1,129	1,134	(12)	(2)
Technology, communications and equipment expense	2,184	2,256	2,366	2,376	2,360	(3)	(7)
Professional and outside services	2,448	2,652	2,481	2,469	2,572	(8)	(5)
Marketing	1,045	1,093	1,017	881	920	(4)	14
Other expense (a)	1,639	1,741	1,613	1,593	1,418	(6)	16
<b>TOTAL NONINTEREST EXPENSE</b>	<b>20,107</b>	<b>19,022</b>	<b>19,178</b>	<b>18,749</b>	<b>19,191</b>	6	5
<b>Income before income tax expense</b>	<b>15,967</b>	<b>13,237</b>	<b>12,001</b>	<b>10,865</b>	<b>10,063</b>	21	59
Income tax expense	3,345	2,229	2,264	2,216	1,781	50	88
<b>NET INCOME</b>	<b>\$ 12,622</b>	<b>\$ 11,008</b>	<b>\$ 9,737</b>	<b>\$ 8,649</b>	<b>\$ 8,282</b>	15	52
<b>NET INCOME PER COMMON SHARE DATA</b>							
Basic earnings per share	\$ 4.11	\$ 3.58	\$ 3.13	\$ 2.77	\$ 2.64	15	56
Diluted earnings per share	4.10	3.57	3.12	2.76	2.63	15	56
<b>FINANCIAL RATIOS</b>							
Return on common equity (b)	18 %	16 %	15 %	13 %	13 %		
Return on tangible common equity (b)(c)	23	20	18	17	16		
Return on assets (b)	1.38	1.16	1.01	0.89	0.86		
Effective income tax rate	20.9	16.8	18.9	20.4	17.7		
Overhead ratio	52	55	59	61	62		

	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022	Mar 31, 2023	
						Dec 31, 2022	Mar 31, 2022
<b>ASSETS</b>							
Cash and due from banks	\$ 25,098	\$ 27,697	\$ 24,654	\$ 27,215	\$ 26,165	(9)%	(4)%
Deposits with banks	520,902	539,537	619,533	642,045	728,367	(3)	(28)
Federal funds sold and securities purchased under resale agreements	317,111	315,592	301,878	322,156	301,875	—	5
Securities borrowed	195,917	185,369	193,216	202,393	224,852	6	(13)
Trading assets:							
Debt and equity instruments	519,618	382,919	413,953	384,260	437,892	36	19
Derivative receivables	59,274	70,880	92,534	81,317	73,636	(16)	(20)
Available-for-sale ("AFS") securities	197,248	205,857	188,140	222,069	312,875	(4)	(37)
Held-to-maturity ("HTM") securities	412,827	425,305	430,106	441,649	366,585	(3)	13
Investment securities, net of allowance for credit losses	610,075	631,162	618,246	663,718	679,460	(3)	(10)
Loans	1,128,896	1,135,647	1,112,633	1,104,155	1,073,285	(1)	5
Less: Allowance for loan losses	20,053	19,726	18,185	17,750	17,192	2	17
Loans, net of allowance for loan losses	1,108,843	1,115,921	1,094,448	1,086,405	1,056,093	(1)	5
Accrued interest and accounts receivable	115,316	125,189	143,905	145,442	152,207	(8)	(24)
Premises and equipment	28,266	27,734	27,199	26,770	26,916	2	5
Goodwill, MSRs and other intangible assets	62,090	60,859	60,806	59,360	58,485	2	6
Other assets	181,795	182,884	183,512	200,233	188,739	(1)	(4)
<b>TOTAL ASSETS</b>	<b>\$ 3,744,305</b>	<b>\$ 3,665,743</b>	<b>\$ 3,773,884</b>	<b>\$ 3,841,314</b>	<b>\$ 3,954,687</b>	2	(5)
<b>LIABILITIES</b>							
Deposits	\$ 2,377,253	\$ 2,340,179	\$ 2,408,615	\$ 2,471,544	\$ 2,561,207	2	(7)
Federal funds purchased and securities loaned or sold under repurchase agreements	246,396	202,613	239,939	222,719	223,858	22	10
Short-term borrowings	42,241	44,027	47,866	58,422	57,586	(4)	(27)
Trading liabilities:							
Debt and equity instruments	145,153	126,835	133,175	137,891	144,280	14	1
Derivative payables	44,711	51,141	56,703	52,417	57,803	(13)	(23)
Accounts payable and other liabilities	275,077	300,141	300,016	313,326	320,671	(8)	(14)
Beneficial interests issued by consolidated VIEs	14,903	12,610	12,079	10,640	10,144	18	47
Long-term debt	295,489	295,865	287,473	288,212	293,239	—	1
<b>TOTAL LIABILITIES</b>	<b>3,441,223</b>	<b>3,373,411</b>	<b>3,485,866</b>	<b>3,555,171</b>	<b>3,668,788</b>	2	(6)
<b>STOCKHOLDERS' EQUITY</b>							
Preferred stock	27,404	27,404	32,838	32,838	32,838	—	(17)
Common stock	4,105	4,105	4,105	4,105	4,105	—	—
Additional paid-in capital	89,155	89,044	88,865	88,614	88,260	—	1
Retained earnings	306,208	296,456	288,776	282,445	277,177	3	10
Accumulated other comprehensive income/(loss) ("AOCI")	(14,418)	(17,341)	(19,134)	(14,369)	(9,567)	17	(51)
Treasury stock, at cost	(109,372)	(107,336)	(107,432)	(107,490)	(106,914)	(2)	(2)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>303,082</b>	<b>292,332</b>	<b>288,018</b>	<b>286,143</b>	<b>285,899</b>	4	6
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 3,744,305</b>	<b>\$ 3,665,743</b>	<b>\$ 3,773,884</b>	<b>\$ 3,841,314</b>	<b>\$ 3,954,687</b>	2	(5)

There's not much for us to add.

Let's see if there's anything interesting that was said during the conference call.

<https://seekingalpha.com/article/4594132-jpmorgan-chase-and-co-jpm-q1-2023-earnings-call-transcript>

## **Steve Chubak**

Jamie, I was actually hoping to get your perspective on how you see the recent developments with SVB impacting the regulatory landscape for the big banks. In your letter, you spent a fair amount of time highlighting the consequences of overly stringent capital requirements, the risk of steering more activities to the less regulated nonbanks.

What are some of the changes that your scenario planning for, whether it's higher capital, increase in FDIC assessment fees? And along those same lines, how you're thinking about the buyback given continued strong capital build, but a lot of macro uncertainty at the moment?

## **Jamie Dimon**

Well, I think you already kind of complete with answering your own question there. Look, we're hoping that everyone just takes a deep breath and looks at what happened, and the breadth and depth of regulations already in place. Obviously, when something happens like this, you should adjust, think about it. So I think down the road, there may be some limitations on held to maturity, maybe more TLAC for certain type size banks and more scrutiny and history exposure, stuff like that. But it doesn't have to be a revamp of the whole system. It's just recalibrating things the right way. I think it should be done knowing what you want the outcome to be. The outcome you should want is very strong community and regional banks. And certain actions are taking, which are drastic, it could actually make them weaker. So, that's all it is. We do expect higher capital from Basel IV effectively. And obviously, there's going to be an FDIC assessment. That will be what it is.

## **John McDonald**

Okay. And then, I wanted to ask Jamie, there's a narrative out there that the industry could see a credit crunch. Banks are going to stop lending. Even Jay Powell mentioned that as a risk. Do you see that in terms of anything you look at in terms of lending that -- and is that a reaction that makes sense that banks might be retrenching a lot here? Do you worry about that for the economy in terms of credit crunch? Thanks.

## **Jamie Dimon**

I wouldn't use the word credit crunch, if I were you. Obviously, there's going to be a little bit of tightening. And most of that will be around certain real estate things. You've heard it from real estate investors already. So I just look at that as a kind of a thumb on the scale. It just makes the finance conditions will be a little bit tighter, increases the odds of a recession. That's what that is. It's not like a credit crunch.

## **Erika Najarian**

So, as we think about all of what you've just told us, so \$81 billion of NII this year, and who knows when medium term is going to happen is mid-70s, the clear strength of the franchise producing 23% ROTCE in a quarter where your CET1 was 13.8% and a reserve that already reflects 5.8% unemployment. As we think about recession and what JPMorgan can earn in a recession, do you think you can hit 17% ROTCE even in 2024, assuming we do have a recession in '24 as everybody is expecting, given all these revenue dynamics and how prepared you are on the reserve?

## **Jeremy Barnum**

Okay. Let's take a crack. Let's see what the boss thinks. I think, number one, we believe, have said and continue to believe that this is fundamentally a 17% through the cycle ROTCE franchise. So number one. Number two, as Jamie always says, we run this company for all different scenarios and to have it be as resilient as possible across all different scenarios.

On the particular question of ROTCE expectations in 2024, contingent on the particular economic outlook, obviously, it depends a lot on the nature of the recession. I think we feel really good about how the Company is positioned for a recession, but we're a bank. A very serious recession is, of course, going to be a headline -- a headwind for returns. But we think even in a fairly severe recession, we'll deliver very good returns, whether that's 17% or not is too much detail for now.

## **Betsy Graseck**

Okay. So I just wanted to unpack the higher for longer rate possibility as to how it impacts your NII because your NII guide is assuming the forward curve, if I understand correctly. So in the event that you get that higher for longer, just how much does that impact the NII ex-markets? Because I'm trying to triangulate here about maybe you lose some deposits, but if we have higher for longer, shouldn't we expect the trajectory goes up from this quarter as opposed to down? Is that -- that's the question.

## **Jeremy Barnum**

Sure. So, Betsy, your question is very good. And I would say that as the -- like if you look at the evolution of our outlook last year, it was pretty clear that we were very asset-sensitive certainly in terms of sort of one-year forward EIR-type measure. You also obviously know that our current EIR actually shows a slight negative number, so it tiny bit liability sensitive, and I won't get into all the nuances about why that may or may not be a great predictor in the short term. But the point is that the level of rates now is, of course, very different from what it was last year. And at this level of rates, the relationship between our short-term NII evolution and the curve is not always going to be clear in any given moment. It's quite tricky and it can behave in somewhat wonky ways as a function of, again, what I've alluded to a couple of times on this call, the competitive environment for deposits, which is not, in fact, a sort of mathematically predictable thing as a function of the rate curve. So, that's why we're emphasizing all the different drivers of uncertainty in the NII outlook.

## **Jamie Dimon**

Yes. So, I would just add, so next quarter, we kind of know already, two quarters out, we know a little bit less, three quarters out, we know a little bit less, and '24, we know very little. That number, you can imagine, this is a little inside baseball now, the number that we're talking about for 2024 is not based upon an implied curve. It's based upon us looking at multiple potential scenarios, leveling them kind of out and saying this is kind of a range. And you're absolutely correct. You could have an environment of higher for longer that might be better than that. But remember, higher for longer comes with a lot of other things attached to it, like maybe a recession, taxation, lower volume. So I wouldn't look at that as higher flows a positive. It might be a slight positive in that line. It probably be negative in other lines.

## Valuations

JPM had net income of \$42 billion over the TTM.

We will assume they can maintain this for 2023, and falling in 2024 (let's look at a recession scenario)

Discount rate of 10%.

Terminal growth rate of 2%.

Year	Net Income	Disounted NI
<b>TTM</b>	\$42.0	
<b>2023</b>	\$42.0	\$38.2
<b>2024</b>	\$36.0	\$29.8
<b>2025</b>	\$42.0	\$31.6
<b>2026</b>	\$43.7	\$29.8
<b>2027</b>	\$45.4	\$28.2
<b>Terminal Value</b>		\$352.0
<b>Intrinsic Value</b>		<b>\$509.5</b>
<b>Per Share</b>		<b>\$174.4</b>

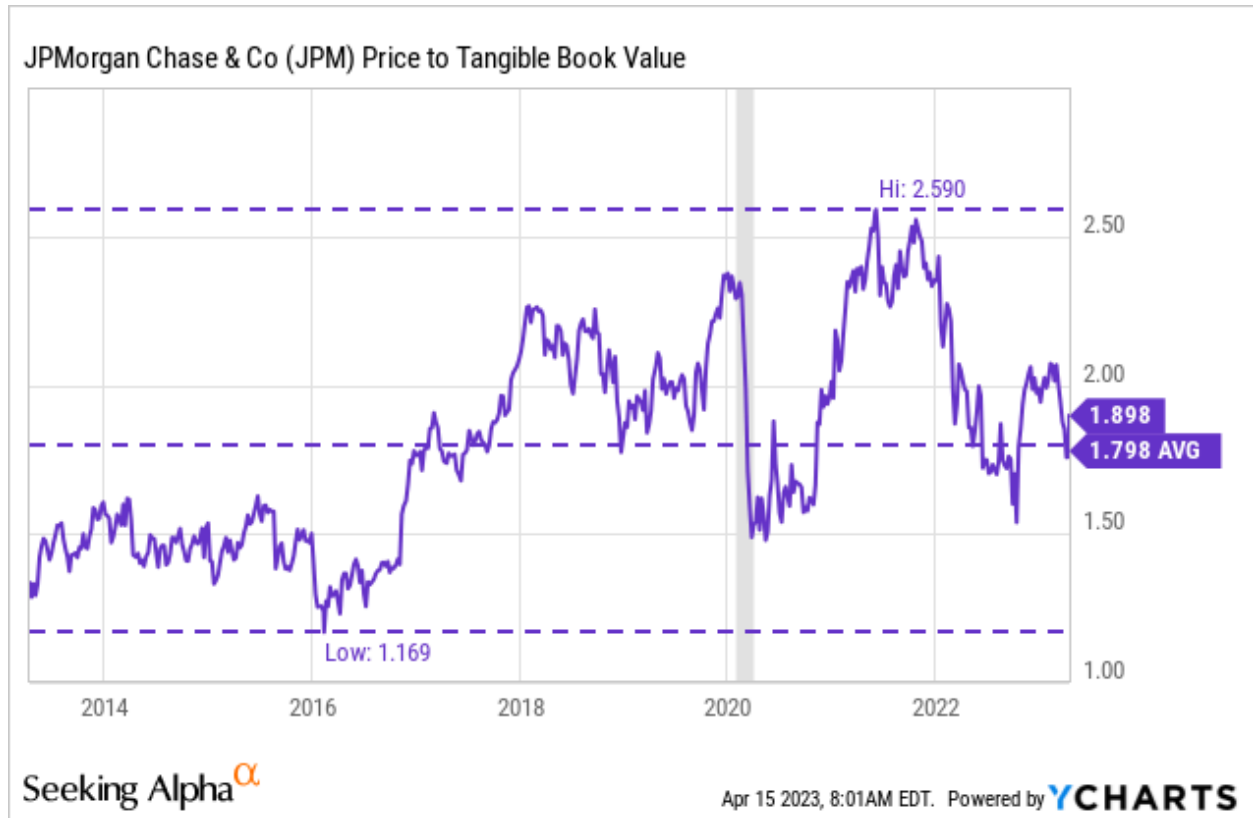


JPM is worth around half a trillion dollars, its ATH price.



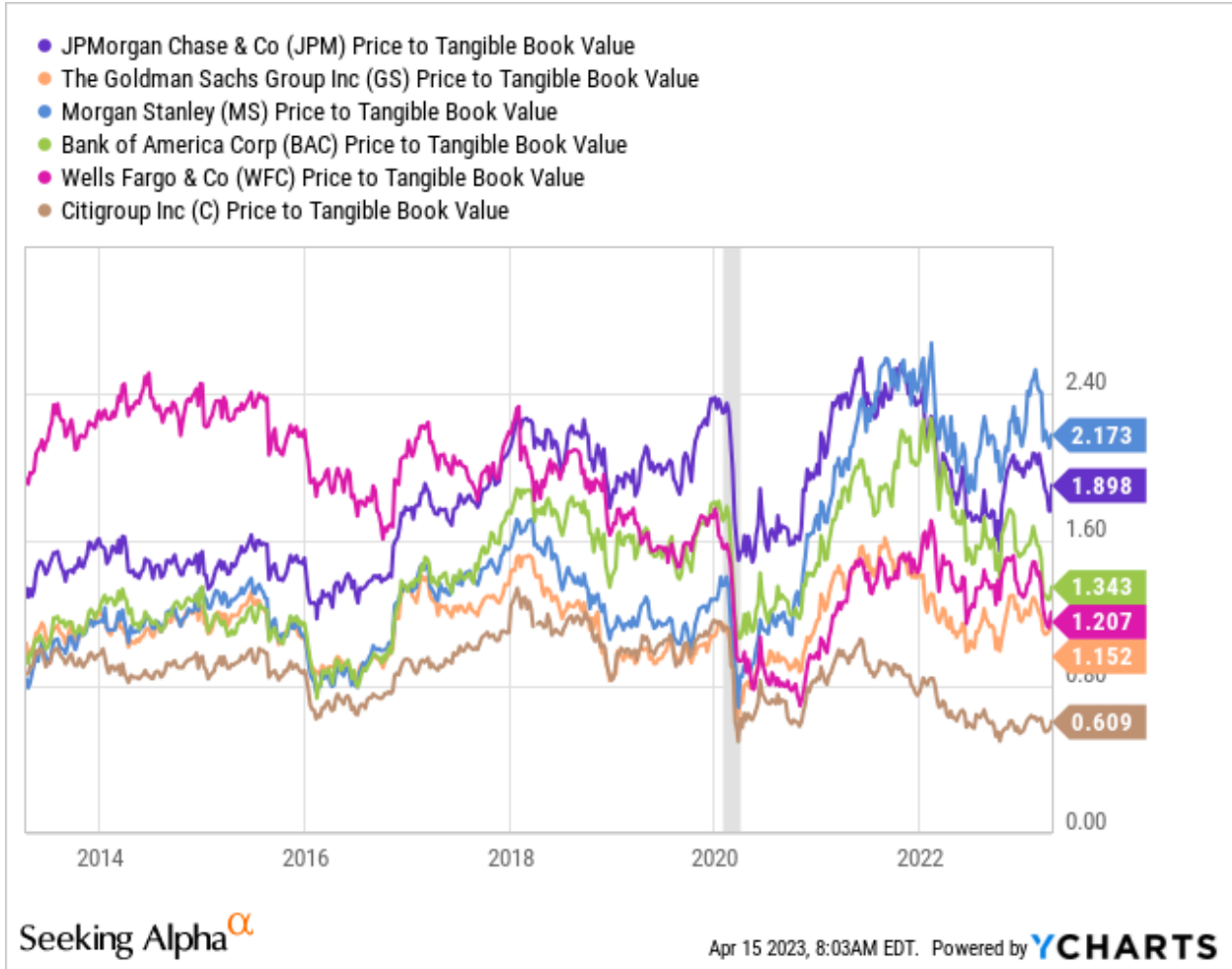
## Exit Multiples

We will use Price to Tangible BVPS as exit multiples

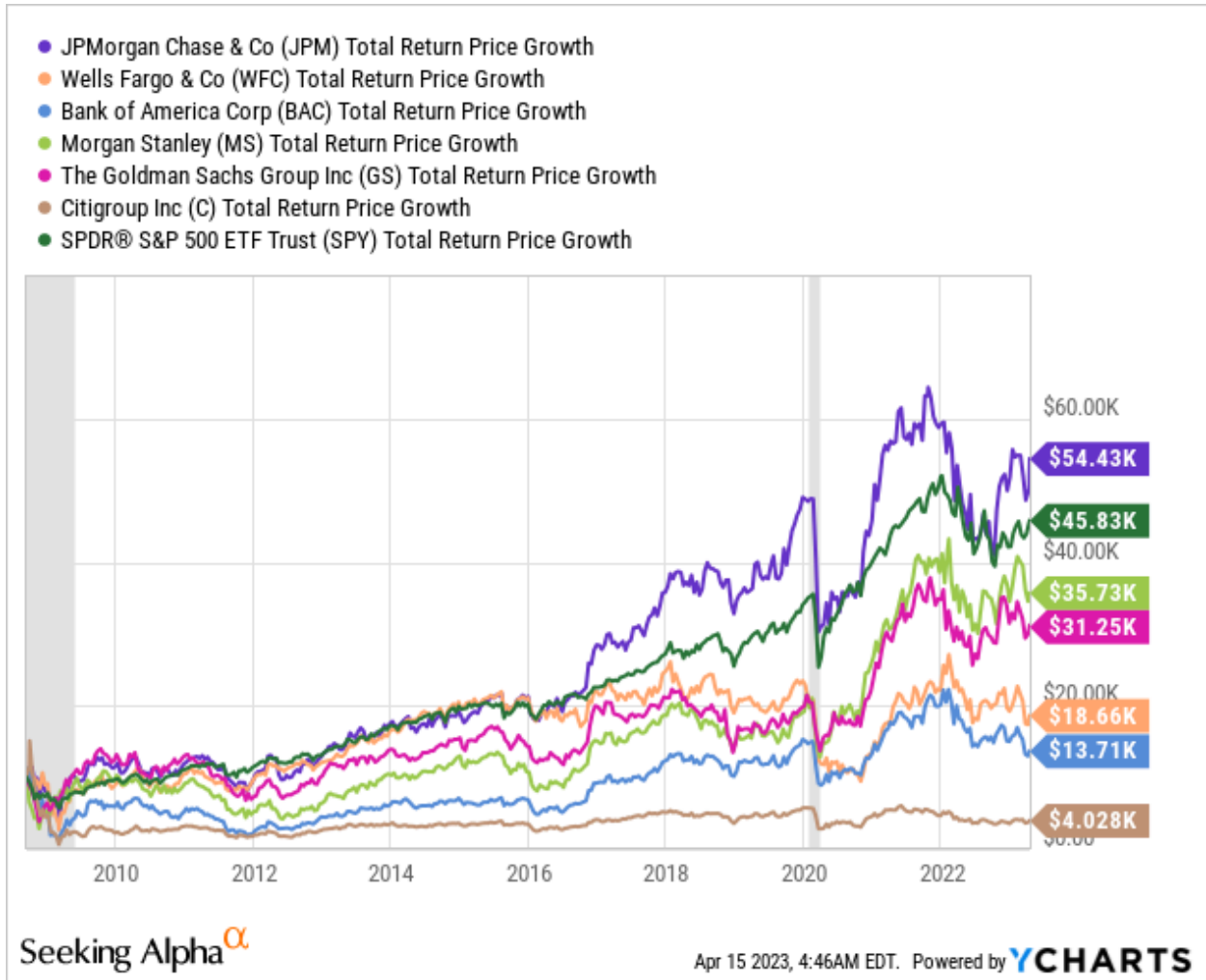


It is above average for the past 10 years.

There is also a premium on the stock.



Important to note that the big bank stock is the only one which outperformed the S&P 500 since the fall of Lehman Brothers



Let's assume 3% growth in BVPS in the next 5 years for the base case.

		2027 Price to Tangible Book Value Ratio				
		1.2	1.5	1.8	2.1	2.4
<b>Tangible Book Value per share</b>						
<b>Bull</b>	\$ 89.00	\$ 133.50	\$ 160.20	\$ 186.90	\$ 213.60	\$ 240.30
<b>Base</b>	\$ 84.73	\$ 127.10	\$ 152.51	\$ 177.93	\$ 203.35	\$ 228.77
<b>Bear</b>	\$ 82.60	\$ 123.90	\$ 148.68	\$ 173.46	\$ 198.24	\$ 223.02
<b>Returns @</b>	138	-10%	11%	29%	47%	74%
<b>CAGR</b>		-2%	2%	5%	8%	12%
<b>Dividend Yield</b>		3%	2%	2%	2%	1%
<b>Total Returns</b>		1%	4%	7%	10%	13%
<b>Probability</b>		15%	20%	30%	20%	15%
<b>Expectation</b>	7%	0%	1%	2%	2%	2%

## Conclusion

JPM is undervalued. It is a safe stock with limited growth potential, compared to what I am looking for. Still a BUY.

## 2Q23 Earnings Analysis - Jul 15, 2023



I have been buying and holding JPM since 2016 but what we can note is that in late 2021, the stock reached its intrinsic value. Maybe it could have been wiser to take some profits as I would have avoided a drop of more than 30% on the stock.

How did I make this mistake?

I will once again say that it was laziness and lack of focus. This was the time when I was working on my CISI exams. It was not an excuse, but I let my portfolio run too much on autopilot. Even when it comes to a hold-forever stock like JPM, we need to know when to trim our positions.

Let's start by looking at the earnings presentation

<https://www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/investor-relations/documents/quarterly-earnings/2023/2nd-quarter/1f617eea-d92b-46c4-8b73-4234a60f83a9.pdf>

## 2Q23 Financial highlights

ROTCE<sup>1</sup>  
**25%**

CET1 capital ratios<sup>2</sup>  
Std. **13.8%** | Adv. **13.9%**  
Total Loss-Absorbing Capacity<sup>2</sup> **\$494B**

Std. RWA<sup>3</sup> **\$1.7T**  
Cash and marketable securities<sup>4</sup> **\$1.4T**  
Average loans **\$1.2T**

### Income statement

- 2Q23 net income of \$14.5B and EPS of \$4.75
  - Excluding significant items<sup>5</sup>, 2Q23 net income of \$13.3B, EPS of \$4.37 and ROTCE of 23%
- Managed revenue of \$42.4B<sup>6</sup>
- Expense of \$20.8B and managed overhead ratio of 49%<sup>6</sup>

### Balance sheet

- Loans: average loans of \$1.2T up 13% YoY and 10% QoQ
  - Ex. FR<sup>7</sup>, average loans of \$1.1T up 4% YoY and 1% QoQ
- Deposits: average deposits of \$2.4T down 6% YoY and up 3% QoQ
  - Ex. FR, average deposits of \$2.3T down 8% YoY and up 1% QoQ
- CET1 capital of \$236B<sup>2</sup>
  - Standardized CET1 capital ratio of 13.8%<sup>2</sup>; Advanced CET1 capital ratio of 13.9%<sup>2</sup>

### Capital distributed

- Common dividend of \$2.9B or \$1.00 per share
- \$1.8B of common stock net repurchases<sup>8</sup>
- Net payout LTM of 32%<sup>9</sup>

### SIGNIFICANT ITEMS (\$MM, EXCLUDING EPS)

	Pretax	Net income	EPS
First Republic bargain purchase gain in Corporate <sup>10</sup>	\$2,712	\$2,712	\$0.91
Net credit reserve build for First Republic	(\$1,162)	(\$883)	(\$0.30)
Net investment securities losses in Corporate	(\$900)	(\$684)	(\$0.23)

About \$1.2 billion of the quarterly net income of JPM comes from the acquisition of First Republic.

# First Republic integration update

## CONTINUED PROGRESS ON MIGRATION

- **FDIC and transaction settlement:** The settlement process with the FDIC is on schedule
- **Branches:** 21 branches left behind with the FDIC; the remaining 63 are being actively evaluated for conversion to Chase, JPM Wealth Management or consolidation
- **Systems integration:** Developing the full migration plan for moving onto JPMC systems and products, targeting to be substantially complete in mid-2024

## EMPLOYEE ENGAGEMENT

- Onboarded ~5,100 former FRC employees on July 2, 2023; 85% were invited to join the firm and 91% accepted
  - Focused on getting the sales force back in the market to win back customers

## CLIENT RETENTION

- Strong client retention, with \$6B net deposit inflows since acquisition
  - Flows indicate that customers trust our balance sheet and the strength and confidence it provides

Opportunity to outperform original expectations and accelerate our affluent strategy

And the integration is still ongoing.

## 2Q23 Financial results<sup>1</sup>

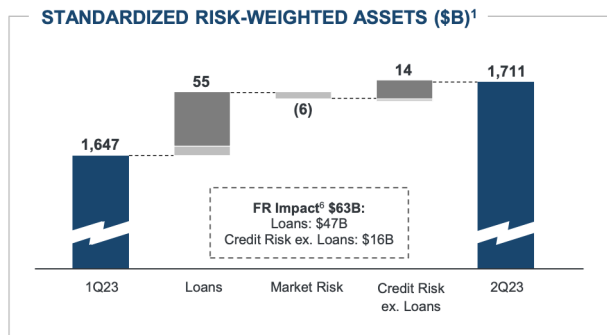
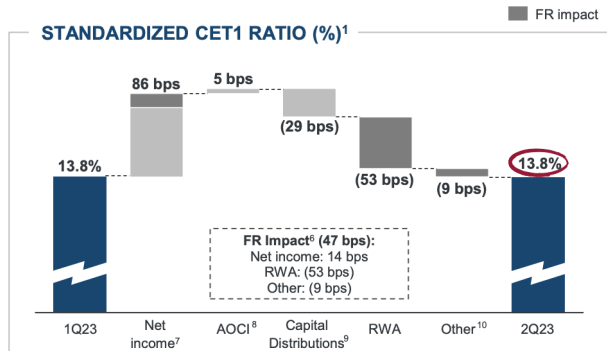
### \$B, EXCEPT PER SHARE DATA

	2Q23			ex. FR \$ O/(U)	
	Reported	FR impact	ex. FR	1Q23	2Q22
Net interest income	\$21.9	\$0.9	\$21.0	\$0.2	\$5.8
Noninterest revenue	20.5	3.1	17.4	(1.1)	1.0
<b>Managed revenue<sup>1</sup></b>	<b>42.4</b>	<b>4.0</b>	<b>38.4</b>	<b>(1.0)</b>	<b>6.7</b>
<b>Expense</b>	<b>20.8</b>	<b>0.6</b>	<b>20.2</b>	<b>0.1</b>	<b>1.5</b>
<b>Credit costs</b>	<b>2.9</b>	<b>1.2</b>	<b>1.7</b>	<b>(0.5)</b>	<b>0.6</b>
<b>Net income</b>	<b>\$14.5</b>	<b>\$2.4</b>	<b>\$12.1</b>	<b>(\$0.5)</b>	<b>\$3.4</b>
Net income applicable to common stockholders	\$14.0	\$2.4	\$11.6	(\$0.6)	\$3.4
EPS – diluted	\$4.75	\$0.80	\$3.95	(\$0.15)	\$1.19
ROE <sup>2</sup>	20%	3%	17%	18%	13%
ROTCE <sup>2,3</sup>	25	4	21	23	17
Overhead ratio – managed <sup>1,2</sup>	49	(4)	53	51	59
<b>Memo:</b>					
<i>NII excluding Markets<sup>4</sup></i>	\$22.4	\$0.9	\$21.5	\$0.5	\$7.8
<i>NIR excluding Markets<sup>4</sup></i>	13.0	3.1	9.9	(0.2)	(0.3)
<i>Markets revenue</i>	7.0	-	7.0	(1.4)	(0.8)
<b>Managed revenue<sup>1</sup></b>	<b>42.4</b>	<b>4.0</b>	<b>38.4</b>	<b>(1.0)</b>	<b>6.7</b>
<i>Adjusted expense<sup>5</sup></i>	\$20.4	\$0.6	\$19.8	(\$0.1)	\$1.1
<i>Adjusted overhead ratio<sup>1,2,5</sup></i>	48%	(4)%	52%	51%	59%

If we ignore FR, we can see that the performance of JPM is a little down compared to the previous quarter. The magnitude of the decline in business is small and acceptable, given the current banking environment.

## Fortress balance sheet

<b>\$B, EXCEPT PER SHARE DATA</b>			
	2Q23	1Q23	2Q22
<b><u>Risk-based capital metrics<sup>1</sup></u></b>			
CET1 capital	\$236	\$227	\$207
CET1 capital ratio – Standardized	13.8%	13.8%	12.2%
CET1 capital ratio – Advanced	13.9	13.9	12.9
Basel III Standardized RWA	\$1,711	\$1,647	\$1,705
<b><u>Leverage-based capital metric<sup>2</sup></u></b>			
Firm SLR	5.8%	5.9%	5.3%
<b><u>Liquidity metrics<sup>3</sup></u></b>			
Firm LCR	112%	114%	110%
Bank LCR	129	140	169
Total excess HQLA	\$296	\$368	\$554
HQLA and unencumbered marketable securities <sup>4</sup>	1,411	1,459	1,547
<b><u>Balance sheet metrics</u></b>			
Total assets (EOP)	\$3,868	\$3,744	\$3,841
Deposits (average)	2,387	2,320	2,532
Tangible book value per share <sup>5</sup>	79.90	76.69	69.53



There is not much to be said on the balance sheet of JPM other than they maintained the fortress balance sheet.

# Consumer & Community Banking<sup>1</sup>

## SELECTED INCOME STATEMENT DATA (\$MM)

	2Q23			ex. FR \$ O/(U)	
	Reported	FR impact	ex. FR	1Q23	2Q22
<b>Revenue</b>	<b>\$17,233</b>	<b>\$831</b>	<b>\$16,402</b>	<b>(\$54)</b>	<b>\$3,844</b>
Banking & Wealth Management <sup>2</sup>	10,936	596	10,340	299	3,838
Home Lending	1,007	235	772	52	(229)
Card Services & Auto	5,290	-	5,290	(405)	235
<b>Expense<sup>2</sup></b>	<b>8,313</b>	<b>37</b>	<b>8,276</b>	<b>211</b>	<b>618</b>
<b>Credit costs</b>	<b>1,862</b>	<b>408</b>	<b>1,454</b>	<b>52</b>	<b>693</b>
Net charge-offs (NCOs)	1,251	-	1,251	199	640
Change in allowance	611	408	203	(147)	53
<b>Net income</b>	<b>\$5,306</b>	<b>\$293</b>	<b>\$5,013</b>	<b>(\$230)</b>	<b>\$1,905</b>

## FINANCIAL PERFORMANCE (ex. FR)

- **Net income of \$5.0B, up 61% YoY**
- **Revenue** of \$16.4B, up 31% YoY, driven by higher net interest income
- **Expense** of \$8.3B, up 8% YoY, largely driven by higher compensation, including wage inflation and headcount growth, as well as higher marketing, partially offset by lower auto lease depreciation
- **Credit costs** of \$1.5B
  - NCOs of \$1.3B, up \$640mm YoY, predominantly driven by Card Services, as 30+ day delinquencies have returned to pre-pandemic levels
  - Reserve build of \$203mm, predominantly driven by loan growth in Card Services and changes in specific macroeconomic factors, largely offset by reduced borrower uncertainty

## KEY DRIVERS / STATISTICS (\$B)<sup>3</sup>

	2Q23			ex. FR	
	Reported	FR impact	ex. FR	1Q23	2Q22
Average equity	\$54.3	\$2.3	\$52.0	\$52.0	\$50.0
ROE	38%	-	38%	40%	24%
Overhead ratio <sup>2</sup>	48	(2)	50	49	61
Average loans	\$518.3	\$59.9	\$458.4	\$449.8	\$436.6
Average deposits	1,157.3	47.2	1,110.1	1,113.0	1,180.5
Active mobile customers (mm) <sup>4</sup>	52.0	n.a.	52.0	50.9	47.4
Debit & credit card sales volume <sup>5</sup>	\$424.0	\$0.4	\$423.6	\$387.3	\$397.0

### ● Ex. FR:

- Average loans up 5% YoY and 2% QoQ
- Average deposits down 6% YoY and flat QoQ
  - EOP deposits down 6% YoY and 4% QoQ
- Active mobile customers up 10% YoY
- Debit & credit card sales volume up 7% YoY
- Client investment assets up 18% YoY and 7% QoQ

## KEY DRIVERS / STATISTICS (\$B) – DETAIL BY BUSINESS

	2Q23			ex. FR	
	Reported	FR impact	ex. FR	1Q23	2Q22
<b>Banking &amp; Wealth Management</b>					
Business Banking average loans <sup>6</sup>	\$19.6	-	\$19.6	\$19.9	\$22.8
Business Banking loan originations	1.3	-	1.3	1.0	1.2
Client investment assets (EOP)	892.9	150.9	742.0	690.8	628.5
Deposit margin	2.83%	0.01%	2.82%	2.78%	1.31%
<b>Home Lending</b>					
Average loans	\$229.6	\$57.2	\$172.4	\$172.1	\$177.3
Loan originations <sup>7</sup>	11.2	1.1	10.1	5.7	21.9
Third-party mortgage loans serviced (EOP)	604.5	3.1	601.4	575.9	575.6
Net charge-off/(recovery) rate	(0.05)%	0.02%	(0.07)%	(0.04)%	(0.16)%
<b>Card Services &amp; Auto</b>					
Card Services average loans	\$187.0	-	\$187.0	\$180.5	\$158.4
Auto average loans and leased assets	82.1	-	82.1	80.3	83.4
Auto loan and lease originations	12.0	-	12.0	9.2	7.0
Card Services net charge-off rate	2.41%	-	2.41%	2.07%	1.47%
Card Services net revenue rate	9.11	-	9.11	10.38	9.59
Card Services sales volume <sup>5</sup>	\$294.0	-	\$294.0	\$266.2	\$271.2

JPM notes an increase in credit card delinquencies



### Commercial Banks Delinquency Rate on Consumer Credit Card Loans (I:CBDRCCCL)



Seeking Alpha  $\alpha$

Jul 15 2023, 3:04AM EDT. Powered by YCHARTS

It is not at an alarming rate but it could be a potential issue if interest rates keep rising.

There is not need to look at the other business segments as there's nothing important to note.

## Outlook<sup>1</sup>

### FIRMWIDE

- 1 Expect FY2023 net interest income and net interest income excluding Markets of **~\$87B**, market dependent
- 2 Expect FY2023 adjusted expense of **~\$84.5B** excluding the FDIC special assessment related to systemic risk determination, market dependent
- 3 Expect FY2023 Card Services NCO rate of **~2.60%**

<https://www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/investor-relations/documents/quarterly-earnings/2023/2nd-quarter/fc5019d6-4433-4a61-a340-a9cb89c4c7e1.pdf>

## Firmwide Metrics

- Reported revenue of \$41.3 billion and managed revenue of \$42.4 billion<sup>2</sup>
- Credit costs of \$2.9 billion included a \$1.5 billion net reserve build and \$1.4 billion of net charge-offs
- Average loans up 13%; average deposits down 6%

## CCB

ROE 38%

- Average deposits down 2%; client investment assets up 42%
- Average loans up 19% YoY and 15% QoQ; Card Services net charge-off rate of 2.41%
- Debit and credit card sales volume<sup>5</sup> up 7%
- Active mobile customers<sup>6</sup> up 10%

## CIB

ROE 15%

- #1 ranking for Global Investment Banking fees with 8.4% wallet share YTD
- Total Markets revenue of \$7.0 billion, down 10%, with Fixed Income Markets down 3% and Equity Markets down 20%

## CB

ROE 16%

- Gross Investment Banking and Markets revenue<sup>7</sup> of \$767 million, down 3%
- Average loans up 23% YoY and up 14% QoQ; average deposits down 8%

## AWM

ROE 29%

- Assets under management (AUM) of \$3.2 trillion, up 16%
- Average loans up 1% YoY and up 4% QoQ; average deposits down 21%

**SIGNIFICANT ITEMS**

- 2Q23 results included:
  - \$2.7 billion First Republic<sup>8</sup> bargain purchase gain in Corporate (\$0.91 increase in earnings per share (EPS))
  - \$1.2 billion net credit reserve build for First Republic (\$0.30 decrease in EPS)
  - \$900 million net investment securities losses in Corporate (\$0.23 decrease in EPS)
- Excluding significant items<sup>2</sup>: 2Q23 net income of \$13.3 billion, EPS of \$4.37 and ROTCE of 23%

**CAPITAL DISTRIBUTED**

- Common dividend of \$2.9 billion or \$1.00 per share
- \$1.8 billion of common stock net repurchases<sup>9</sup>
- Net payout LTM<sup>9,10</sup> of 32%

**FORTRESS PRINCIPLES**

- Book value per share of \$98.11, up 14%; tangible book value per share<sup>2</sup> of \$79.90, up 15%

- Basel III common equity Tier 1 capital<sup>3</sup> of \$236 billion and Standardized ratio<sup>3</sup> of 13.8%; Advanced ratio<sup>3</sup> of 13.9%
- Firm supplementary leverage ratio of 5.8%

**OPERATING LEVERAGE**

- 2Q23 expense of \$20.8 billion; reported overhead ratio of 50%; managed overhead ratio<sup>2</sup> of 49%

**SUPPORTED CONSUMERS, BUSINESSES & COMMUNITIES**

- **\$1.2 trillion** of credit and capital<sup>11</sup> raised YTD
  - **\$120 billion** of credit for consumers
  - **\$17 billion** of credit for U.S. small businesses
  - **\$520 billion** of credit for corporations
  - **\$535 billion** of capital raised for corporate clients and non-U.S. government entities
  - **\$24 billion** of credit and capital raised for nonprofit and U.S. government entities, including states, municipalities, hospitals and universities

**JPMORGAN CHASE (JPM)**

Results for JPM (\$ millions, except per share data)				1Q23		2Q22	
	2Q23	1Q23	2Q22	\$ O/(U)	O/(U) %	\$ O/(U)	O/(U) %
Net revenue - reported	\$ 41,307	\$ 38,349	\$ 30,715	\$ 2,958	8 %	\$ 10,592	34 %
Net revenue - managed	42,401	39,336	31,630	3,065	8	10,771	34
Noninterest expense	20,822	20,107	18,749	715	4	2,073	11
Provision for credit losses	2,899	2,275	1,101	624	27	1,798	163
Net income	\$ 14,472	\$ 12,622	\$ 8,649	\$ 1,850	15 %	\$ 5,823	67 %
Earnings per share - diluted	\$ 4.75	\$ 4.10	\$ 2.76	\$ 0.65	16 %	\$ 1.99	72 %
Return on common equity	20 %	18 %	13 %				
Return on tangible common equity	25	23	17				

<https://www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/investor-relations/documents/quarterly-earnings/2023/2nd-quarter/c9585f9b-75cc-4a49-b1ea-cec4423c87a7.pdf>

**JPMORGAN CHASE & CO.**  
**CONSOLIDATED FINANCIAL HIGHLIGHTS**  
(In millions, except per share and ratio data)

**JPMORGAN CHASE & CO.**

SELECTED INCOME STATEMENT DATA	QUARTERLY TRENDS						SIX MONTHS ENDED JUNE 30,				
	2023	1Q23	4Q22	3Q22	2Q22	2Q23 Change		2023	2022	2023 Change	
						1Q23	2Q22				
<b>Reported Basis</b>											
Total net revenue	\$ 41,307	(e) \$ 38,349	\$ 34,547	\$ 32,716	\$ 30,715	8 %	34 %	\$ 79,656	(e) \$ 61,432	30 %	
Total noninterest expense	20,822	(e) 20,107	19,022	19,178	18,749	4	11	40,929	(e) 37,940	8	
Pre-provision profit (a)	20,485	18,242	15,525	13,538	11,966	12	71	38,727	23,492	65	
Provision for credit losses	2,899	(e) 2,275	2,288	1,537	1,101	27	163	5,174	(e) 2,564	102	
<b>NET INCOME</b>	<b>14,472</b>	<b>12,622</b>	<b>11,008</b>	<b>9,737</b>	<b>8,649</b>	<b>15</b>	<b>67</b>	<b>27,094</b>	<b>16,931</b>	<b>60</b>	
<b>Managed Basis (b)</b>											
Total net revenue	42,401	(e) 39,336	35,566	33,491	31,630	8	34	81,737	(e) 63,220	29	
Total noninterest expense	20,822	(e) 20,107	19,022	19,178	18,749	4	11	40,929	(e) 37,940	8	
Pre-provision profit (a)	21,579	19,229	16,544	14,313	12,881	12	68	40,808	25,280	61	
Provision for credit losses	2,899	(e) 2,275	2,288	1,537	1,101	27	163	5,174	(e) 2,564	102	
<b>NET INCOME</b>	<b>14,472</b>	<b>12,622</b>	<b>11,008</b>	<b>9,737</b>	<b>8,649</b>	<b>15</b>	<b>67</b>	<b>27,094</b>	<b>16,931</b>	<b>60</b>	
<b>EARNINGS PER SHARE DATA</b>											
Net income: Basic	\$ 4.76	\$ 4.11	\$ 3.58	\$ 3.13	\$ 2.77	16	72	\$ 8.86	\$ 5.40	64	
Diluted	4.75	4.10	3.57	3.12	2.76	16	72	8.85	5.39	64	
Average shares: Basic	2,943.8	2,968.5	2,962.9	2,961.2	2,962.2	(1)	(1)	2,956.1	2,969.6	—	
Diluted	2,948.3	2,972.7	2,967.1	2,965.4	2,966.3	(1)	(1)	2,960.5	2,973.7	—	
<b>MARKET AND PER COMMON SHARE DATA</b>											
Market capitalization	\$ 422,661	\$ 390,803	\$ 393,484	\$ 306,520	\$ 330,237	11	28	\$ 422,661	\$ 330,237	28	
Common shares at period-end	2,906.1	2,922.3	2,934.3	2,932.2	2,932.6	(1)	(1)	2,906.1	2,932.6	(1)	
Book value per share	98.11	94.34	90.29	87.00	86.38	4	14	98.11	86.38	14	
Tangible book value per share ("TBVPS") (a)	79.90	76.69	73.12	69.90	69.53	4	15	79.90	69.53	15	
Cash dividends declared per share	1.00	1.00	1.00	1.00	1.00	—	—	2.00	2.00	—	
<b>FINANCIAL RATIOS (g)</b>											
Return on common equity ("ROE")	20 %	18 %	16 %	15 %	13 %			19 %	13 %		
Return on tangible common equity ("ROTCE") (a)	25	23	20	18	17			24	16		
Return on assets	1.51	1.38	1.16	1.01	0.89			1.45	0.87		
<b>CAPITAL RATIOS (d)</b>											
Common equity Tier 1 ("CET1") capital ratio	13.8 % (f)	13.8 %	13.2 %	12.5 %	12.2 %			13.8 % (f)	12.2 %		
Tier 1 capital ratio	15.3 (f)	15.4	14.9	14.1	14.1			15.3 (f)	14.1		
Total capital ratio	17.3 (f)	17.4	16.8	16.0	15.7			17.3 (f)	15.7		
Tier 1 leverage ratio	6.9 (f)	6.9	6.6	6.2	6.2			6.9 (f)	6.2		
Supplementary leverage ratio ("SLR")	5.8 (f)	5.9	5.6	5.3	5.3			5.8 (f)	5.3		

**JPMORGAN CHASE & CO.**  
**CONSOLIDATED FINANCIAL HIGHLIGHTS, CONTINUED**  
(In millions, except ratios, headcount and where otherwise noted)

**JPMORGAN CHASE & CO.**

SELECTED BALANCE SHEET DATA (period-end)	QUARTERLY TRENDS						SIX MONTHS ENDED JUNE 30,			
	2Q23	1Q23	4Q22	3Q22	2Q22	2Q23 Change		2023	2022	2023 Change
						1Q23	2Q22			
<b>Total assets</b>	<b>\$3,868,240</b>	<b>\$3,744,305</b>	<b>\$3,665,743</b>	<b>\$3,773,884</b>	<b>\$3,841,314</b>	<b>3 %</b>	<b>1 %</b>	<b>\$3,868,240</b>	<b>\$3,841,314</b>	<b>1 %</b>
<b>Loans:</b>										
Consumer, excluding credit card loans	408,204	311,433	311,375	313,796	317,212	31	29	408,204	317,212	29
Credit card loans	191,348	180,079	185,175	170,462	165,494	6	16	191,348	165,494	16
Wholesale loans	700,517	637,384	639,097	628,375	621,449	10	13	700,517	621,449	13
<b>Total loans</b>	<b>1,300,069</b>	<b>(e) 1,128,896</b>	<b>1,135,647</b>	<b>1,112,633</b>	<b>1,104,155</b>	<b>15</b>	<b>18</b>	<b>1,300,069</b>	<b>(e) 1,104,155</b>	<b>18</b>
<b>Deposits:</b>										
<b>U.S. offices:</b>										
Noninterest-bearing	656,778	663,772	644,902	688,292	714,478	(1)	(8)	656,778	714,478	(8)
Interest-bearing	1,311,893	1,290,614	1,276,346	1,304,012	1,343,802	2	(2)	1,311,893	1,343,802	(2)
<b>Non-U.S. offices:</b>										
Noninterest-bearing	24,268	25,071	27,005	26,629	26,983	(3)	(10)	24,268	26,983	(10)
Interest-bearing	406,023	397,796	391,926	389,682	386,281	2	5	406,023	386,281	5
<b>Total deposits</b>	<b>2,398,962</b>	<b>(e) 2,377,253</b>	<b>2,340,179</b>	<b>2,408,615</b>	<b>2,471,544</b>	<b>1</b>	<b>(3)</b>	<b>2,398,962</b>	<b>(e) 2,471,544</b>	<b>(3)</b>
Long-term debt	364,078	(f) 295,489	295,865	287,473	288,212	23	26	364,078	(f) 288,212	26
Common stockholders' equity	285,112	275,678	264,928	255,190	253,305	3	13	285,112	253,305	13
Total stockholders' equity	312,516	303,082	292,332	288,018	286,143	3	9	312,516	286,143	9
Loans-to-deposits ratio	54 %	47 %	49 %	46 %	45 %			54 %	45 %	
<b>Headcount</b>	<b>300,066</b>	<b>(g) 296,877</b>	<b>293,723</b>	<b>288,474</b>	<b>278,494</b>	<b>1</b>	<b>8</b>	<b>300,066</b>	<b>(g) 278,494</b>	<b>8</b>
<b>95% CONFIDENCE LEVEL - TOTAL VaR</b>										
Average VaR (a)	\$ 47	\$ 47	\$ 61	\$ 54	\$ 54	—	(13)			
<b>LINE OF BUSINESS NET REVENUE (b)</b>										
Consumer & Community Banking	\$ 17,233	\$ 16,456	\$ 15,793 (j)	\$ 14,281 (j)	\$ 12,558 (j)	5	37	\$ 33,689	\$ 24,740 (j)	36
Corporate & Investment Bank	12,519	13,600	10,598 (j)	11,925 (j)	12,003 (j)	(8)	4	26,119	25,579 (j)	2
Commercial Banking	3,988	3,511	3,404	3,048	2,683	14	49	7,499	5,081	48
Asset & Wealth Management	4,943	4,784	4,588	4,539	4,306	3	15	9,727	8,621	13
Corporate	3,718	985	1,183	(302)	80	277	NM	4,703	(801)	NM
<b>TOTAL NET REVENUE</b>	<b>\$ 42,401</b>	<b>(h) \$ 39,336</b>	<b>\$ 35,566</b>	<b>\$ 33,491</b>	<b>\$ 31,630</b>	<b>8</b>	<b>34</b>	<b>\$ 81,737</b>	<b>(h) \$ 63,220</b>	<b>29</b>
<b>LINE OF BUSINESS NET INCOME/(LOSS)</b>										
Consumer & Community Banking	\$ 5,306	\$ 5,243	\$ 4,556	\$ 4,344	\$ 3,108	1	71	\$ 10,549	\$ 6,016	75
Corporate & Investment Bank	4,092	4,421	3,314	3,522	3,717	(7)	10	8,513	8,089	5
Commercial Banking	1,208	1,347	1,423	946	994	(10)	22	2,555	1,844	39
Asset & Wealth Management	1,226	1,367	1,134	1,219	1,004	(10)	22	2,593	2,012	29
Corporate	2,640	244	581	(294)	(174)	NM	NM	2,884	(1,030)	NM
<b>NET INCOME</b>	<b>\$ 14,472</b>	<b>\$ 12,622</b>	<b>\$ 11,008</b>	<b>\$ 9,737</b>	<b>\$ 8,649</b>	<b>15</b>	<b>67</b>	<b>\$ 27,094</b>	<b>\$ 16,931</b>	<b>60</b>
<b>MEMO: SELECTED FIRMWIDE METRICS</b>										
<b>Wealth Management (c)</b>										
Client assets (in billions)	\$ 2,862 (i)	\$ 2,594	\$ 2,438	\$ 2,302	\$ 2,177	10	31	\$ 2,862 (i)	\$ 2,177	31
Number of client advisors	8,367	8,314	8,166	8,127	7,756	1	8	8,367	7,756	8
<b>J.P. Morgan Payments (d)</b>										
Total net revenue	4,729	4,458	4,423	3,762	3,130	6	51	9,187	5,725	60
Merchant processing volume (in billions)	600.1	568.8	583.2	545.4	539.6	7	11	1,158.9	1,029.8	13
Average deposits (in billions)	720	707	732	748	816	2	(12)	714	819	(13)

JPMORGAN CHASE & CO.  
**CONSOLIDATED STATEMENTS OF INCOME**  
(in millions, except per share and ratio data)

JPMORGAN CHASE & CO.

	QUARTERLY TRENDS					2Q23 Change		SIX MONTHS ENDED JUNE 30,		
	2Q23	1Q23	4Q22	3Q22	2Q22	1Q23	2Q22	2023	2022	2023 Change
						(8)%	(5)%			(12)%
<b>REVENUE</b>										
Investment banking fees	\$ 1,513	\$ 1,649	\$ 1,418	\$ 1,674	\$ 1,586	(8)%	(5)%	\$ 3,162	\$ 3,594	(12)%
Principal transactions	6,910	7,615	4,434	5,383	4,990	(9)	38	14,525	10,095	44
Lending- and deposit-related fees	1,628	1,620	1,655	1,731	1,873	13	(2)	3,448	3,712	(7)
Asset management fees	3,774	3,465	3,432	3,495	3,517	9	7	7,239	7,169	1
Commissions and other fees	1,739	1,695	1,574	1,574	1,723	3	1	3,434	3,433	—
Investment securities losses	(900)	(868)	(874)	(959)	(153)	(4)	(488)	(1,768)	(547)	(223)
Mortgage fees and related income	278	221	98	314	378	26	(26)	499	838	(40)
Card income	1,094	1,234	1,226	1,086	1,133	(11)	(3)	2,328	2,108	10
Other income	3,292	(d)	1,007	1,392	900	227	NM	4,299	(d)	2,030
<b>Noninterest revenue</b>	<b>19,528</b>	<b>17,638</b>	<b>14,355</b>	<b>15,198</b>	<b>15,587</b>	11	25	<b>37,166</b>	<b>32,432</b>	15
Interest income	41,644	37,004	33,054	25,611	18,646	13	123	78,648	34,142	130
Interest expense	19,865	16,293	12,862	8,093	3,518	22	465	36,158	5,142	NM
<b>Net interest income</b>	<b>21,779</b>	<b>20,711</b>	<b>20,192</b>	<b>17,518</b>	<b>15,128</b>	5	44	<b>42,490</b>	<b>29,000</b>	47
<b>TOTAL NET REVENUE</b>	<b>41,307</b>	<b>38,349</b>	<b>34,547</b>	<b>32,716</b>	<b>30,715</b>	8	34	<b>79,656</b>	<b>61,432</b>	30
Provision for credit losses	2,899	(d)	2,275	2,288	1,537	27	163	5,174	(d)	2,564
<b>NONINTEREST EXPENSE</b>										
Compensation expense	11,216	11,676	10,009	10,539	10,301	(4)	9	22,892	21,088	9
Occupancy expense	1,070	1,115	1,271	1,162	1,129	(4)	(5)	2,185	2,263	(3)
Technology, communications and equipment expense	2,267	2,184	2,256	2,366	2,376	4	(5)	4,451	4,736	(6)
Professional and outside services	2,561	2,448	2,652	2,481	2,469	5	4	5,009	5,041	(1)
Marketing	1,122	1,045	1,093	1,017	881	7	27	2,167	1,801	20
Other expense (a)	2,586	(d)	1,639	1,741	1,593	58	62	4,225	(d)	3,011
<b>TOTAL NONINTEREST EXPENSE</b>	<b>20,822</b>	<b>20,107</b>	<b>19,022</b>	<b>19,178</b>	<b>18,749</b>	4	11	<b>40,929</b>	<b>37,940</b>	8
<b>Income before income tax expense</b>	<b>17,586</b>	<b>15,967</b>	<b>13,237</b>	<b>12,001</b>	<b>10,865</b>	10	62	<b>33,553</b>	<b>29,928</b>	60
Income tax expense	3,114	(e)	3,345	2,229	2,264	(7)	41	6,459	(e)	3,997
<b>NET INCOME</b>	<b>\$ 14,472</b>	<b>\$ 12,622</b>	<b>\$ 11,008</b>	<b>\$ 9,737</b>	<b>\$ 8,649</b>	15	67	<b>\$ 27,094</b>	<b>\$ 16,931</b>	60
<b>NET INCOME PER COMMON SHARE DATA</b>										
Basic earnings per share	\$ 4.76	\$ 4.11	\$ 3.58	\$ 3.13	\$ 2.77	16	72	\$ 8.86	\$ 5.40	64
Diluted earnings per share	4.75	4.10	3.57	3.12	2.76	16	72	8.85	5.39	64
<b>FINANCIAL RATIOS</b>										
Return on common equity (b)	20 %	18 %	16 %	15 %	13 %			19 %	13 %	
Return on tangible common equity (b)(c)	25	23	20	18	17			24	16	
Return on assets (b)	1.51	1.38	1.16	1.01	0.89			1.45	0.87	
Effective income tax rate	17.7	(e)	20.9	16.6	18.9			19.3	19.1	
Overhead ratio	50	52	55	59	61			51	62	

JPMORGAN CHASE & CO.  
**CONSOLIDATED BALANCE SHEETS**  
(in millions)

JPMORGAN CHASE & CO.

	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Jun 30, 2023	
						Change	Jun 30, 2022
<b>ASSETS</b>							
Cash and due from banks	\$ 26,064	\$ 25,098	\$ 27,697	\$ 24,654	\$ 27,215	4 %	(4)%
Deposits with banks	469,059	520,902	539,537	619,533	642,045	(10)	(27)
Federal funds sold and securities purchased under resale agreements	325,628	317,111	315,592	301,878	322,156	3	1
Securities borrowed	163,563	195,917	185,369	193,216	202,393	(17)	(19)
Trading assets:							
Debt and equity instruments	572,779	519,618	382,919	413,953	384,260	10	49
Derivative receivables	64,217	59,274	70,880	92,534	81,317	8	(21)
Available-for-sale ("AFS") securities	203,262 (a)	197,248	205,857	188,140	222,069	3	(8)
Held-to-maturity ("HTM") securities	408,941	412,827	425,305	430,106	441,649	(1)	(7)
<b>Investment securities, net of allowance for credit losses</b>	<b>612,203</b>	<b>610,075</b>	<b>631,162</b>	<b>618,246</b>	<b>663,718</b>	—	(8)
Loans	1,300,069 (a)	1,128,896	1,135,647	1,112,633	1,104,155	15	18
Less: Allowance for loan losses	21,980 (b)	20,053	19,726	18,185	17,750	10	24
<b>Loans, net of allowance for loan losses</b>	<b>1,278,089</b>	<b>1,108,843</b>	<b>1,115,921</b>	<b>1,094,448</b>	<b>1,086,405</b>	15	18
Accrued interest and accounts receivable	111,561	115,316	125,189	143,905	145,442	(3)	(23)
Premises and equipment	29,493	28,266	27,734	27,199	26,770	4	10
Goodwill, MSRs and other intangible assets	64,238	62,090	60,859	60,806	59,360	3	8
Other assets	151,346	181,795	182,884	183,512	200,233	(17)	(24)
<b>TOTAL ASSETS</b>	<b>\$ 3,868,240</b>	<b>\$ 3,744,305</b>	<b>\$ 3,665,743</b>	<b>\$ 3,773,884</b>	<b>\$ 3,841,314</b>	3	1
<b>LIABILITIES</b>							
Deposits	\$ 2,398,962 (a)	\$ 2,377,253	\$ 2,340,179	\$ 2,408,615	\$ 2,471,544	1	(3)
Federal funds purchased and securities loaned or sold under repurchase agreements	266,272	246,396	202,613	239,939	222,719	8	20
Short-term borrowings	41,022	42,241	44,027	47,866	58,422	(3)	(30)
Trading liabilities:							
Debt and equity instruments	132,264	145,153	126,835	133,175	137,891	(9)	(4)
Derivative payables	46,545	44,711	51,141	56,703	52,417	4	(11)
Accounts payable and other liabilities	286,934	275,077	300,141	300,016	313,326	4	(8)
Beneficial interests issued by consolidated VIEs	19,647	14,903	12,610	12,079	10,640	32	85
Long-term debt	364,078 (c)	295,489	295,865	287,473	288,212	23	26
<b>TOTAL LIABILITIES</b>	<b>3,555,724</b>	<b>3,441,223</b>	<b>3,373,411</b>	<b>3,485,866</b>	<b>3,555,171</b>	3	—
<b>STOCKHOLDERS' EQUITY</b>							
Preferred stock	27,404	27,404	27,404	32,838	32,838	—	(17)
Common stock	4,105	4,105	4,105	4,105	4,105	—	—
Additional paid-in capital	89,578	89,155	89,044	88,865	88,614	—	1
Retained earnings	317,359	306,208	296,456	288,776	282,445	4	12
Accumulated other comprehensive income/(loss) ("AOCI")	(14,290)	(14,418)	(17,341)	(19,134)	(14,369)	1	1
Treasury stock, at cost	(111,640)	(109,372)	(107,336)	(107,432)	(107,490)	(2)	(4)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>312,516</b>	<b>303,082</b>	<b>292,332</b>	<b>288,018</b>	<b>286,143</b>	3	9
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 3,868,240</b>	<b>\$ 3,744,305</b>	<b>\$ 3,665,743</b>	<b>\$ 3,773,884</b>	<b>\$ 3,841,314</b>	3	1

AVERAGE BALANCES	QUARTERLY TRENDS						SIX MONTHS ENDED JUNE 30,			
	2Q23	1Q23	4Q22	3Q22	2Q22	2Q23 Change		2023	2022	2023 Change
						1Q23	2Q22			2022
<b>ASSETS</b>										
Deposits with banks	\$ 495,018	\$ 505,862	\$ 595,631	\$ 652,321	\$ 694,644	(2)%	(29)%	\$ 500,311	\$ 718,346	(30)%
Federal funds sold and securities purchased under resale agreements	326,563	313,187	306,173	322,053	305,132	4	7	319,911	300,070	7
Securities borrowed	191,393	192,843	192,412	204,479	207,437	(1)	(8)	192,114	212,704	(10)
Trading assets - debt instruments	391,945	357,682	302,825	283,414	273,736	10	43	374,908	272,931	37
Investment securities	611,552	622,050	625,388	647,165	672,799	(2)	(9)	616,772	671,987	(8)
Loans	1,238,237	1,129,624	1,126,002	1,112,761	1,093,106	10	13	1,184,231	1,080,939	10
All other interest-earning assets (a)	89,072	95,709	116,640	122,755	139,040	(7)	(36)	92,372	136,902	(33)
<b>Total interest-earning assets</b>	<b>3,343,780</b>	<b>3,216,757</b>	<b>3,265,071</b>	<b>3,344,949</b>	<b>3,385,894</b>	4	(1)	<b>3,280,619</b>	<b>3,393,879</b>	(3)
Trading assets - equity and other instruments	169,558	152,081	126,138	129,221	151,309	11	12	160,868	154,093	4
Trading assets - derivative receivables	63,339	64,526	78,476	83,950	84,483	(2)	(25)	63,929	75,956	(16)
All other noninterest-earning assets	274,711	276,613	285,586	284,127	289,957	(1)	(5)	275,657	285,301	(3)
<b>TOTAL ASSETS</b>	<b>\$ 3,851,388</b>	<b>\$ 3,709,977</b>	<b>\$ 3,755,271</b>	<b>\$ 3,842,247</b>	<b>\$ 3,911,643</b>	4	(2)	<b>\$ 3,781,073</b>	<b>\$ 3,909,229</b>	(3)
<b>LIABILITIES</b>										
Interest-bearing deposits	\$ 1,715,699	\$ 1,670,036	\$ 1,695,233	\$ 1,728,852	\$ 1,790,421	3	(4)	\$ 1,692,993	\$ 1,785,896	(5)
Federal funds purchased and securities loaned or sold under repurchase agreements	263,718	252,310	247,934	239,582	233,376	5	13	258,045	241,749	7
Short-term borrowings (b)	35,335	38,763	39,843	45,797	50,833	(9)	(30)	37,039	49,360	(25)
Trading liabilities - debt and all other interest-bearing liabilities (c)	293,269	277,576	256,533	278,049	274,435	6	7	285,467	268,762	6
Beneficial interests issued by consolidated VIEs	15,947	13,483	12,312	11,039	10,577	18	51	14,722	10,733	37
Long-term debt	294,239	249,336	246,978	253,012	246,195	18	20	271,912	250,165	9
<b>Total interest-bearing liabilities</b>	<b>2,618,207</b>	<b>2,501,504</b>	<b>2,498,833</b>	<b>2,556,331</b>	<b>2,605,837</b>	5	—	<b>2,560,178</b>	<b>2,606,665</b>	(2)
Noninterest-bearing deposits	671,715	650,443	684,921	716,518	741,891	3	(9)	661,138	738,083	(10)
Trading liabilities - equity and other instruments	28,513	29,769	35,415	36,985	40,937	(4)	(30)	28,137	42,159	(31)
Trading liabilities - derivative payables	46,934	49,357	56,988	56,994	61,026	(5)	(23)	48,139	57,792	(17)
All other noninterest-bearing liabilities	180,730	180,303	191,929	189,637	181,128	—	—	180,517	181,116	—
<b>TOTAL LIABILITIES</b>	<b>3,546,099</b>	<b>3,411,376</b>	<b>3,468,086</b>	<b>3,556,465</b>	<b>3,630,819</b>	4	(2)	<b>3,479,109</b>	<b>3,625,815</b>	(4)
Preferred stock	27,404	27,404	28,415	32,838	32,838	—	(17)	27,404	33,180	(17)
Common stockholders' equity	277,885	271,197	258,770	252,944	247,986	2	12	274,560	250,234	10
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>305,289</b>	<b>298,601</b>	<b>287,185</b>	<b>285,782</b>	<b>280,824</b>	2	9	<b>301,964</b>	<b>283,414</b>	7
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 3,851,388</b>	<b>\$ 3,709,977</b>	<b>\$ 3,755,271</b>	<b>\$ 3,842,247</b>	<b>\$ 3,911,643</b>	4	(2)	<b>\$ 3,781,073</b>	<b>\$ 3,909,229</b>	(3)
<b>AVERAGE RATES (d)</b>										
<b>INTEREST-EARNING ASSETS</b>										
Deposits with banks	4.20 %	3.87 %	3.14 %	1.83 %	0.62 %			4.03 %	0.37 %	
Federal funds sold and securities purchased under resale agreements	4.63	4.06	2.95	1.74	0.71			4.35	0.63	
Securities borrowed	3.91	3.61	2.84	1.50	0.33			3.76	0.08	
Trading assets - debt instruments	4.12	4.15	3.75	3.36	3.02			4.13	2.83	
Investment securities	3.01	2.79	2.36	1.84	1.55			2.90	1.47	
Loans	6.59	6.37	5.83	5.00	4.28			6.49	4.16	
All other interest-earning assets (a)	8.85	7.50	5.76	3.57	1.85			8.15	1.42	
<b>Total interest-earning assets</b>	<b>5.01</b>	<b>4.68</b>	<b>4.03</b>	<b>3.05</b>	<b>2.22</b>			<b>4.85</b>	<b>2.04</b>	
<b>INTEREST-BEARING LIABILITIES</b>										
Interest-bearing deposits	2.24	1.85	1.37	0.73	0.20			2.05	0.12	
Federal funds purchased and securities loaned or sold under repurchase agreements	5.17	4.51	3.15	1.98	0.76			4.85	0.47	
Short-term borrowings (b)	4.87	4.40	3.60	1.98	0.91			4.63	0.64	
Trading liabilities - debt and all other interest-bearing liabilities (c)	3.25	2.88	2.38	1.49	0.69			3.07	0.50	
Beneficial interests issued by consolidated VIEs	4.95	4.43	3.74	2.24	1.11			4.71	0.90	
Long-term debt	5.28	5.39	4.87	3.77	2.54			5.33	2.13	
<b>Total interest-bearing liabilities</b>	<b>3.04</b>	<b>2.64</b>	<b>2.04</b>	<b>1.26</b>	<b>0.54</b>			<b>2.85</b>	<b>0.40</b>	
<b>INTEREST RATE SPREAD</b>	<b>1.97</b>	<b>2.04</b>	<b>1.99</b>	<b>1.79</b>	<b>1.68</b>			<b>2.00</b>	<b>1.64</b>	
<b>NET YIELD ON INTEREST-EARNING ASSETS</b>	<b>2.62</b>	<b>2.63</b>	<b>2.47</b>	<b>2.09</b>	<b>1.80</b>			<b>2.63</b>	<b>1.74</b>	
<b>Memo: Net yield on interest-earning assets excluding Markets (e)</b>	<b>3.83</b>	<b>3.80</b>	<b>3.41</b>	<b>2.81</b>	<b>2.26</b>			<b>3.82</b>	<b>2.11</b>	

Let's have a look at the earnings call

[https://seekingalpha.com/article/4617154-jpmorgan-chase-and-co-jpm-q2-2023-earnings-call-transcript?source=content\\_type:react%7Csection:earnings\\_summary%7Csection\\_asset:earnings\\_history%7Cfirst\\_level\\_url:symbol%7Cbutton:transcript](https://seekingalpha.com/article/4617154-jpmorgan-chase-and-co-jpm-q2-2023-earnings-call-transcript?source=content_type:react%7Csection:earnings_summary%7Csection_asset:earnings_history%7Cfirst_level_url:symbol%7Cbutton:transcript)

According to CFO Jeremy Barnum:

*Before giving you more detail on financials, let me give you a brief updates on the status of the First Republic integration on Page 2. The settlement process with the FDIC is on schedule, the number of key milestone being recently completed. Systems integration is also proceeding at pace and we are targeting being substantially complete by mid-2024.*

*First Republic employees have formally joined us as of July 2, and we're pleased to have had very-high acceptance rates on our offers. And although it's still early days, as we get the sales force back in the market, we are happy to see the client retention is strong with about a \$6 billion of net deposit inflows since the acquisition.*

*Now, turning back to this quarter's results on Page 3. You'll see that in various parts of the presentation, we have specifically called out the impact of First Republic where relevant. To make things easier. I'm going to start by discussing the overall impact of First Republic on this*



*quarter's results at the firm-wide level. Then, for the rest of the presentation, I will generally exclude the impact of First Republic, in order to improve comparability with prior periods.*

We can already see that it was a good acquisition.

Ebrahim Poonawala

*Good morning. I guess just first question, following-up on the outlook for the economy, like we've all been worried about a recession for year and there is a debate about the lag effects of the Fed rate hike cycle when you think about -- Jeremy, I think you mentioned you have an unemployment outlook relatively similar today versus a quarter ago. How worried should we be in terms of the credit cycle six months to 12 months from now or are you leaning towards concluding that maybe U.S. businesses, consumers have absorbed the late-cycle a lot better than we expected a year ago.*

Jeremy Barnum

*Yes. So I am sure, Jamie has some views here. But in my in my view, I would just caution against jumping to too many super positive conclusions based on a couple of recent trends. And I think generally our point is less about trying to predict a particular outcome and more about trying to make sure that we don't get too much euphoria that over concentrates people on one particular predictions when we know that there is a range of outcomes out there.*

*So obviously, we were talking a lot about the potential for a soft landing right now. No landing, neither, it's inflation or whatever and -- whether our own views on that have changed meaningfully. I don't know, but the broader point is we continue to be quite focused on, Jamie's prior comments that loss rates still have time to -- room to normalize even both pandemics we're probably over-earning on credit a little bit*

*Obviously, we've talked about the expectation that the NII is going to come down quite a bit, so even, forgetting about whether you've got some surprisingly negative outcomes on the economy is always today even in the central case, you just need to recognize that there should be some significant normalization.*

Jamie Dimon

*Yes. I would just add, the 5.8% is not our prediction, that is the average of the unemployment under multiple scenarios that we have to use which hypothetical for CECL. Asset predictions on something different and we don't know the outcome. We trying to be really clear here, the consumer in good shape, their spending down their excess cash. That's all. Tailwinds. If we go into recession, we're going with rather good condition, low borrowings and good, our price-value still but the headwinds are substantial and somewhat unprecedented.*

*There is more Ukraine Oil Gas, market, timing, unprecedented fiscal, needs of governments, few team which we've never experienced before, I just think people should take a deep breath of that and we don't know those things because the soft landing in mild recession for our recession. And obviously, sure we will be the best.*

Predicting the economy is something impossible to do. It's better to be prepared for any scenario.

## Intrinsic Value

### Biases

- I have been holding this stock since 2016, often referring to it as a stock I would hold forever
- Currently 5.1% of my portfolio
- I am a great fan of the management and particularly of CEO Jamie Dimon, often referring to him as the greatest CEO in the world

### Risks and headwinds

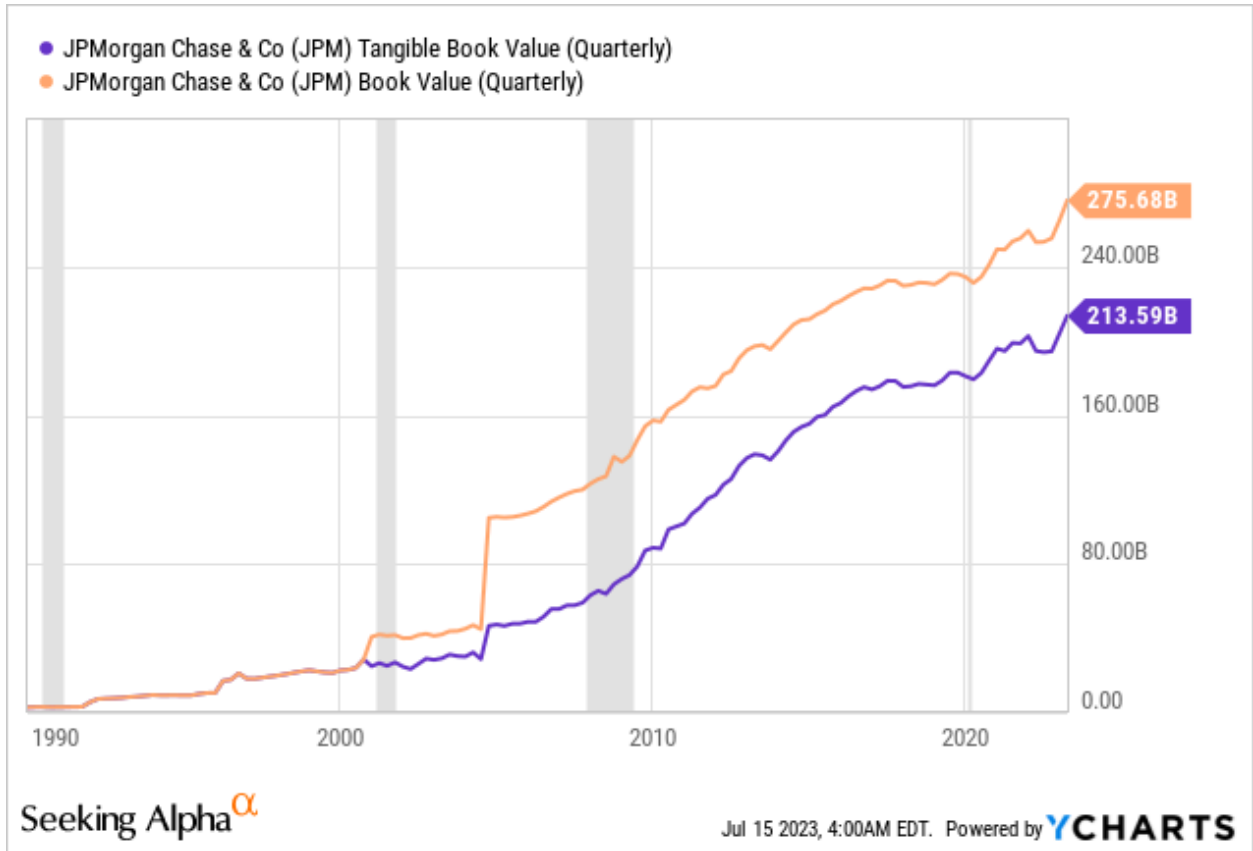
- If we see a recession as many are predicting, the earnings of the company will go down
- There is an ongoing banking crisis and rapid rising of interest rates might put more pressure on the banks
- Regulations might increase

### Catalysts and tailwinds

- Interest rates will remain higher for some time to fight inflation
- Bank is globally diversified and can still grow
- The bank has great management with great metrics

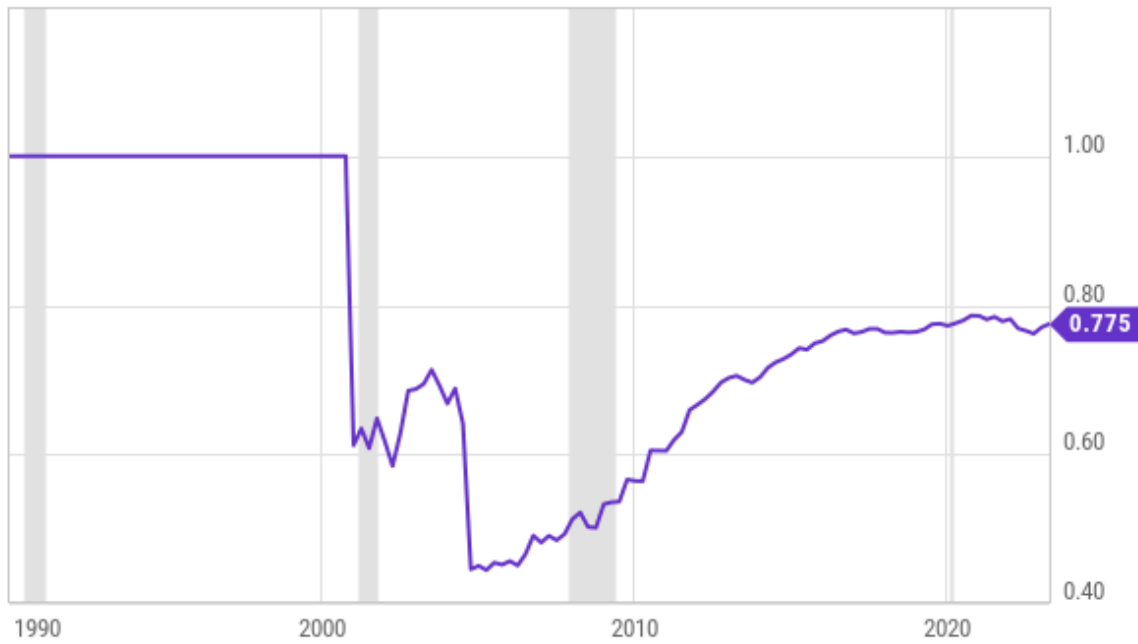
### Assumptions

- It is hard to determine the net income of a bank, let alone the FCF, which has very little significance given the nature of the business
- A bank will usually have credit reserves to protect its balance sheet against bad loans and these credit reserves depend on the economy
- A good metric to look at the growth of a bank is the tangible book value



- We should also see the ratio of tangible book value to book value.

JPMorgan Chase & Co (JPM) Tangible Book Value (Quarterly) / JPMorgan Chase & Co (JPM) Book Value (Quarterly)

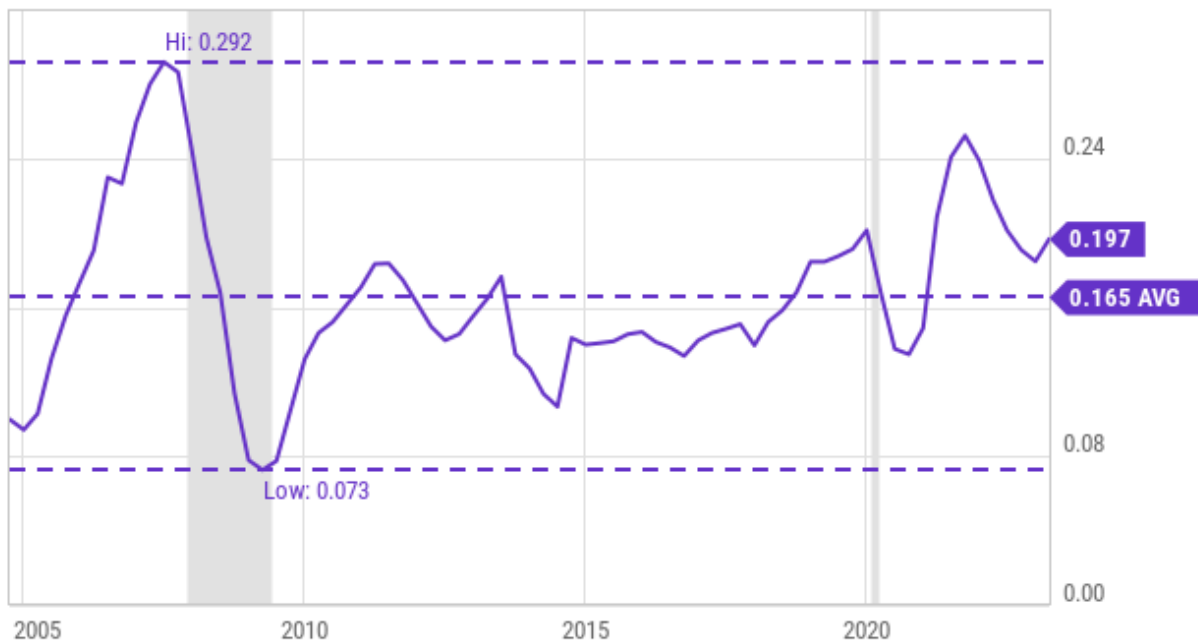


Seeking Alpha<sup>α</sup>

Jul 15 2023, 4:01AM EDT. Powered by YCHARTS

It has been around 75-78% for some years now.

JPMorgan Chase & Co (JPM) Net Income (TTM) / JPMorgan Chase & Co (JPM) Tangible Book Value (Quarterly)



Seeking Alpha<sup>α</sup>

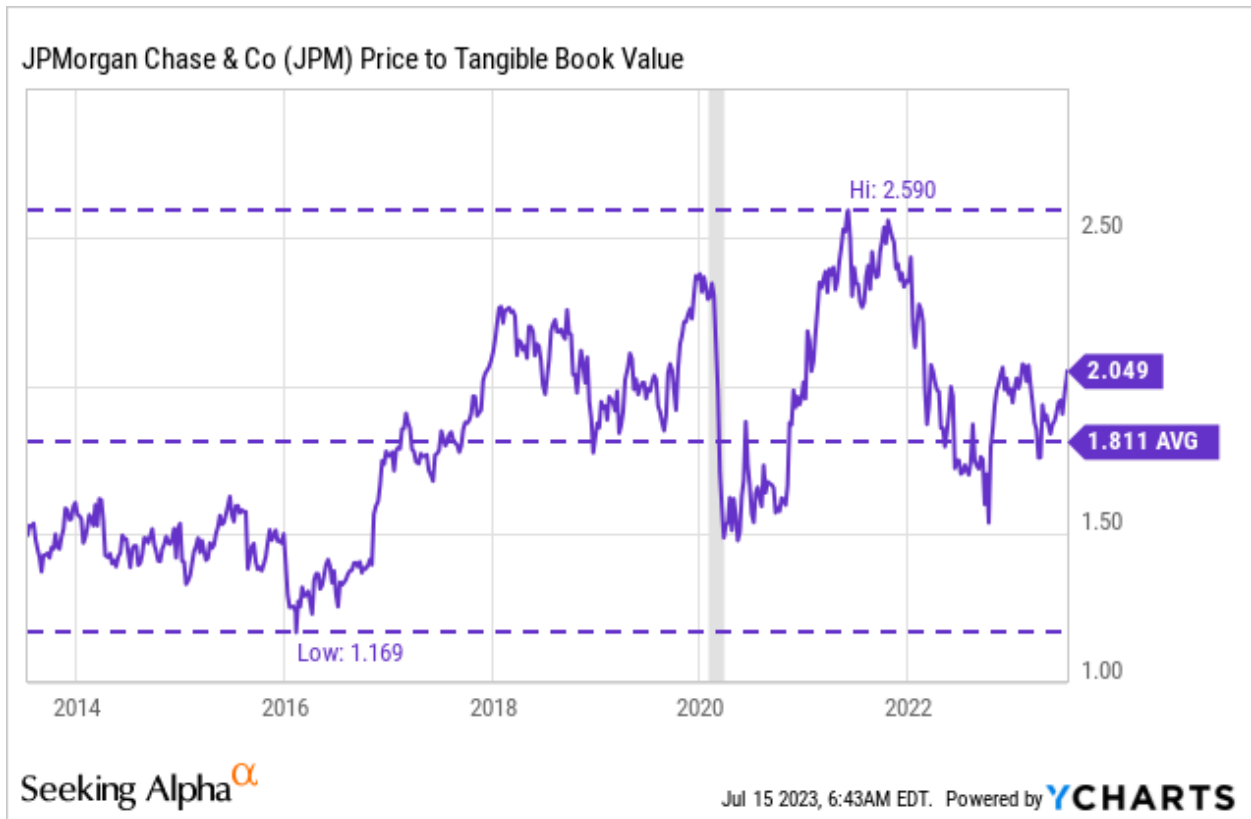
Jul 15 2023, 4:23AM EDT. Powered by YCHARTS

- We can estimate long-term ROTE of 15%
- The company grew its TBV by 4.6% annually over the past 10 years with 3.9% growth over the past 5 years
- Let's assume annual growth of 3.5% going forward
- We use a discount rate of 7%
- No terminal growth rate as it becomes hard to estimate growth over the long-term in perpetuity

Year	Tangible BV	Net Income	Disounted NI
<b>TTM (2Q23)</b>	\$235.6	\$46.1	
<b>2023</b>	\$243.8	\$36.6	\$34.2
<b>2024</b>	\$252.3	\$37.9	\$33.1
<b>2025</b>	\$261.2	\$39.2	\$32.0
<b>2026</b>	\$270.3	\$40.5	\$30.9
<b>2027</b>	\$279.8	\$42.0	\$29.9
<b>Terminal Value</b>			\$427.0
<b>Intrinsic Value</b>			<b>\$587.1</b>
<b>Per Share</b>			<b>\$199.1</b>

JPM is undervalued

Margin of Safety



JPM has a higher Tangible Book Value ratio compared to competitors but it is still lower compared to recent highs

Tangible Book Value per share		2027 Price to Tangible Book Value Ratio				
		1.2	1.5	1.8	2.1	2.4
<b>Bull</b>	\$ 103.40	\$ 155.10	\$ 186.12	\$ 217.14	\$ 248.16	\$ 279.18
<b>Base</b>	\$ 94.00	\$ 141.00	\$ 169.20	\$ 197.40	\$ 225.60	\$ 253.80
<b>Bear</b>	\$ 84.60	\$ 126.90	\$ 152.28	\$ 177.66	\$ 203.04	\$ 228.42
<b>Returns @</b>	<b>150</b>	-15%	13%	32%	50%	86%
<b>CAGR</b>		-3%	2%	6%	9%	13%
<b>Probability</b>		15%	20%	30%	20%	15%
<b>Expectation</b>	<b>5%</b>	0%	0%	2%	2%	2%

A margin of safety of 20% seems like a good idea, putting the buy price at \$160/share.

Conclusion

IshfaqPeerally published on TradingView.com, Jul 15, 2023 11:02 UTC

JP Morgan Chase & Co., 1W, NYSE 149.77 +5.43 (+3.76%)  
Vol (20) 69.952M 63.554M



TradingView

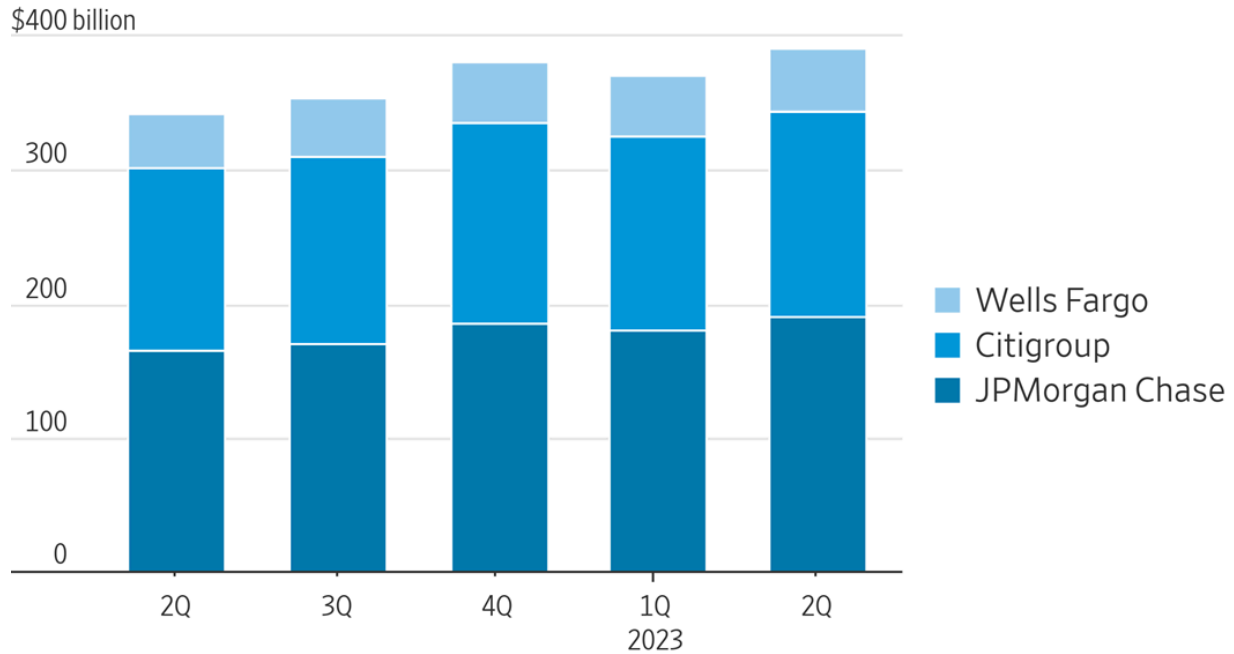
JPM is undervalued, and there is a margin of safety. But there are other stocks in my portfolio that can give better returns. I will give it a HOLD rating.

## News and Updates

Jul 18, 2023



## Credit card loans at big U.S. banks



Note: End of period loan balances. Citigroup includes U.S. branded cards and retail services.

Source: Company reports

About half of all US credit card debts are on the balance sheet of JPM

[https://www.wsj.com/articles/americans-are-borrowing-again-which-is-great-news-for-big-lender-s-15be97b3?mod=djemMoneyBeat\\_us](https://www.wsj.com/articles/americans-are-borrowing-again-which-is-great-news-for-big-lender-s-15be97b3?mod=djemMoneyBeat_us)

## 3Q23 Earnings Analysis - Oct 17, 2023

<https://www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/investor-relations/documents/quarterly-earnings/2023/3rd-quarter/201d7144-a3f5-448f-99f4-ba3ba761b7f1.pdf>

## 3Q23 Financial highlights

ROTCE<sup>1</sup>  
**22%**

CET1 capital ratios<sup>2</sup>  
Std. **14.3%** | Adv. **14.5%**  
Total Loss-Absorbing Capacity<sup>2</sup> **\$496B**

Std. RWA<sup>3</sup> **\$1.7T**  
Cash and marketable securities<sup>4</sup> **\$1.4T**  
Average loans **\$1.3T**

### Income statement

- 3Q23 net income of \$13.2B and EPS of \$4.33
- Managed revenue of \$40.7B<sup>5</sup>
- Expense of \$21.8B and managed overhead ratio of 53%<sup>5</sup>

### Balance sheet

- Loans: average loans of \$1.3T up 17% YoY and 5% QoQ
  - Ex. FR<sup>6</sup>, average loans of \$1.2T up 4% YoY and 2% QoQ
- Deposits: average deposits of \$2.4T down 4% YoY and 1% QoQ
  - Ex. FR, average deposits of \$2.3T down 6% YoY and 2% QoQ
- CET1 capital of \$242B<sup>2</sup>
  - Standardized CET1 capital ratio of 14.3%<sup>2</sup>; Advanced CET1 capital ratio of 14.5%<sup>2</sup>

### Capital distributed

- Common dividend of \$3.1B or \$1.05 per share
- \$2.0B of common stock net repurchases<sup>7</sup>
- Net payout LTM of 35%<sup>8</sup>

### SIGNIFICANT ITEMS (\$MM, EXCLUDING EPS)

	Pretax	Net income	EPS
Net investment securities losses in Corporate	(\$669)	(\$508)	(\$0.17)
Firmwide legal expense	(\$665)	(\$654)	(\$0.22)

## 3Q23 Financial results<sup>1</sup>

### \$B, EXCEPT PER SHARE DATA

	3Q23			ex. FR \$ O/(U)	
	Reported	FR impact	ex. FR	2Q23	3Q22
Net interest income	\$22.9	\$1.5	\$21.4	\$0.4	\$3.8
Noninterest revenue	17.8	0.8	17.1	(0.3)	1.2
<b>Managed revenue<sup>1</sup></b>	<b>40.7</b>	<b>2.2</b>	<b>38.5</b>	<b>0.1</b>	<b>5.0</b>
<b>Expense</b>	<b>21.8</b>	<b>0.9</b>	<b>20.9</b>	<b>0.7</b>	<b>1.7</b>
<b>Credit costs</b>	<b>1.4</b>	<b>(0.0)</b>	<b>1.4</b>	<b>(0.3)</b>	<b>(0.1)</b>
<b>Net income</b>	<b>\$13.2</b>	<b>\$1.1</b>	<b>\$12.1</b>	<b>(\$0.0)</b>	<b>\$2.3</b>
Net income applicable to common stockholders	\$12.7	\$1.1	\$11.6	(\$0.0)	\$2.4
EPS – diluted	\$4.33	\$0.36	\$3.97	\$0.02	\$0.85
ROE <sup>2</sup>	18%	2%	16%	17%	15%
ROTC <sup>2,3</sup>	22	2	20	21	18
Overhead ratio – managed <sup>1,2</sup>	53	(1)	54	53	57
<b>Memo:</b>					
<i>NII excluding Markets<sup>4</sup></i>	\$23.2	\$1.5	\$21.7	\$0.2	\$4.8
<i>NIR excluding Markets<sup>4</sup></i>	10.9	0.8	10.2	0.3	0.4
<i>Markets revenue</i>	6.6	-	6.6	(0.4)	(0.2)
<b>Managed revenue<sup>1</sup></b>	<b>40.7</b>	<b>2.2</b>	<b>38.5</b>	<b>0.1</b>	<b>5.0</b>
<i>Adjusted expense<sup>5</sup></i>	\$21.1	\$0.9	\$20.2	\$0.4	\$1.1
<i>Adjusted overhead ratio<sup>1,2,5</sup></i>	52%	(1)%	53%	52%	57%

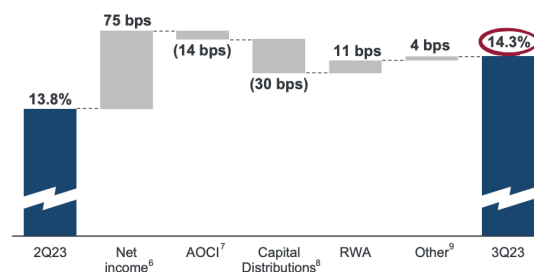
Revenues and earnings of JPM were great this quarter as revenues on higher interest rates. And also, there was a release of credit reserve built for the crisis earlier this year.

## Fortress balance sheet

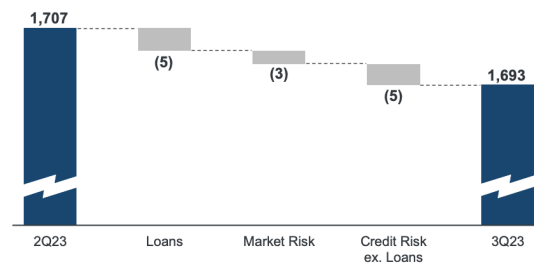
\$B, EXCEPT PER SHARE DATA

	3Q23	2Q23	3Q22
<b><u>Risk-based capital metrics<sup>1</sup></u></b>			
CET1 capital	\$242	\$236	\$210
CET1 capital ratio – Standardized	14.3%	13.8%	12.5%
CET1 capital ratio – Advanced	14.5	13.9	13.0
Basel III Standardized RWA	\$1,693	\$1,707	\$1,678
<b><u>Leverage-based capital metric<sup>2</sup></u></b>			
Firm SLR	6.0%	5.8%	5.3%
<b><u>Liquidity metrics<sup>3</sup></u></b>			
Firm LCR	112%	112%	113%
Bank LCR	123	129	165
Total excess HQLA	\$252	\$296	\$531
HQLA and unencumbered marketable securities	1,386	1,411	1,480 <sup>4</sup>
<b><u>Balance sheet metrics</u></b>			
Total assets (EOP)	\$3,898	\$3,868	\$3,774
Deposits (average)	2,356	2,387	2,445
Tangible book value per share <sup>5</sup>	82.04	79.90	69.90

STANDARDIZED CET1 RATIO (%)<sup>1</sup>

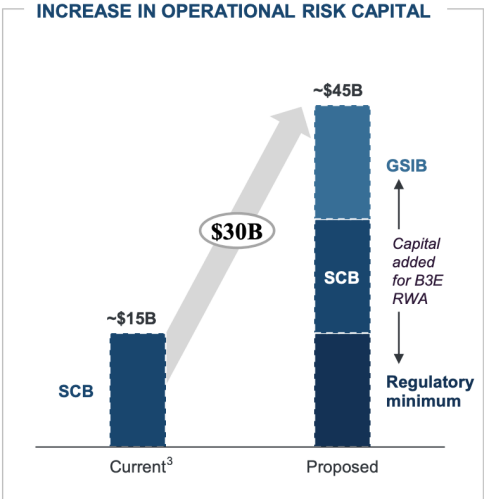
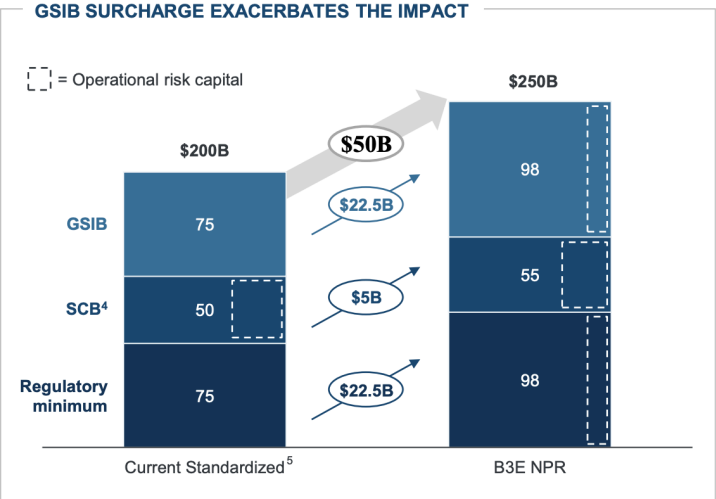


STANDARDIZED RISK-WEIGHTED ASSETS (\$B)<sup>1</sup>



# U.S. B3E NPR increases JPM's required capital by 25%... but why?

- As proposed, the U.S. B3E NPR<sup>1</sup> increases the Firm's RWA by 30% (\$500B) and required capital by 25% (\$50B)
  - \$22.5B is directly linked to our 4.5% GSIB<sup>2</sup> surcharge (4.5% x \$500B), despite no change to our systemic risk footprint
- The proposal increases the required capital for operational risk by \$30B
  - We estimate our SCB already includes ~\$15B<sup>3</sup> capital for operational risk



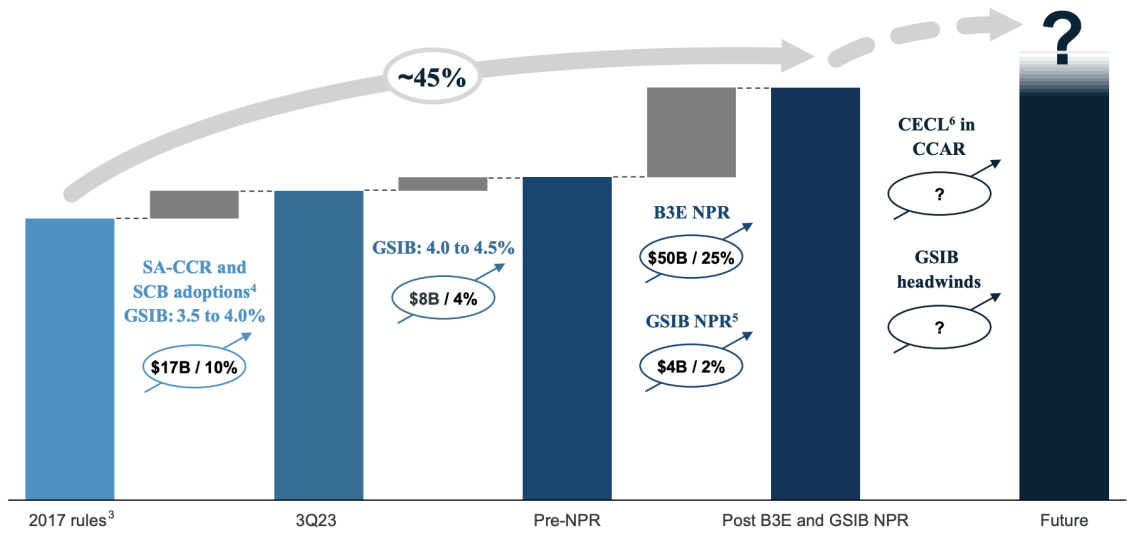
**JPM believes that an RWA change of this magnitude requires corresponding adjustments to SCB and GSIB**

New regulations will soon make it harder for big banks to operate as they need more capital.

## The “19%”<sup>1</sup> quoted by the Agencies does not tell the full story

- Measured since the 2017 rules, JPM’s CET1 capital requirements will have increased by ~45% should the rule be enacted as proposed
- And looking beyond the B3E proposal, the future trend is up
  - We anticipate that the Fed’s incorporation of CECL in the stress test will raise the SCB
  - Since the GSIB proposal did not adjust for growth, we expect continued headwinds due to ordinary economic growth
- JPM disagrees with the cost-benefit analysis and believes that increases of this magnitude are unwarranted

GROWTH IN JPM CET1 REQUIREMENTS SINCE 2017<sup>2</sup>



<https://www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/investor-relations/documents/quarterly-earnings/2023/3rd-quarter/fa584ba1-9ee9-4b87-8ac4-eb9be0e9744b.pdf>

ROE **18%**  
ROTCE<sup>2</sup> **22%**

CET1 Capital Ratios<sup>3</sup>  
Std. **14.3%** | Adv. **14.5%**  
Total Loss-Absorbing Capacity<sup>3</sup> **\$496B**

Std. RWA<sup>3</sup> **\$1.7T**  
Cash and marketable securities<sup>4</sup> **\$1.4T**  
Average loans **\$1.3T**

<b>Firmwide Metrics</b>	<ul style="list-style-type: none"> <li>Reported revenue of \$39.9 billion and managed revenue of \$40.7 billion<sup>2</sup>, including \$669 million of net investment securities losses</li> <li>Credit costs of \$1.4 billion included \$1.5 billion of net charge-offs and a \$113 million net reserve release</li> <li>Average loans up 17%; average deposits down 4%</li> </ul>
<b>CCB</b> ROE 41%	<ul style="list-style-type: none"> <li>Average deposits down 3%; client investment assets up 43%</li> <li>Average loans up 27% YoY and up 9% QoQ; Card Services net charge-off rate of 2.49%</li> <li>Debit and credit card sales volume<sup>5</sup> up 8%</li> <li>Active mobile customers<sup>6</sup> up 9%</li> </ul>
<b>CIB</b> ROE 11%	<ul style="list-style-type: none"> <li>#1 ranking for Global Investment Banking fees with 8.6% wallet share YTD</li> <li>Total Markets revenue of \$6.6 billion, down 3%, with Fixed Income Markets up 1% and Equity Markets down 10%</li> </ul>
<b>CB</b> ROE 25%	<ul style="list-style-type: none"> <li>Gross Investment Banking and Markets revenue<sup>7</sup> of \$821 million, up 8%</li> <li>Average loans up 24% YoY and up 4% QoQ; average deposits down 7%</li> </ul>
<b>AWM</b> ROE 32%	<ul style="list-style-type: none"> <li>Assets under management (AUM) of \$3.2 trillion, up 22%</li> <li>Average loans up 3% YoY and up 2% QoQ; average deposits down 20%</li> </ul>

Jamie Dimon, Chairman and CEO, commented on the quarter: *"The Firm delivered another quarter of solid results, generating net income of \$13.2 billion and an ROTCE of 22%—although, we acknowledge that these results benefit from our over-earning on both net interest income and below normal credit costs, both of which will normalize over time. Our CET1 capital ratio rose even further to 14.3%. Our total loss-absorbing capacity (equity plus long-term debt) is a formidable \$496 billion, while loans, which are our riskiest assets, are at \$1.3 trillion. Our liquidity is extraordinarily high with cash and marketable securities of \$1.4 trillion. Looking ahead to Basel III finalization, we intend to adapt and manage to the new rules very quickly as we have shown in the past. However, we caution that such material regulatory changes would likely have real world consequences for markets and end users."*

Dimon continued: *"Our lines of business saw continued momentum in the quarter, demonstrating the power of our years of investment and the value of our consistency and fortress principles. Across the Firm, we continued to add a sizable number of new clients and deepen relationships. In CCB, we again ranked #1 in U.S. retail deposits based on the most recent FDIC data, and we extended our leadership position as our growth from net new accounts was over 3x that of peers. In CIB, we maintained our #1 Dealogic rank and gained IB market share YTD. In CB, Payments revenue remained strong and was up 30%. And AWM saw AUM net inflows of \$60 billion. Finally, we extended credit and raised \$1.7 trillion in capital for businesses, governments, and U.S. consumers year to date."*

Dimon concluded: *"Currently, U.S. consumers and businesses generally remain healthy, although, consumers are spending down their excess cash buffers. However, persistently tight labor markets as well as extremely high government debt levels with the largest peacetime fiscal deficits ever are increasing the risks that inflation remains elevated and that interest rates rise further from here. Additionally, we still do not know the longer-term consequences of quantitative tightening, which reduces liquidity in the system at a time when market-making capabilities are increasingly limited by regulations. Furthermore, the war in Ukraine compounded by last week's attacks on Israel may have far-reaching impacts on energy and food markets, global trade, and geopolitical relationships. This may be the most dangerous time the world has seen in decades. While we hope for the best, we prepare the Firm for a broad range of outcomes so we can consistently deliver for clients no matter the environment. To conclude, I want to thank our extraordinary employees for all of their hard work in making us one of the most trusted financial institutions in the world."*

#### SIGNIFICANT ITEMS

- 3Q23 results included:
  - \$669 million of net investment securities losses in Corporate (\$0.17 decrease in earnings per share (EPS))
  - \$665 million of Firmwide legal expense<sup>8</sup> (\$0.22 decrease in EPS)

#### CAPITAL DISTRIBUTED

- Common dividend of \$3.1 billion or \$1.05 per share
- \$2.0 billion of common stock net repurchases<sup>9</sup>
- Net payout LTM<sup>9,10</sup> of 35%

#### FORTRESS PRINCIPLES

- Book value per share of \$100.30, up 15%; tangible book value per share<sup>2</sup> of \$82.04, up 17%
- Basel III common equity Tier 1 capital<sup>3</sup> of \$242 billion and Standardized ratio<sup>3</sup> of 14.3%; Advanced ratio<sup>3</sup> of 14.5%

- Firm supplementary leverage ratio of 6.0%

#### OPERATING LEVERAGE

- 3Q23 expense of \$21.8 billion; reported overhead ratio of 55%; managed overhead ratio<sup>2</sup> of 53%

#### SUPPORTED CONSUMERS, BUSINESSES & COMMUNITIES

- \$1.7 trillion of credit and capital<sup>11</sup> raised YTD
  - \$182 billion of credit for consumers
  - \$27 billion of credit for U.S. small businesses
  - \$775 billion of credit for corporations
  - \$709 billion of capital for corporate clients and non-U.S. government entities
  - \$37 billion of credit and capital for nonprofit and U.S. government entities, including states, municipalities, hospitals and universities

<https://www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/investor-relations/documents/quarterly-earnings/2023/3rd-quarter/393bfa53-d214-4230-8539-860a409b2107.pdf>

SELECTED INCOME STATEMENT DATA	QUARTERLY TRENDS						NINE MONTHS ENDED SEPTEMBER 30,			
	3Q23	2Q23	1Q23	4Q22	3Q22	3Q23 Change		2023	2022	2023 Change
						2Q23	3Q22			
<b>Reported Basis</b>										
Total net revenue	\$ 39,874	\$ 41,307	\$ 38,349	\$ 34,547	\$ 32,716	(3)%	22 %	\$ 119,530	\$ 94,148	27 %
Total noninterest expense	21,757	20,822	20,107	19,022	19,178	4	13	62,686	57,118	10
Pre-provision profit (a)	18,117	20,485	18,242	15,525	13,538	(12)	34	56,844	37,030	54
Provision for credit losses	1,384	2,899	2,275	2,288	1,537	(52)	(10)	6,558	4,101	60
<b>NET INCOME</b>	<b>13,151</b>	<b>14,472</b>	<b>12,622</b>	<b>11,008</b>	<b>9,737</b>	<b>(9)</b>	<b>35</b>	<b>40,245</b>	<b>26,668</b>	<b>51</b>
<b>Managed Basis (b)</b>										
Total net revenue	40,686	42,401	39,336	35,566	33,491	(4)	21	122,423	96,711	27
Total noninterest expense	21,757	20,822	20,107	19,022	19,178	4	13	62,686	57,118	10
Pre-provision profit (a)	18,929	21,579	19,229	16,544	14,313	(12)	32	59,737	39,593	51
Provision for credit losses	1,384	2,899	2,275	2,288	1,537	(52)	(10)	6,558	4,101	60
<b>NET INCOME</b>	<b>13,151</b>	<b>14,472</b>	<b>12,622</b>	<b>11,008</b>	<b>9,737</b>	<b>(9)</b>	<b>35</b>	<b>40,245</b>	<b>26,668</b>	<b>51</b>
<b>EARNINGS PER SHARE DATA</b>										
Net income: Basic	\$ 4.33	\$ 4.76	\$ 4.11	\$ 3.58	\$ 3.13	(9)	38	\$ 13.20	\$ 8.53	55
Diluted	4.33	4.75	4.10	3.57	3.12	(9)	39	13.18	8.51	55
Average shares: Basic	2,927.5	2,943.8	2,968.5	2,962.9	2,961.2	(1)	(1)	2,946.6	2,966.8	(1)
Diluted	2,932.1	2,948.3	2,972.7	2,967.1	2,965.4	(1)	(1)	2,951.0	2,970.9	(1)
<b>MARKET AND PER COMMON SHARE DATA</b>										
Market capitalization	\$ 419,254	\$ 422,661	\$ 380,803	\$ 393,484	\$ 306,520	(1)	37	\$ 419,254	\$ 306,520	37
Common shares at period-end	2,891.0	2,906.1	2,922.3	2,934.3	2,933.2	(1)	(1)	2,891.0	2,933.2	(1)
Book value per share	100.30	98.11	94.34	90.29	87.00	2	15	100.30	87.00	15
Tangible book value per share ("TBVPS") (a)	82.04	79.90	76.69	73.12	69.90	3	17	82.04	69.90	17
Cash dividends declared per share	1.05	1.00	1.00	1.00	1.00	5	5	3.05	3.00	2
<b>FINANCIAL RATIOS (c)</b>										
Return on common equity ("ROE")	18 %	20 %	18 %	16 %	15 %			19 %	14 %	
Return on tangible common equity ("ROTCE") (a)	22	25	23	20	18			23	17	
Return on assets	1.36	1.51	1.38	1.16	1.01			1.42	0.92	
<b>CAPITAL RATIOS (d)</b>										
Common equity Tier 1 ("CET1") capital ratio	14.3 % (e)	13.8 %	13.8 %	13.2 %	12.5 %			14.3 % (e)	12.5 %	
Tier 1 capital ratio	15.9 (e)	15.4	15.4	14.9	14.1			15.9 (e)	14.1	
Total capital ratio	17.8 (e)	17.3	17.4	16.8	16.0			17.8 (e)	16.0	
Tier 1 leverage ratio	7.1 (e)	6.9	6.9	6.6	6.2			7.1 (e)	6.2	
Supplementary leverage ratio ("SLR")	6.0 (e)	5.8	5.9	5.6	5.3			6.0 (e)	5.3	

ASSETS	Sep 30, 2023									
	Sep 30, 2023		Jun 30, 2023		Mar 31, 2023		Dec 31, 2022		Sep 30, 2022	
	2023	2023	2023	2023	2023	2022	2022	2022	2023	2022
<b>ASSETS</b>										
Cash and due from banks	\$ 24,921	\$ 26,064	\$ 25,098	\$ 27,697	\$ 24,654	(4)%	1 %			
Deposits with banks	486,448	469,059	520,902	539,537	619,533	4	(21)			
Federal funds sold and securities purchased under resale agreements	350,059	325,628	317,111	315,592	301,878	8	16			
Securities borrowed	188,279	163,563	195,917	185,369	193,216	5	(3)			
Trading assets:										
Debt and equity instruments	534,923	572,779	519,618	382,919	413,953	(7)	29			
Derivative receivables	67,070	64,217	59,274	70,880	92,534	4	(28)			
Available-for-sale ("AFS") securities	197,119	203,262	197,248	205,857	188,140	(3)	5			
Held-to-maturity ("HTM") securities	388,261	408,941	412,827	425,305	430,106	(5)	(10)			
Investment securities, net of allowance for credit losses	585,380	612,203	610,075	631,162	618,246	(4)	(5)			
Loans	1,310,059	1,300,069	1,128,896	1,135,647	1,112,633	1	18			
Less: Allowance for loan losses	21,946 (a)	21,980 (a)	20,053	19,726	18,185	—	21			
Loans, net of allowance for loan losses	1,288,113	1,278,089	1,108,843	1,115,921	1,094,448	1	18			
Accrued interest and accounts receivable	127,752	111,561	115,316	125,189	143,905	15	(11)			
Premises and equipment	29,677	29,493	28,266	27,734	27,199	1	9			
Goodwill, MSRs and other intangible assets	64,910	64,238	62,090	60,859	60,806	1	7			
Other assets	150,801	151,346	181,795	182,884	183,512	—	(18)			
<b>TOTAL ASSETS</b>	<b>\$ 3,898,333</b>	<b>\$ 3,868,240</b>	<b>\$ 3,744,305</b>	<b>\$ 3,665,743</b>	<b>\$ 3,773,884</b>	<b>1</b>	<b>3</b>			
<b>LIABILITIES</b>										
Deposits	\$ 2,379,526	\$ 2,398,962	\$ 2,377,253	\$ 2,340,179	\$ 2,408,615	(1)	(1)			
Federal funds purchased and securities loaned or sold under repurchase agreements	268,750	266,272	246,396	202,613	239,939	1	12			
Short-term borrowings	45,470	41,022	42,241	44,027	47,866	11	(5)			
Trading liabilities:										
Debt and equity instruments	165,494	132,264	145,153	126,835	133,175	25	24			
Derivative payables	41,963	46,545	44,711	51,141	56,703	(10)	(26)			
Accounts payable and other liabilities	292,070	286,934	275,077	300,141	300,016	2	(3)			
Beneficial interests issued by consolidated VIEs	24,896	19,647	14,903	12,610	12,079	27	106			
Long-term debt	362,793 (b)	364,078 (b)	295,489	295,865	287,473	—	26			
<b>TOTAL LIABILITIES</b>	<b>3,580,962</b>	<b>3,555,724</b>	<b>3,441,223</b>	<b>3,373,411</b>	<b>3,485,866</b>	<b>1</b>	<b>3</b>			
<b>STOCKHOLDERS' EQUITY</b>										
Preferred stock	27,404	27,404	27,404	27,404	32,838	—	(17)			
Common stock	4,105	4,105	4,105	4,105	4,105	—	—			
Additional paid-in capital	89,899	89,578	89,155	89,044	88,865	—	1			
Retained earnings	327,044	317,359	306,208	296,456	288,776	3	13			
Accumulated other comprehensive income/(loss) ("AOCI")	(17,104)	(14,290)	(14,418)	(17,341)	(19,134)	(20)	11			
Treasury stock, at cost	(113,977)	(111,640)	(109,372)	(107,336)	(107,432)	(2)	(6)			
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>317,371</b>	<b>312,516</b>	<b>303,082</b>	<b>292,332</b>	<b>288,018</b>	<b>2</b>	<b>10</b>			
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 3,898,333</b>	<b>\$ 3,868,240</b>	<b>\$ 3,744,305</b>	<b>\$ 3,665,743</b>	<b>\$ 3,773,884</b>	<b>1</b>	<b>3</b>			

## Valuations

Last time, we had the following estimates

- We can estimate long-term ROTE of 15%
- The company grew its TBV by 4.6% annually over the past 10 years with 3.9% growth over the past 5 years
- Let's assume annual growth of 3.5% going forward
- We use a discount rate of 7%
- No terminal growth rate as it becomes hard to estimate growth over the long-term in perpetuity

I believe, given the changes in regulations, we can assume no growth. This is a very conservative estimate.

TBV is currently \$220 billion with average of \$200 billion over the past 5 years. Let's assume 15% ROTE.

Annual income should be around \$30 billion, which we will discount at 5.5%.

Intrinsic value is \$545 billion or \$188/share.

We take a margin of safety of 15% with a buy price of \$1690/share.





# 4Q23 Earnings Analysis

<https://www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/investor-relations/documents/quarterly-earnings/2023/4th-quarter/038c2943-104d-4253-906a-7910c3706763.pdf>

## 4Q23 Financial highlights

ROTCE <sup>1</sup> <b>15%</b>	CET1 capital ratios <sup>2</sup> Std. <b>15.0%</b>   Adv. <b>15.0%</b> Total Loss-Absorbing Capacity <sup>2</sup> <b>\$514B</b>	Std. RWA <sup>3</sup> <b>\$1.7T</b> Cash and marketable securities <sup>4</sup> <b>\$1.4T</b> Average loans <b>\$1.3T</b>
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<b>Income statement</b>	<ul style="list-style-type: none"><li>4Q23 net income of \$9.3B and EPS of \$3.04<ul style="list-style-type: none"><li>Excluding significant items<sup>5</sup>, 4Q23 net income of \$12.1B, EPS of \$3.97 and ROTCE of 19%</li></ul></li><li>Managed revenue of \$39.9B<sup>6</sup></li><li>Expense of \$24.5B and managed overhead ratio of 61%<sup>6</sup></li></ul>
<b>Balance sheet</b>	<ul style="list-style-type: none"><li>Loans: average loans of \$1.3T up 17% YoY and 1% QoQ<ul style="list-style-type: none"><li>Ex. FR<sup>7</sup>, average loans of \$1.2T up 4% YoY and 1% QoQ</li></ul></li><li>Deposits: average deposits of \$2.4T flat YoY and up 1% QoQ<ul style="list-style-type: none"><li>Ex. FR, average deposits of \$2.3T down 3% YoY and up 1% QoQ</li></ul></li><li>CET1 capital of \$251B<sup>2</sup><ul style="list-style-type: none"><li>Standardized and Advanced CET1 capital ratios of 15.0%<sup>2</sup></li></ul></li></ul>
<b>Capital distributed</b>	<ul style="list-style-type: none"><li>Common dividend of \$3.1B or \$1.05 per share</li><li>\$2.0B of common stock net repurchases<sup>8</sup></li><li>Net payout LTM of 41%<sup>8,9</sup></li></ul>

The company matched our assumption of 15% ROTCE.

**\$B, EXCEPT PER SHARE DATA**

	4Q23			ex. FR \$ O/(U)	
	Reported	FR impact	ex. FR	3Q23	4Q22
Net interest income	\$24.2	\$1.3	\$22.8	\$1.4	\$2.5
Noninterest revenue	15.8	0.5	15.2	(1.8)	(0.0)
<b>Managed revenue<sup>1</sup></b>	<b>\$39.9</b>	<b>1.9</b>	<b>\$38.1</b>	<b>(0.4)</b>	<b>2.5</b>
<b>Expense</b>	<b>24.5</b>	<b>0.9</b>	<b>23.6</b>	<b>2.7</b>	<b>4.6</b>
<b>Credit costs</b>	<b>2.8</b>	<b>0.1</b>	<b>2.6</b>	<b>1.2</b>	<b>0.3</b>
<b>Net income</b>	<b>\$9.3</b>	<b>\$0.6</b>	<b>\$8.7</b>	<b>(\$3.4)</b>	<b>(\$2.3)</b>
Net income applicable to common stockholders	\$8.9	\$0.6	\$8.2	(\$3.4)	(\$2.4)
EPS – diluted	\$3.04	\$0.22	\$2.82	(\$1.15)	(\$0.75)
ROE <sup>2</sup>	12%	1%	11%	16%	16%
ROTC <sup>2,3</sup>	15	1	14	20	20
Overhead ratio – managed <sup>1,2</sup>	61	(1)	62	54	53
<b>Memo:</b>					
<i>NII excluding Markets<sup>4</sup></i>	\$23.6	\$1.3	\$22.2	\$0.5	\$2.2
<i>NIR excluding Markets<sup>4</sup></i>	10.6	0.5	10.0	(0.1)	0.1
<i>Markets revenue</i>	5.8	-	5.8	(0.8)	0.1
<b>Managed revenue<sup>1</sup></b>	<b>39.9</b>	<b>1.9</b>	<b>\$38.1</b>	<b>(0.4)</b>	<b>2.5</b>
<i>Adjusted expense<sup>5</sup></i>	\$24.3	\$0.9	\$23.4	\$3.2	\$4.4
<i>Adjusted overhead ratio<sup>1,2,5</sup></i>	61%	(1)%	62%	53%	53%

**FY23 Financial results<sup>1</sup>**

**\$B, EXCEPT PER SHARE DATA**

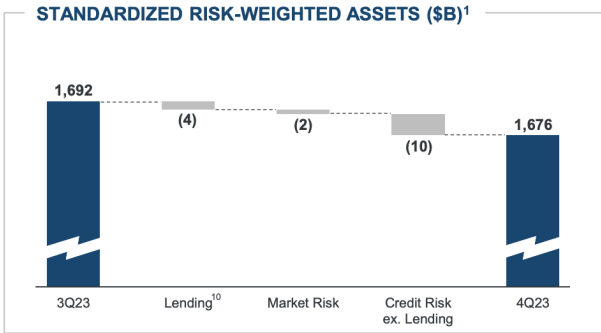
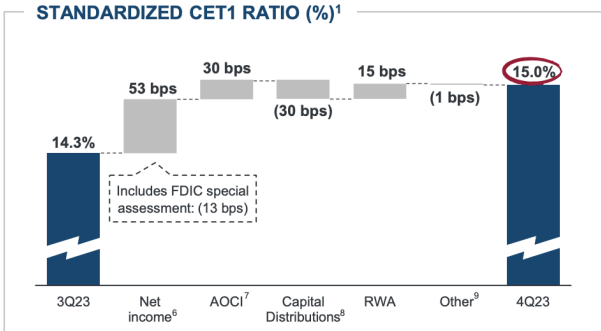
	FY2023			FY2022	ex. FR \$ O/(U)
	Reported	FR impact	ex. FR	Reported	FY2022
Net interest income	\$89.7	\$3.7	\$86.0	\$67.1	\$18.9
Noninterest revenue	72.6	4.4	68.2	65.1	3.0
<b>Managed revenue<sup>1</sup></b>	<b>\$162.4</b>	<b>8.2</b>	<b>\$154.2</b>	<b>132.3</b>	<b>21.9</b>
<b>Expense</b>	<b>87.2</b>	<b>2.3</b>	<b>84.8</b>	<b>76.1</b>	<b>8.7</b>
<b>Credit costs</b>	<b>9.3</b>	<b>1.3</b>	<b>8.0</b>	<b>6.4</b>	<b>1.7</b>
<b>Net income</b>	<b>\$49.6</b>	<b>\$4.1</b>	<b>\$45.4</b>	<b>\$37.7</b>	<b>\$7.8</b>
Net income applicable to common stockholders	\$47.8	\$4.1	\$43.7	\$35.9	\$7.8
EPS – diluted	\$16.23	\$1.39	\$14.84	\$12.09	\$2.75
ROE <sup>2</sup>	17%	1%	16%	14%	
ROTC <sup>2,3</sup>	21	2	19	18	
Overhead ratio – managed <sup>1,2</sup>	54	(1)	55	58	
<b>Memo:</b>					
<i>NII excluding Markets<sup>4</sup></i>	\$90.0	\$3.7	\$86.3	\$62.4	\$24.0
<i>NIR excluding Markets<sup>4</sup></i>	44.5	4.4	40.1	40.9	(0.8)
<i>Markets revenue</i>	27.8	-	27.8	29.0	(1.2)
<b>Managed revenue<sup>1</sup></b>	<b>162.4</b>	<b>8.2</b>	<b>\$154.2</b>	<b>132.3</b>	<b>21.9</b>
<i>Adjusted expense<sup>5</sup></i>	\$85.7	\$2.3	\$83.4	\$75.9	\$7.5
<i>Adjusted overhead ratio<sup>1,2,5</sup></i>	53%	(1)%	54%	57%	

2023 was a record year for JPM and we were more conservative in our analysis.

# Fortress balance sheet

**\$B, EXCEPT PER SHARE DATA**

	4Q23	3Q23	4Q22
<b>Risk-based capital metrics<sup>1</sup></b>			
CET1 capital	\$251	\$242	\$219
CET1 capital ratio – Standardized	15.0%	14.3%	13.2%
CET1 capital ratio – Advanced	15.0	14.5	13.6
Basel III Standardized RWA	\$1,676	\$1,692	\$1,654
<b>Leverage-based capital metric<sup>2</sup></b>			
Firm SLR	6.1%	6.0%	5.6%
<b>Liquidity metrics<sup>3</sup></b>			
Firm LCR	113%	112%	112%
Bank LCR	129	123	151
Total excess HQLA	\$309	\$252	\$437
HQLA and unencumbered marketable securities	1,447	1,386	1,429 <sup>4</sup>
<b>Balance sheet metrics</b>			
Total assets (EOP)	\$3,875	\$3,898	\$3,666
Deposits (average)	2,372	2,356	2,380
Tangible book value per share <sup>5</sup>	86.08	82.04	73.12



<https://www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/investor-relations/documents/quarterly-earnings/2023/4th-quarter/30e66a2f-5f41-4616-b831-fee985b61b8a.pdf>

## FOURTH-QUARTER 2023 RESULTS<sup>1</sup>

<p>ROE <b>12%</b> ROTCE<sup>2</sup> <b>15%</b></p>	<p>CET1 Capital Ratios<sup>3</sup> Std. <b>15.0%</b>   Adv. <b>15.0%</b> Total Loss-Absorbing Capacity<sup>3</sup> <b>\$514B</b></p>	<p>Std. RWA<sup>3</sup> <b>\$1.7T</b> Cash and marketable securities<sup>4</sup> <b>\$1.4T</b> Average loans <b>\$1.3T</b></p>
<p><b>Firmwide Metrics</b> 4Q23 ROTCE <b>15%</b> 2023 ROTCE <b>21%</b></p>	<ul style="list-style-type: none"> <li>■ Excluding significant items<sup>2</sup>, 4Q23 net income of \$12.1 billion, EPS<sup>5</sup> of \$3.97 and ROTCE of 19%</li> <li>■ Reported revenue of \$38.6 billion and managed revenue of \$39.9 billion<sup>2</sup></li> <li>■ Expense of \$24.5 billion; reported overhead ratio of 63%; managed overhead ratio<sup>2</sup> of 61%; expense included the \$2.9 billion FDIC special assessment<sup>6</sup>, which increased the overhead ratio by 7%</li> <li>■ Credit costs of \$2.8 billion included \$2.2 billion of net charge-offs and a \$598 million net reserve build</li> <li>■ Average loans up 17%, or up 4% excluding First Republic<sup>7</sup>; average deposits flat, or down 3% excluding First Republic</li> </ul>	<p>Jamie Dimon, Chairman and CEO, commented: “We ended the year with a solid quarter, producing net income of \$9.3 billion, or \$12.1 billion excluding the FDIC special assessment and discretionary securities losses. Our record results in 2023 reflect over-earning on both NII and credit, but we remain confident in our ability to continue to deliver very healthy returns even after they normalize. Our balance sheet remained extremely strong, with a CET1 ratio of 15.0%, a staggering \$514 billion of total loss-absorbing capacity and \$1.4 trillion in cash and marketable securities. We continue to believe that the recent series of regulatory and legislative proposals, including Basel III endgame, could cause serious harm to consumers, businesses, and markets. We hope that regulators will make the necessary adjustments so the rules promote a strong financial system without causing undue consequences for end users.</p> <p>2023 was a good example of the power of our investment philosophy and fortress principles, as well as the value of being there for clients—as we always are—in both good times and bad times. The result was continued growth broadly across the Firm. We will highlight a few examples: CCB added over 2 million net new checking accounts in 2023; CIB maintained its #1 rank in both IB and Markets and gained over 100bps of IB market share; CB added over 5,000 new relationships, roughly 2x the prior year; and AWM saw record client asset net inflows of \$490 billion, over 20% higher than its prior record.</p> <p>The U.S. economy continues to be resilient, with consumers still spending, and markets currently expect a soft landing. It is important to note that the economy is being fueled by large amounts of government deficit spending and past stimulus. There is also an ongoing need for increased spending due to the green economy, the restructuring of global supply chains, higher military spending and rising healthcare costs. This may lead inflation to be stickier and rates to be higher than markets expect. On top of this, there are a number of downside risks to watch. Quantitative tightening is draining over \$900 billion of liquidity from the system annually, and we have never seen a full cycle of tightening. And the ongoing wars in Ukraine and the Middle East have the potential to disrupt energy and food markets, migration, and military and economic relationships, in addition to their dreadful human cost. These significant and somewhat unprecedented forces cause us to remain cautious. While we hope for the best, the past year demonstrated why we must be prepared for any environment.</p> <p>To conclude, I want to thank our tremendous employees for making us one of the most trusted financial institutions in the world. They work tirelessly to serve our clients, including extending credit and raising capital totaling \$2.3 trillion, as well as providing continuity for First Republic customers.”</p>
<p><b>CCB</b> 4Q23 ROE <b>33%</b> 2023 ROE <b>38%</b></p>	<ul style="list-style-type: none"> <li>■ Average deposits down 4%; client investment assets up 47%, or up 25% excluding First Republic</li> <li>■ Average loans up 27%, or up 6% excluding First Republic; Card Services net charge-off rate of 2.79%</li> <li>■ Debit and credit card sales volume<sup>8</sup> up 7%</li> <li>■ Active mobile customers<sup>9</sup> up 8%</li> </ul>	
<p><b>CIB</b> 4Q23 ROE <b>9%</b> 2023 ROE <b>13%</b></p>	<ul style="list-style-type: none"> <li>■ #1 ranking for Global Investment Banking fees with 8.8% wallet share for the year</li> <li>■ Markets revenue of \$5.8 billion, up 2%, with Fixed Income Markets up 8% and Equity Markets down 8%</li> </ul>	
<p><b>CB</b> 4Q23 ROE <b>21%</b> 2023 ROE <b>20%</b></p>	<ul style="list-style-type: none"> <li>■ Gross Investment Banking and Markets revenue<sup>10</sup> of \$924 million, up 32%</li> <li>■ Average loans up 19%, or up 3% excluding First Republic; average deposits down 4%</li> </ul>	
<p><b>AWM</b> 4Q23 ROE <b>28%</b> 2023 ROE <b>31%</b></p>	<ul style="list-style-type: none"> <li>■ Assets under management (AUM) of \$3.4 trillion, up 24%</li> <li>■ Average loans up 6%, or up 1% excluding First Republic; average deposits down 4%</li> </ul>	

### SIGNIFICANT ITEMS IN 4Q23 RESULTS

- \$2.9 billion FDIC special assessment in Corporate (\$0.74 decrease in EPS)
- \$743 million of net investment securities losses in Corporate (\$0.19 decrease in EPS)

### CAPITAL DISTRIBUTIONS

- Common dividend of \$3.1 billion or \$1.05 per share
- \$2.0 billion of common stock net repurchases<sup>11</sup>
- Net payout LTM<sup>11,12</sup> of 41%

### FORTRESS PRINCIPLES

- Book value per share of \$104.45, up 16%; tangible book value per share<sup>2</sup> of \$86.08, up 18%

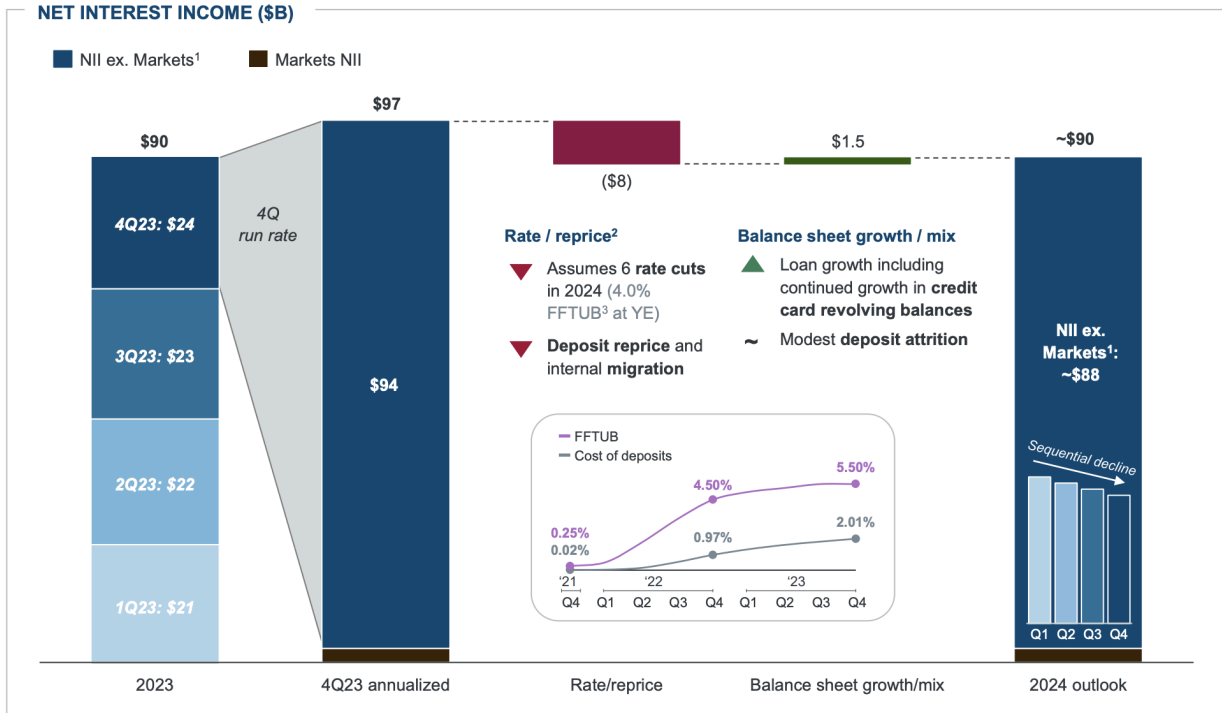
- Basel III common equity Tier 1 capital<sup>3</sup> of \$251 billion and Standardized ratio<sup>3</sup> of 15.0%; Advanced ratio<sup>3</sup> of 15.0%
- Firm supplementary leverage ratio of 6.1%

### SUPPORTED CONSUMERS, BUSINESSES & COMMUNITIES

- **\$2.3 trillion** of credit and capital<sup>13</sup> raised in 2023
  - **\$239 billion** of credit for consumers
  - **\$36 billion** of credit for U.S. small businesses
  - **\$1.0 trillion** of credit for corporations
  - **\$915 billion** of capital for corporations and non-U.S. government entities
  - **\$47 billion** of credit and capital for nonprofit and U.S. government entities, including states, municipalities, hospitals and universities

There is nothing special to note about these earnings, except that the company is preparing for multiple rate cuts in 2024.

We expect ~\$88B in NII ex. Markets for 2024, as loan growth partially offsets lower rates



We are not going to update our valuation of the company.