
2024 INVESTOR DAY – CONSUMER & COMMUNITY BANKING

TRANSCRIPT

May 20, 2024

MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the stage, Marianne Lake.

Marianne Lake

Chief Executive Officer of Consumer & Community Banking

Okay. Mary, I will take your ChatCFO, I will raise you one Bori Cox, who – take a wave, Bori – is CCB's CFO, and is endless fun, never tired, never grumpy, knows the answers, it's Christmas every day in CCB.

Okay. So, good morning. I'm excited to update you on CCB's strategy and our performance. Today, I'll start with an overview of the whole franchise. I'm going to update you on our progress since last year, talk about key drivers, our financial results, and touch on the macro environment. And then, Jen Roberts, Allison Beer and Mark O'Donovan are going to each come on stage and focus on answering your key questions, which Mikael solicited.

So, then let's take a look at how we're doing against our priorities. As you know, we hold ourselves accountable for delivering on the commitments we make, and it starts by growing our customer base. In fact, we outgrew both census and the competition. We continued to scale distribution, opening 166 branches last year. We added hundreds of business relationship managers and wealth advisors and launched relevant new products across the businesses like Freedom Rise, Premium Deposit, and most recently, Chase Travel.

While we continue to have more modernization work ahead of us, we accelerated moving analytical data to the cloud and have migrated more than 80% of applications out of legacy data centers. And the outcome of all these efforts can be seen in share gains and strong financial results. Last year, we gained share in our leading businesses in deposits, card sales, and outstandings. And yes, we reported a 38% return on equity, Mary. You're welcome. But importantly, our return on equity was more than 25%, even when adjusting for through-the-cycle deposit margins and for normalized credit.

Moving on then to look at key business drivers. As I said, customer growth is the catalyst for the franchise. On the left, we've seen an acceleration in that growth since the pandemic and added 3.6 million customers or 4% year-on-year. But perhaps more excitingly, we are growing our digital engagement faster at 6%, and our multi-line of business customers faster yet at 9%. We're also encouraged that two-thirds of both Consumer Bank and branded new card accounts are with millennials and Gen Z. So, we are adding more customers, they are more digitally active, and we're deepening with them at faster rate. That's the trifecta.

Let's look at our share gains through a competitive lens. We are the market leader in Consumer Banking, Business Banking and Card, and we've meaningfully outperformed our leading competitor in both deposits and card. In Banking, we've grown checking accounts 20% over the last four years, and in fact, added 2 million net new checking accounts last year, about 3 times that of our closest competitor. And in Card, we've seen 30% growth since 2019, and last year, our marketing investments drove 10 million new accounts. While we're adding customers to the franchise at an accelerated pace, we're also seeing strong retention with existing customers and maintaining focus to deliver primary bank and high card spend engagement. So, once you're here at Chase, it's all about how we engage with you.

We have a leading digital banking platform with 67 million active users, and we have the number one branch network. Increasingly, our digital and physical channels complement each other, and we're connecting journeys across the ecosystem.

75% of all of our customers are 90 days digitally active, and two-thirds of our Banking customers visited a branch last year. On average, 900,000 people walk into our branches every day. Our customers are not just engaging with us more frequently. We're driving stronger engagement, beyond just checking balances and activity. In fact, we saw a 20% lift in monthly engaged sessions through our digital channels year-on-year. Think about payments, offers, planning. Similarly, on the right, 20% more customers met with a banker last year to open or upgrade an account, to ask for financial advice, or for help with investing.

We've consistently demonstrated that when we launch new experiences, they scale quickly. Our most recent examples include, on the bottom left, we launched Chase Travel earlier this year, and in the first quarter, saw a 12% increase in bookings year-on-year. We have 10 million monthly active Credit Journey users, and since we launched credit score planner, 3 million plans have been created, which when completed drive an average 30 point score increase. Wealth Plan's only been in market for a little over a year and already more than 1 million customers have created a plan, including 80% of first-time investors.

Finally, on the right, opening an account in branch now takes significantly less time to complete, given new digital capabilities, which is both more productive for our bankers and a better customer experience. And we are powering many of these new experiences using machine learning and AI.

This is not new for us. We've been using AI and machine learning for close to a decade and driving significant value. Initial use cases were focused on creating efficiencies and reducing risk, through models that protect our customers from fraud and improve our ability to service them.

We've only gotten more sophisticated since then, creating new solutions informed by our proprietary data to grow revenue through lead generation, sales effectiveness and personalization. Given our scale, we have some of the richest and most differentiated data assets in the industry, and it helps us to better understand and serve our customers. AI is like a 1,000 points of light. We seek to infuse it in every one of our products, experiences and customer interactions. And when we do, through digital marketing models, through predicting sales propensity, understanding customer intent, underwriting and line assignment models, curating content, predicting the likelihood for you to travel, you get the point.

When we do, we see improvement over prior models pretty consistently, 2%, 5%, 10%. And these kind of improvements at our scale are meaningful. And they're also a critical component of improving the customer experience.

Customer experience is an operating discipline just like everything else. You have to work at it and you have to get very granular by business, by channel, by product, by journey. At the bottom, you can see we have record customer satisfaction across all channels last year and a very healthy 65 NPS for our Primary Bank and highly engaged card members.

Making sure we have designed the right product for each customer segment is also a part of the winning formula, and when we do, we see a material improvement in customer satisfaction. I'll use the Affluent customer segment to highlight the point. While the Net Promoter Score for Affluent customers in our flagship Total checking account is very good, when we upgrade them to Chase Private Client and cover them with a wealth advisor, we see a more than 10 point lift in NPS, as well as the relevant improvements in wallet share you'd hope for.

And then, moving down to Card, when we get these customers highly engaged with our Sapphire cards, we also see a more than 10-point lift in NPS, and we're having good success in growing this portfolio. A great customer experience in core financial products earns us the right to deepen into adjacencies. So, let's talk about Wealth Management and Connected Commerce.

Starting with Wealth Management, led by Kristin here at the front, deepening into the existing customer base is the strategy and fuels our growth. And we've been successful in CPC, increasing the number of customers with both deposits and investments by 50% since 2019. But we still see significant opportunity to further deepen, as more than 85% of our Affluent customers still do not have investments with us.

We feel poised to scale, as we have successfully grown our advisors, up 30% since 2019 and rounded out our product suite, including enhancing Self-Directed Investing and scaling new tools like Wealth Plan, all of which have led to a 60% increase in client relationships, including a record number of first-time investors last year. And as of today, we've basically hit our trillion dollar target in client investment assets early, of course, combined with favorable markets and First Republic.

In Commerce, the strategy is to connect our customers with top brands that they love, and the acquisitions we made have accelerated our growth. In Travel, we made progress in capturing more share of Branded Card Travel spend on our platform, an incremental 250 basis points. And travel bookings were up nearly 20% as we continued to invest in improving the experience. In Chase Offers, we saw a 30% increase in spend on the platform year-on-year and are focused on sourcing relevant offers directly from merchants and increasingly personalizing the experience. More on Commerce later from Allison.

So, I'm going to skip over page 9. I already covered our summary financial performance at the beginning, and I'm going to dive into revenue on page 10. So, you can see on the traditional walk here that the two biggest drivers of revenue growth year-on-year are the macro rate environment and the acquisition of First Republic. Underlying this, however, there is meaningful organic growth across the businesses, which is best demonstrated in a multi-year view on the next page.

This is a five-year view of revenue growth drivers, and starting at the bottom with NII, the story is actually quite simple. Relative to 2019, the benefit of a 33 basis point higher deposit margin is about \$3.5 billion. Deposit balances have been growing at a 12% CAGR, ending last year at over a trillion and delivering \$9.6 billion of incremental revenue. The other big driver here is Card outstandings which, as you know, have not yet fully normalized, growing at a below trend 5% and delivering \$2.8 billion of incremental NII.

So, of the total \$15 billion increase, only \$3.5 billion is related to deposit margin expansion, with the remainder reflecting underlying growth. Our outlook for NII is to be relatively flat this year, consistent with Jeremy's central case of \$91 billion, a function of a modest decline in average deposit balances year-on-year, lower deposit margin as we continue to see some product migration in a slightly higher rate environment, offset by higher card OS, which we expect to grow double-digits, continuing to benefit from normalization.

Moving to noninterest revenue, where you can see that we've had a reported net decline of \$3.4 billion. But over the five years, the businesses have faced a staggering \$7 billion of headwinds, from a secular reduction in auto operating lease income, a dramatically smaller mortgage market, a step change in card acquisition costs of vintages that have not yet seasoned, and proactive overdraft policy changes. Which means

that the businesses have delivered over \$3.5 billion of underlying growth, and excitingly, more than half of that was generated by Wealth Management and Connected Commerce because of the investments we've been making.

Looking forward, non-interest revenue headwinds are mostly in our rearview mirror, and in some cases, present future growth opportunity as they normalize. And as such, we expect NIR to move higher this year, including continued contribution from our investments.

Moving to expense. We expect total expense to be up about \$3 billion, excluding First Republic. And of this, we estimate about \$600 million is due to wage inflation across the franchise. Starting on the left, the field and branch network is up \$800 million, the biggest portion of which is compensation about equally impacted by wage inflation and by incentives on higher production. Tech and product expense is up \$1 billion, driven by production tech expenses on higher volumes. But as you're going to see in a couple of pages, there's still a decent amount of continued investment in product development.

We estimate marketing expense to be up about \$600 million as we continue to see strong engagement with, and demand for our card products. Operations and fraud losses are up \$500 million on higher accounts and increased transaction volumes. And then, as I mentioned, we are seeing the impact of the annualization of First Republic at \$700 million.

So, let's talk about productivity. Focusing here on run the bank expense of about \$26 billion. And this excludes investments, First Republic, as well as auto lease depreciation - which is an accounting gross up and not operating expense. On this basis, our run the bank expenses have grown at a 6% CAGR since 2019, and for context you can see revenue, also excluding auto operating lease income, has also grown at 6% and total accounts at 5%.

We're seeing our customers engage with our channels and products more, with transaction volumes per account growing at 5%, and digital log-ins at 3%. Productivity has offset this underlying growth and inflationary headwinds, and we've delivered the benefits of scale with expense per CCB account growing at only 1%.

On the right-hand side, we selected the five largest contributors, which account for about 90% of the expense. And all growth represented here on the right is per account and at five-year CAGRs. From the top, field & branch and ops & fraud in blue are flat to down despite significant underlying volume growth. Card marketing & product benefits in purple, and this is good growth, has grown up 4%, driven by embedded benefits for our fee-based travel portfolios. And as a result, we've seen annual fees per segment grow at 7%, and a 9% decline in voluntary attrition rates.

In green, tech production is growing at a slightly elevated rate, which is a product of the cost of risk platforms and cyber controls as well as the incremental cost, as Jeremy said, of operating in two environments as we migrate out of legacy data centers.

And then finally in gray, our staff functions, real estate and regulatory assessments. And here this increase can be more than completely accounted for by a combination of wage inflation and the increases in FDIC assessments.

Now investments. Our outlook for 2024 is around \$9 billion, driven by product development, which I'll come back to, as well as by distribution, first in marketing, as I said earlier, on strong card demand, but also in branch expansion, which Jen Roberts is going to talk about later.

On the far right, you can see an update of our return profile and in most categories we're re-underwriting that they remain on track. Just a minute on our Connected Commerce acquisitions, you can see I rated it amber, as our payback has extended from a little less than six years to a little over six years, driven by macro pressures on margins given airline supply constraints, but also the impacts of some delays in integration as we prioritize across the franchise, in no small part due to First Republic. For transparency, we will always update you with the math on the page, but it doesn't change anything about the investment thesis or business case for these acquisitions, which are very strong.

Then finishing expense in technology and product. We're going to spend about \$7 billion on technology in total this year, which is about 10% of both reported and normalized revenue. And we estimate tech and product investment spend is about \$4 billion, up \$400 million. So, consider these numbers in the context of, yes, our revenue, but also the scale, the breadth and the depth of our businesses. Remember, we run a leading digital banking platform and the number one branch network, have leading deposit and card franchises. We move \$6 trillion of consumer payments a year through our platform, have award-winning financial products that serve all customer segments, and we're constantly investing in refreshing them.

We're innovating and adding value-added services and adjacent experiences to enhance the customer value proposition, things like Credit Journey, Wealth Plan, Zelle, Travel, Offers, and of course, we're always focused on protecting our customers and eliminating points of pain and friction in the experience. And I'll remind you that it takes more than 100 products and services across CCB to deliver the end-to-end ecosystem to our customers.

So, rolling this all up by category in the purple bar in the middle, the biggest portion of spend is on platform capabilities like payments, like the deposit platform, the marketing platform, and the API marketplace. With a close second being on channel delivery and enablement, reaching

our customers with the right product and the right offer in the channel of their choice. Third, are primarily customer-facing product groups across the lines of business, and then finally, a smaller but critical component on data, AI and ML.

Cutting across all of these is modernization, which is an investment we're making to stay competitive and to deliver new products and experiences to market more quickly while operating at resiliency, at massive scale. You can see that we've reached a plateau, but we do expect to spend similarly on modernization into 2025.

On the far right hand side, as I said, we have migrated 80% of applications out of legacy data centers, 55% of them run the majority of their processing in the cloud, and we've also migrated 90% of our analytical data to the public cloud. So, wrapping this page up and talking about the \$400 million spend increase year-on-year, this is driven by product development and is primarily the impact of investments that we made last year in 2023. Looking forward to 2025, we expect product investment spend growth to moderate.

Changing gears and then moving to the macro environment, we'll start with the health of the consumer. Looking within our customer base, we can see that consumers remain healthy and resilient. Cash buffers have largely normalized, while balances are still above historical averages. Lower income segments saw larger gains off a lower base during the pandemic, and we expect them to fully normalize this year. Spend insights are largely consistent with Investor Day last year as after reverting back to pre-pandemic trends, per account spend remains stable.

Lower income segments are showing stronger spend growth, but with signs of trading down and getting a bit less for their money whereas higher income segments are showing lower growth with slowing discretionary spend, including in travel and luxury retail. And on the right, you can see that on the whole wages are keeping pace with inflation, with the lowest income segment seeing the largest relative gains. So, for consumers, to all intents and purposes, we're back to normal, with no obvious signs of deterioration.

Turning to page 17. Small businesses also remain generally healthy, with balances and cash buffers continuing to normalize. While we are seeing growth in small dollar lending, this is a newer product for us, and overall demand for credit remains relatively muted with debt levels below historical norms. Business spend is demonstrating some expense discipline, while payroll expenses continue to grow, businesses have successfully cut back in other areas.

Moving on to what we're seeing in terms of credit, and within our portfolio. In past years, we've highlighted how we structurally de-risked the business over the last decade across asset classes. There's not much new here. Our portfolio remains very clean and we continue to surgically tighten at the margin as needed. So, the outlook for charge-offs.

Things have played out as expected. Specifically Card delinquencies and losses have fully normalized with charge-offs in line with guidance at 3.4% this year and about 3.6% next year. As previously highlighted, loss rates in Auto and Business Banking primarily reflect normalization, but also a change in mix. In Auto, a mix shift away from Dealer Commercial Services and towards Retail, and within Retail towards used cars. And in Business Banking, a smaller graded portfolio and therefore a larger contribution from small dollar lending. We've been proactive in tightening and investing in new data and new scores to enhance risk management. And looking forward, we expect loss rates to be relatively stable.

Lastly, let's look at the changing regulatory environment. As you can see from the page, the industry is facing an onslaught of regulatory and potential legislative change. And each of these is significant in its own right, but together, the cumulative impact to the industry and to consumers could be profound. These rules have not been adequately studied and the people who will end up being impacted the most will be everyday Americans, in particular, those who can least afford it.

This is less about us. We are likely among the best equipped in the industry to adjust and to evolve. We have the scale and diversification, giving us more degrees of freedom and affording us the chance to be more patient than smaller banks. Nevertheless, depending on the final rules, everything is on the table as it relates to mitigants. And I think it is reasonable to expect the industry will make sweeping changes to how products and services are offered and priced.

We put some pro forma consumer impacts on the page, and I want to enforce that this is just pure math. It's based on the rules as proposed and fully passed through. And to be clear, it does not reflect our intended strategy, but it is instructive in order to see the order of magnitude. The upshot of which is that credit becomes much more expensive and free checking may only be attainable for the most affluent Americans.

So, before I invite my partners up, I'm going to close the overview. I'm very proud to lead the CCB franchise and deeply appreciate the hard work, the heart and the humanity of our more than 140,000 employees and what they deliver every day. The work that we do matters to the customers and communities we serve and the economy overall. Our relentless focus on the customer is a proven strategy and the best team is the winning formula. We operate from a position of strength, we manage through cycles, execute with discipline, and invest for future growth and profitability.

We're well positioned to adapt and outperform in a changing macro environment while also responding to new regulations over time. And while these factors may impact our return on equity next year, given the power of our underlying earnings over the medium term, we expect

the business will continue to deliver a 25%-plus return on equity. I remain very confident about the future of the franchise, yet we all approach the opportunities and challenges with humility.

With that, I'm going to hand over to Jen Roberts.

Operator: Welcome to the stage, Jennifer Roberts.

Jennifer Roberts

Chief Executive Officer of Consumer Banking

Thanks, Marianne. It's good to be back. Last year, I gave an overview of our deposits and branch network strategy. It remains consistent and it's working. So today, instead of an end-to-end overview, I'll focus on answering key questions about our deposits and branch network.

Starting with how primary bank relationships remain strong, we have continued to drive core customer growth, now serving 42 million consumer bank customers, up nearly 20% since 2019 on the strength of our model to grow, engage and deepen with our customers.

In Business Banking led by Ben Walter up here in the front, we grew customers by more than 40%, partially driven by rapid small business formation. We were the beneficiaries of that growth, driven by our strong consumer business and our holistic product offerings. The vast majority of our consumer and small business clients trust us as their primary bank, meaning we are their day-to-day operating account and at the center of their financial lives. Our customers are satisfied, and willing to recommend us to friends or colleagues, loyal with high retention rates and engaged across lines of business. Together, our best-in-class products, leading omni-channel value proposition and high quality talent drive customer growth across economic cycles.

You heard Marianne talk about the higher satisfaction customers have when they use the product that's been designed for them. That result is intentional as we are delivering value propositions to meet distinct customer needs, which fuels growth in segments where we see opportunity to gain share. Over the last five years, we've increased the number of checking accounts geared toward younger and lower income customers by over 50%, and continue to strengthen our Secure Banking product. For affluent clients, we've grown Private Client relationships that have deposits and investments with us by 50%, as we've added banker and advisor capacity and launched new offerings such as premium deposit. Looking ahead, we are tiering our value proposition and segmenting our distribution model to further accelerate our affluent strategy, which Mark will touch on in a bit.

In Business Banking, we're focused on products and solutions that help small businesses start, run and grow. In the small and micro segment, we've scaled our clients by over 40% and are offering capabilities that make running their businesses easier, including invoicing and payment acceptance. Among larger small businesses, we've grown deposit balances by 75%, driven by investments in incremental banker capacity to earn more of our clients' wallets. We've made great progress in delivering on customer needs across segments, whether that customer is an individual or a small business owner. And there is more we can do. When we get this right, every customer will be able to say, "Chase is the bank for me", which we know is critical in becoming the bank for all.

So, what has happened to our deposits business over the last year? While macroeconomic factors are obviously important, our strong results are a reflection of the successful execution of our strategy. What this page shows is the change in our balances over the past year, broken out by customer growth, customer activity and in the last two bars, the net of yield seeking flows. Going from your left to right, we see continued strength in customer growth and normalization of cash buffers driven by higher spend that wasn't fully offset by wage growth.

As expected, we've also observed an increase in yield seeking behaviors. We were able to retain 80% of yield seeking flows internally, up from 60% last year, and generated net new money through our CDs and wealth management offerings. And beyond that, for customers who do outflow to online banks, which is less than 10% of our customer base, we have maintained a primary bank rate above the portfolio average. You might remember the two priorities we have in a rising rate environment. First, retain primary bank relationships. Check. Second, profitably, capture money in motion. Check. We have done so with a modest decline in deposit balances, a [low rate paid, and leading net customer growth.

So, what is our outlook? We're in a cyclical business and we have no crystal ball. So, while the outlook for rates continues to evolve, we're confident we have a playbook we can deploy in a wide range of environments. We remain focused on growing primary bank relationships, offering solutions to profitably capture money in motion, and accelerating our wealth strategy. Our current expectation is for rates to remain elevated for the next couple of quarters and for competition for deposits to continue. Therefore, we expect deposits to be relatively flat from now until the end of 2024, with a modest increase in rate paid. More importantly, through this cycle and beyond, we will continue growing our customer base, increasing customer engagement, and capturing higher wallet share to extend our leadership position.

On the note of share gains, this year, we extended our number one position by gaining 40 basis points year-over-year and 220 basis points since 2019. Excluding First Republic, we've gained 190 basis points of share, significantly outperforming our large bank peers. This is driven

by a demonstrated capability to grow deposit share in different starting points and markets. What you're looking at here on the right is our deposit share gains across the top 125 markets segmented by our current deposit share position. Our growth in low share markets where we have less than 5% share today reflects our ability to acquire new customers as we've entered new markets. And we've been able to grow significantly in high share markets where we have greater than 15% share today, driven by deepening with existing customers and acquisition. And we now hold greater than 15% share in 33 of the top 125 markets.

The macroeconomic environment can influence results year-to-year, but we're confident our strategies will continue to drive sustained share gains over time. The value of branches extends beyond deposits. Branches directly support more than \$35 billion in CCB revenue and are the storefront of JPMorgan Chase.

The impact of branch expansion has been core to our growth. We are the only major bank with significant investments in new branches adding nearly 700 since 2019, more than all of our large bank peers combined.

At the same time, we've consolidated on pace with the industry, repositioning our network in response to shifts in customer behavior and extending the reach of each branch to cover more customers. The performance of our new builds and their contribution to growth shows the impact of our strategy. 80 of our 220 basis points of deposit share gain were from branches less than 10 years old. Said differently, nearly 40% of our share gains are attributable to investments in new branches, and we're continuing this momentum with our recently announced plan to build 500 new branches in the next three years.

As you know, we invest through cycles and for the long term and it's been paying off. We have an arsenal of expertise that we leverage when we enter new markets, build branches and hire talent. The consistency of our strategy creates an unparalleled growth engine.

We are proud to be the only bank with a presence in all contiguous 48 states, and there's a lot more opportunity. We shared with you last year a target to reach 70% of the population within a 10-minute drive of our branches, and we're still planning on achieving it.

You'll often hear us say that banking is local and part of being the bank for all is serving Americans from urban centers to rural communities. So, we're broadening our drive time objective to reflect coverage in rural areas where customers typically drive farther for everyday services. We now aim to cover 75% of the US population within an accessible drive time. And to ensure we serve more Americans in smaller cities and towns across America's heartland, we're setting a new objective of covering over 50% of the population in each of the 48 states.

Our approach to expansion is not cookie-cutter. Just like we deliver customer segment strategies that meet distinct needs, we think about branch segmentation in the same way. We tailor our branch operating model at the local level to meet distinct community needs. Over time, we expect continued deposit share growth and have real plans to get to 15% deposit share with no intention of stopping there. We are confident in this because of our winning strategy, products and services that meet customer needs, and omni-channel value proposition that allows customers to bank with us in their channel of choice and a tailored local brand strategy.

With that, I'd like to hand it over to Allison to discuss Card and Connected Commerce.

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Operator: Welcome to the stage, Allison Beer.
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Allison Beer

Chief Executive Officer of Card Services and Connected Commerce

Thanks, Jen. It's great to be back. And so today, I'm going to address your questions on Card and Connected Commerce. Let's dig in. Starting with how we've been driving share gains in our business and our plans to continue to do so? We've been executing on our consistent strategy to deliver industry leading products that resonate across segments, and we continuously invest in adding more value to our products and our ecosystem to keep our cards fresh and relevant. These investments have enabled us to continue our strong momentum across key business drivers. We added approximately 10 million new accounts in each of the last two years, which helped us reach 56 million active accounts in 2023. This account production helped us fuel another year of strong growth of OS, with OS up 17% year-over-year. When calculating market share, we look at a number of sources, and while none of them are perfect, they all show one thing: that we're number one and we're gaining share in both sales and OS.

So, let's talk about what drives that OS. What Jen showed on deposits is also true for card outstandings. While macro factors are obviously important, our results are the reflection of the execution of our strategy. This page shows that last year's OS growth was driven by three key factors: low attrition, sustained customer engagement and strong account acquisition.

Starting with attrition on the left, which reduced OS by \$7 billion, it has remained low over time due to our underwriting discipline and customer experience standards. Second, we see continued strength in customer engagement and deepening, which fueled normalization of revolve behaviors. We saw \$11 billion of OS growth from mature accounts and expect this normalization to continue this year. And then finally on

account acquisition, we have acquired 28 million new accounts since 2021, contributing \$24 billion of OS growth in 2023. So, as you can see, each of these acquisition vintages drive outsized OS growth for more than three years with the largest impact typically in year two when retained accounts have a full year on book. And I'll note that 60% of these accounts come from deepening within the Chase franchise, where our data advantage further strengthens our underwriting capabilities. With continued strength in new account acquisition and retention therefore, the seasoning of new vintages and the tailwinds that we see on revolve normalization, we expect to again deliver double-digit OS growth in 2024.

So, to further this business momentum, we've been delivering on our product strategy that we laid out last year. Just as we're doing across the CCB franchise, in card, we're investing in new products and experiences and capabilities for key segments where we have outsized opportunities for growth. In the starter segment, as Marianne said, we launched Freedom Rise in our branches to better serve new to credit customers, and we're seeing strong early traction. The majority of these accounts are coming from customers aged 18 to 24, bringing younger customers into our ecosystem early in their financial lives with a product specifically designed for them within our risk appetite.

And then in small business, we had a record year of new account production in part driven by relationships in our market leading business banking franchise. Here, we have continued to strengthen our value propositions to meet the needs of all small businesses as we scale Ink Business Premier and the recently refreshed Ink Cash. And finally, in the affluent segment, Sapphire had its best year ever in new account production as we continue to invest in lifestyle benefits and experiences that differentiates our products, and resonate with this high spending client base. Earlier this year, we opened our sixth airport lounge and we have six more in the pipeline. And we continue to invest in our Commerce platform of benefits that I'll discuss in just a moment. Supporting all this, however, is our continued investment in improving our core capabilities as we continue to make our acquisition, our risk, and our fraud engines even better. Our product strategy, together with marketing, will fuel our growth toward our ambition of a 20% share of outstandings.

So now let me turn to that marketing. Our spend in marketing is a function of both the market opportunity and the demand for our products. It's an output because our binding constraints are our risk appetite and return hurdles, not a budget. We invested \$6.8 billion in 2023 across product benefits and account acquisition. Product benefits, like those lounges, drive engagement with our products and then they allow us to charge for the value we provide. Last year, we saw a 20% increase in annual fee revenue. Acquisition is our largest driver of spend. And as I just showed you, it's a core driver of our OS growth.

During the pandemic, we saw outsized demand for cash back portfolios. We've since seen increased share of new account production from premium portfolios. And these premium accounts cost twice as much to acquire, but they generate 2.5 times more value. Our disciplined approach to marketing enables us to consistently deliver vintages that pay back in about three years with strong returns through different macro environments. We continue to see strong momentum in 2024, so our expectation is that we'll deliver sustained growth in new account production while maintaining our underwriting discipline and strong return profile.

And so with that, I'll turn to our last question, our progress on commerce. Before I get into the details of how we're doing, I want to spend a minute reminding you of the strategy. Getting this right is essential for the premium customers who pay high subscription fees for our products, giving them access to a franchise that provides value beyond thinking.

Our focus here is delivering our two-sided platform, connecting our millions of premium customers with brands that they love across journeys they do with us every day, like travel and dining and shopping. Through our commerce acquisitions, we now have the complete assets to win. We have the capabilities necessary to innovate on the end-to-end customer experience as well as full ownership economics. And as you've heard us say before, these investments kickstart a flywheel that brings value to customers, to merchants and, of course, Chase. So a bit on how we've been executing on our commerce strategy.

We're still early in this journey, but early for us means delivering \$20 billion in commerce volume last year, driven by the strong engagement we're already seeing. For instance, in travel, 3.5 million unique customers booked on our platform, contributing to \$10 billion in sales volume. And as Marianne told you, we just launched the Chase Travel brand.

We also debuted The Edit, our premium hotel program. The Edit allows customers to enjoy upgrades and other benefits at 800 of the world's most luxurious hotels. And customers can now book Southwest inventory directly on our platform. In dining, customers can now book restaurant reservations through the Infatuation and we expanded our EEEEEATSCON Food Festival to Chicago and Miami. And in shopping, we served 10 billion Chase offers to our customers, driving \$8 billion in attribution spend for our partners.

We also launched Chase Media Solutions to bring even more brands on to our platform. And here, we've been busy building out assets so that customers can see offers relevant to them based on their preferences and their purchase history. So what's our outlook for these businesses? As Marianne said, we feel more confident than ever in our ability to execute on our ambitions in commerce. It will likely take us until 2026 to hit \$2 billion in run rate revenue, and we're still on track to deliver \$30 billion in volume in 2025.

But perhaps, more importantly, bringing our commerce assets together, along with our unparalleled scale and expertise, further cements us as a lifestyle brand. When we get this right, we become a trusted advisor to our card members as they look to us for experiences that inspire them because we know them. We're bringing a modern lens on luxury, and we couldn't be more excited about the era ahead. And all of this

matters because once customers are in our ecosystem, we have more opportunities to engage them with relevant content and experiences. This supports our annual fees as we price for value and we reinvest in our customer experiences that fuel our commerce and banking flywheel.

And now, to talk more about how we're serving our premium customer base, I'll hand it over to my partner, Mark O'Donovan.

.....
Operator: Welcome to the stage Mark O'Donovan.
.....

Mark O'Donovan

Chief Executive Officer of Home Lending

Thank you, Allison. Good morning everyone. I'm excited to be here this morning to talk about First Republic. I'll spend the next few minutes updating you on progress on the integration, our business performance, and then a bit more detail on our go-forward strategy. So, first on the integration.

We're largely on track to complete all key milestones by year-end. We started with the mortgage portfolio, migrating over 100,000 loans in Q4 of last year, which was a tailwind for our Home Lending business in an obviously challenging macro environment. While we're not covering Home Lending today, I'll just say that our strategy remains consistent and the business was critical to the overall deal and the integration. Our next big milestone is this upcoming weekend. We're migrating over 800,000 deposit accounts and we are prepared to tackle any issues that may arise.

Now, turning to the business. Our focus since day one has been on stabilization, and overall, we feel good about where we are today. Core deposits grew 20% in the months following the acquisition, driven by the strength of our brand and our balance sheet, and they've largely stabilized since then. We've retained 85% of the initial client base and have also retained 80% of the employees we offered permanent roles to.

Now, turning to the way forward. First off, we've continued to learn a lot about the strengths of First Republic's model, and at its core, our operating and service models are more consistent than different. We put the customer at the center of everything we do, we offer a complete set of industry-leading products and services, and we strive to serve customers seamlessly with excellence across the whole relationship. Additionally, the assets we acquired complement existing strategies across the Firm, as you can see, going from the top to the bottom of the page. They enhance our ability to serve the Innovation Economy ecosystem, they add scale to our Commercial Real Estate business, and they accelerate our Wealth Management and broader affluent strategy in CCB. And these strategies aren't new to us, but First Republic has served as a catalyst to accelerate execution.

Now, let's see how we're doing this in CCB. In Wealth Management, we've been focused on scaling the business, and we have retained the vast majority of advisors and assets since the acquisition. About 160 advisors and \$130 billion in assets, which as Marianne mentioned earlier, will help us hit our target of \$1 trillion in client investment assets ahead of schedule, and we're also building service expertise in areas that complement our existing business, such as family office solutions.

Now, expanding to our broader affluent strategy, which you can think of as a continuum across three pillars. As you can see on the left, we start with Chase Private Client, and on the right, we have the J.P. Morgan Private Bank on the higher end. And in the middle, we're launching J.P. Morgan Private Client, a new tier in our continuum that rewards customers for deeper relationships on-us. This will combine the strength of JPMorgan Chase, our brand, our scale, and our distribution with the best of First Republic's model.

Across the bottom of the page, you can see how we're bringing this to life. First, a single point-of-contact that serves as the client's relationship quarterback. Second, the full breadth of products across the Firm, so clients can't outgrow us. And third, a concierge servicing model focused on end-to-end resolution across products and priority response with an emphasis on hospitality. This will be delivered through distribution channels that offer a one-stop-shop experience. Our sales force will cover affluent markets across the country, including in our new J.P. Morgan Financial Centers. We're opening the first two this summer, one in New York, one in San Francisco, with plans to open 20 more by Q1 of next year.

You heard Jen talk earlier about our branch strategy. We adapt our branch strategy operating models at the local level to meet the distinct needs of the customers in the communities we serve. For our affluent markets, we're tailoring our new Financial Centers to be premium in nature, with high-end finishes and a focus on elevated service. Think personalization, privacy, planning and advice, and we're also keeping the signature bites and even the umbrellas. While there's a lot we plan to leverage from First Republic's model, this is not about originating low-cost mortgages to drive acquisition. We already have relationships with millions of affluent customers in CCB with trillions of dollars in wallet, of which we capture a modest share. So, this is all about deepening through banking and wealth.

In terms of rolling this out, we'll start with the qualified First Republic clients at the deposit migration I mentioned earlier, and then expand to existing Chase and new-to-bank customers as a fast follow. We'll continue to learn, as insights will help inform how we scale this over time. So, we're super excited about the opportunity and we look forward to updating you on our progress.

So, with that said, that wraps the CCB section, and we'll open it up for Q&A.

QUESTION AND ANSWER SECTION

Marianne Lake

Chief Executive Officer of Consumer & Community Banking

Oh, yeah. I'm coming.

Mikael Grubb

Head of Investor Relations, JPMorgan Chase & Co.

All right. We're running a little late, but we'll take a couple questions. All right. Mike, go ahead.

Marianne Lake

Chief Executive Officer of Consumer & Community Banking

Hi, Mike. We had the microphone ready for you.

Mike Mayo

Analyst, Wells Fargo LLC

Okay. Thanks. You said moderating...

Marianne Lake

Chief Executive Officer of Consumer & Community Banking

Yeah.

Mike Mayo

Analyst, Wells Fargo Securities LLC

...investments in products and a plateauing of the modernization expenses. So, does that mean your expenses should go lower next year? Does that include the 500 branches and the expenses related to that?

Q

Marianne Lake

Chief Executive Officer of Consumer & Community Banking

Okay. So, tech and product, we said moderating growth with modernization being flat. So, I would look at tech and product being relatively flat year-on-year, but we still intend to invest in branches and marketing as we have a long-term view on the revenue generation and profitability of them. So, overall, if you look back over the last, however, many years, we've had a generational opportunity to invest in Commerce, in distribution, including branches, but also in premium account generation, and then keeping up with changing customer expectations, and engagement of moving banking away from transactions, we feel properly invested right now. And so, I would imagine that you would see, as we grow, our marketing and our branch investments will grow, but our tech and product will level off.

A

Mike Mayo

Analyst, Wells Fargo Securities LLC

Okay. And that AI-specific benefits financially...

Q

Marianne Lake
Chief Executive Officer of Consumer & Community Banking
Yeah.

A

Mike Mayo
Analyst, Wells Fargo LLC

Q

...what are you seeing? You guys have given metrics in the past and for your area in particular. Thanks.

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

A

So, we were a pretty significant contributor to the numbers that I think Teresa showed last year and we delivered against those commitments. With AI, I know you're all going to always want to hear the thing that we say 50% on, but it is like a thousand points of light, everything is getting 2%, 5%, 10% better everywhere, and so – and it's not just generative AI. I think that there is – we're on the precipice of a step change in productivity, but we're just grinding out more value everywhere. I'll give you an example. If we have customers who have started an application with us across any of our products and abandon the application, if we simply nudge you to remind you that you abandoned the application relative to if we don't, we see 10% to 20% improvement in completion rates, and this is just regular AI. And so, we're getting, as I said, 5%, 10% better all over the place in everything we do, every interaction, everything that we're investing in, and as excited as I am about new forms of AI, it is also as important, if not more important, that you get your foundational data platform and data quality right. So, we're spending a significant amount of time working on that.

Mikael Grubb
Head of Investor Relations, JPMorgan Chase & Co.

Got Ebrahim down here.

Ebrahim H. Poonawala
Analyst, BofA Securities, Inc.

Q

Thank you. I guess, maybe just going to, I think you mentioned you expect a modest increase in rate paid on deposits. As we look back at the last couple of years, it's been 20 years since we were in a higher normal rate environment. Just give us a sense of what's been the positive, negative surprises when you look at the deposit base, and how do you assess brand loyalty as we look forward in terms of defensibility of that margin, if we remain in a higher rate environment?

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

A

Okay. So, I'm going to let Jen do this one and I'll add something, if anything.

Jennifer Roberts
Chief Executive Officer of Consumer Banking

A

Okay. So, in terms of how we measure the sustainability of our – the brand value, it's really on primary bank, and we have not seen any changes to primary bank over the course of time as we had captured money in motion. I think I mentioned we captured 80% of money in motion, up from 60% last year. We really see our customer growth continuing. Our net customer growth is stronger than the competition. And as we're capturing primary bank and that money in motion, we can see the value of our omni-channel value proposition, where we deliver products that meet the same customer needs. So, I think that's pretty proven.

I think in terms of what's going on with the rate environment, obviously, as I mentioned, we have no crystal ball, so we're continuing to monitor. We still have rate hikes in the – I'm sorry, rate cuts in the near future that we potentially expect. However, we know that it could stay higher for longer, and with that, we want to make sure we're executing on our strategy, which could mean that we might need to make adjustments to our rate paid.

Marianne Lake

Chief Executive Officer of Consumer & Community Banking

I would just add that, we had a thesis, if you go back even to 2015, before the last rate cycle, where we said the investments that we've been making in our brand, in our branches, in our value-added services, in our core products, in our service model, in our risk, these are all things that will protect the franchise and allow us to deliver growth and primary bank relationships at a lower structural rate paid than in previous cycles, and I think that this has been proven out in this cycle. So, we continue to believe that's true and it all comes back to growing the customer base and achieving primary banking relationships and loyalty, and clearly, that's something we've been able to do – Jen has been able to do.

A

Mikael Grubb

Head of Investor Relations, JPMorgan Chase & Co.

All right. Ken Usdin down there.

Ken Usdin

Analyst, Jefferies LLC

Hi, Marianne. Ken Usdin from Jefferies.

Q

Marianne Lake

Chief Executive Officer of Consumer & Community Banking

Hi, Ken.

A

Ken Usdin

Analyst, Jefferies LLC

Wanted to ask you about your – the card normalization and stabilization comments that you made. So, I think we got one – at least one more quarter where delinquencies would say that losses should go a little bit higher yet still. But more importantly, I think you made a prior comment I think in the past that the Firm was underwriting to like a higher – like a 4% underwriting rate. You mentioned about tightening on the margin. So, just wondering can you talk about like where are your underwriting to...

Q

Marianne Lake

Chief Executive Officer of Consumer & Community Banking

All of that?

A

Ken Usdin

Analyst, Jefferies LLC

Yeah. Like, where are your underwriting to now? How do you get confidence that we're getting...

Q

Marianne Lake

Chief Executive Officer of Consumer & Community Banking

Yeah.

A

Ken Usdin

Analyst, Jefferies LLC

...to the stable point then, all things in between? Thank you.

Q

Marianne Lake

Chief Executive Officer of Consumer & Community Banking

All right. You're up.

A

Allison Beer

Chief Executive Officer of Card Services & Connected Commerce

A

Yeah. So, all those things. I think, the first thing to think about, particularly when it comes to tightening is, this is an activity that we're engaged in, in one way or another, in good times and bad, where we're always looking where we can acquire more data that has us swapping in cells that are more productive and we certainly have accelerated some of those activities over the last couple of years. And very specific, and again, when we say on the margins, it's on the margins in specific third-party channels or for specific new-to-credit customers or customers that, for instance, had secure card on the bureau, and then actually we didn't see the performance that we expected.

And so, all of those customer bases will – we'll use that information to inform the models and to focus on other customer bases that will perform and meet our risk appetite and our hurdles. But yes, we do write – we do underwrite new vintages to a higher, call it, north of 4%, between 4% and 4.5% on loss rates, and they normalize by year three. And so, you'll see a tick-up, but what we're seeing in terms of performance of the existing portfolio is exactly in line with what we expected in our guiding to 3.6% next year.

Marianne Lake

Chief Executive Officer of Consumer & Community Banking

A

Yeah. I mean and if you go back and look at the comments that we made before the pandemic, we said that we've been expanding – prudently expanding the credit box within our risk appetite underwriting to peak losses, year three losses (sic) [mature losses] of 4% to 4.5%. And as those become a bigger portion and they season, you'll see our loss rates could go up. We've reverted back to that trend. So, 2020 through 2023 was not normal. We're normalized now. So, we're going to see that continue to grind a little higher, so go to 3.6%, but those were peak year-three losses. So, the overall portfolio will normalize at the 3.5%, 3.7% over the long-term.

Mikael Grubb

Head of Investor Relations, JPMorgan Chase & Co.

Okay. We'll take our last question from Betsy.

Betsy L. Graseck

Analyst, Morgan Stanley & Co. LLC

Q

Oh, hi. Thanks. Betsy Graseck, Morgan Stanley. So, Marianne, a question just on leaning into the expansion here in the physical footprint. So, in the retail space, talked a bit about the new branches, 500, I think it is over the next five years. So, that's 100 a year, so to speak. A slightly...

Marianne Lake

Chief Executive Officer of Consumer & Community Banking

A

500 over three.

Betsy L. Graseck

Analyst, Morgan Stanley & Co. LLC

Q

Okay.

Marianne Lake

Chief Executive Officer of Consumer & Community Banking

A

Yeah. So, about 150.

Betsy L. Graseck

Analyst, Morgan Stanley & Co. LLC

Q

Okay. Great. And that's at pace with prior...

Marianne Lake

Chief Executive Officer of Consumer & Community Banking

A

Yeah.

Betsy L. Graseck

Analyst, Morgan Stanley & Co. LLC

Q

Yeah. And then, you've got the J.P. Morgan Private Client expansion as well. So, I just wanted to understand how much – what are we talking about in terms of expansion for private client locations, and is this getting all rebranded under J.P. Morgan Private Client? What kind of timeframe is that? And then, is this expecting to bring in new clients or develop the relationships? I just wanted to dig into those...

Marianne Lake

Chief Executive Officer of Consumer & Community Banking

A

Yeah.

Betsy L. Graseck

Analyst, Morgan Stanley & Co. LLC

Q

...two different models. Can we take the Chase branch expansion metrics, so to speak, and overlay them on to J.P. Morgan Private Client to get a sense of value generated from that or is this a totally different algorithm?

Marianne Lake

Chief Executive Officer of Consumer & Community Banking

A

So, I'll just – big picture, totally different, J.P. Morgan Private Client in terms of physical branches, very small. Do you – Mark, do you want to take this one or do you want me to do it?

Mark O'Donovan

Chief Executive Officer of Home Lending,

A

I'll take it. That's fine.

Marianne Lake

Chief Executive Officer of Consumer & Community Banking

A

Yeah.

Mark O'Donovan

Chief Executive Officer of Home Lending

A

So, the initial – they will be branded JPMorgan, not J.P. Morgan Private Client, so think J.P. Morgan and Chase. Initially about 20 branches, converted First Republic branches. And then, over time, we'll continue to evaluate the Chase affluent branches as to whether there's a rebranding opportunity or we'll scale further, either with the offering within the Chase branches or look at the branding, too. So, I would look at it as a test and learn, and we'll evaluate it over time whether we'll scale from 20 to a lot more or a lot less or offer the products within the Chase branches.

Jennifer Roberts

Chief Executive Officer of Consumer Banking

A

And I'll just add, Betsy. We have more than 1,000 Chase branches that have an affluent skew and our intention is that we're going to be learning in the JPMorgan branches different parts of the operating model that we think can extend more broadly. Really, it's about deepening with the existing Chase customers where we have a very small share of their overall wallet. Obviously, it's part of – partly of retaining the First Republic clients and making sure, we have a stable relationship with them, and frankly, can grow them. But our biggest opportunity is within the Chase Affluent customer base where we have a lower share of wallet than we'd like to.

Marianne Lake

Chief Executive Officer of Consumer & Community Banking

A

And that's, in even bigger picture, that's the point. So, as excited as we are to try and do a great job serving heritage First Republic customers, this is much more about the millions of affluent customers we already have in our existing footprint and making sure that we can take those learnings and then start scaling across the network. So, whether we rebrand some branches, JPMorgan or have some side-by-side doors is an evolution over time, all assumed in those net growth numbers that we said. Thank you.

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