Meeting Between Staffs of the Federal Deposit Insurance Corporation, Federal Reserve System, Office of the Comptroller of the Currency and Representatives from JPMorgan Chase & Co. ("JPM").

April 4, 2024

Participants:

Benedetto Bosco, Iris Li, Catherine Wood, Ernest Barkett, Andrew Carayiannis, Kyle McCormick, Merritt Pardini, Adam Casella, Lauren Brown, Bob Charurat, Huiyang Zhou, Michael Maloney, Ryan Billingsley, Brian Cox, Meraj Allahrakha, Olga Lionakis, Peter Yen and Kyle McCormick (Federal Deposit Insurance Corporation).

Jonah Kind, Gillian Burgess, Robin Oh, David Imhoff, Cecily Boggs, Mark Buresh, Akos Horvath, Alexander Jiron, Daniel Schwindt Abigail Roberts, Sarah Dunning, Isabel Echarte, Ryan Rossner, Holly Kirkpatrick, Jennifer McClean, Michelle Zhu, Miti Bekele, Nadya Zeltser Vikram Ramnarain, Anna Lee Hewko, Lesley Chao, Marco Migueis, Shooka Saket and Diana Lercosan (Federal Reserve System).

Amrit Sekhon, Benjamin Pegg and Jie (Diana) Wei (Office of the Comptroller of the Currency).

Beth Cleland, Albert Moffitt, Alistair Webster, Samantha Downey (JPM).

Summary: Staffs of the Federal Deposit Insurance Corporation, Federal Reserve System, and Office of the Comptroller of the Currency (collectively, the "agencies") met with representatives from JPM (collectively, the "JPM representatives") regarding the agencies' Notice of Proposed Rulemaking on Regulatory Capital Rule: Large Banking Organizations and Banking Organizations With Significant Trading Activity (FDIC RIN 3064–AF29) (the "NPR"), which was published in the Federal Register on September 18, 2023 (88 FR 64028). The JPM representatives discussed their concerns with, and the impact of the NPR and the GSIB proposals, as discussed in the attached slide presentation.

JPMorgan Chase & Co.

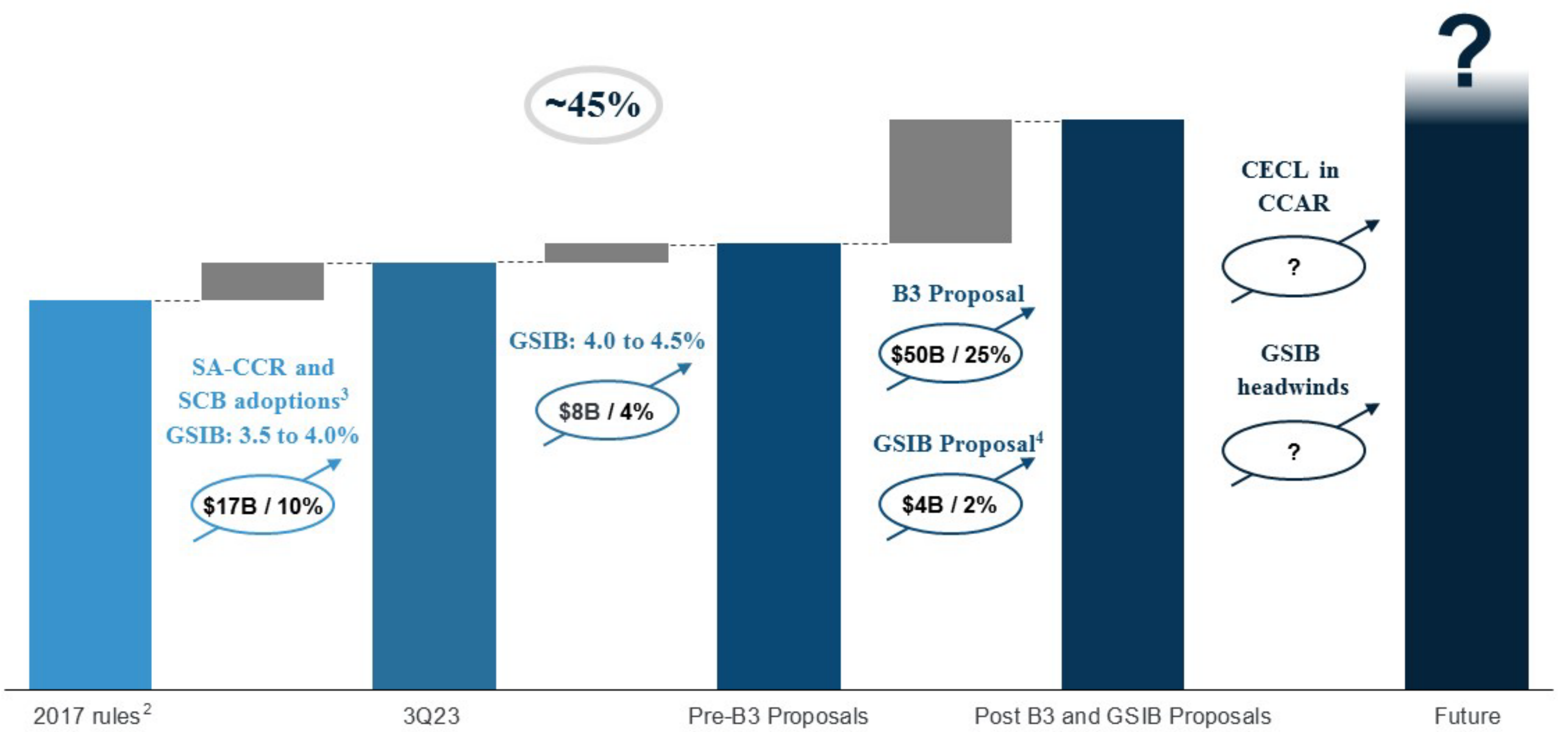
Basel 3 Endgame

April 2024

JPMC is taking a holistic approach to assessing the impact of both the B3 and GSIB Proposals, because they—along with many other components of the capital and broader prudential framework—are inextricably linked

- Measured since the 2017 rules, JPMC's CET1 capital requirements will increase by ~45% if the B3 Proposal is implemented as proposed
- Looking beyond the B3 Proposal, the future trend is also "up"
  - We anticipate that the eventual incorporation of CECL in supervisory stress testing will raise capital required under the SCB
  - Since it was not addressed in the recent GSIB Proposal, we expect continued GSIB headwinds due to normal course economic growth

GROWTH IN JPMC'S CET1 REQUIREMENTS SINCE 2017[1]

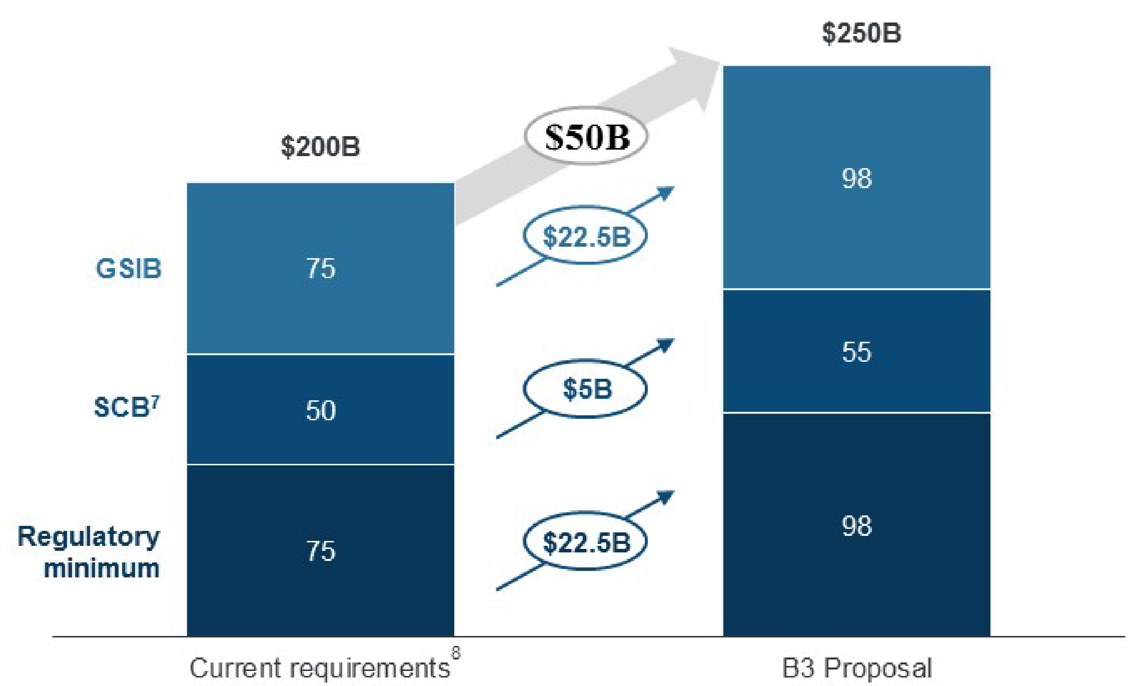


Note: Numbers above have been rounded for ease of illustration
1 Assumes flat balance sheet based on estimated 3Q23 Standardized RWA
2 Based on 2017 rule set, JPMC had an effective GSIB surcharge of 3.5% and a CCB of 2.5%
3 Current SA-CCR impact assumed to be 50% of the Day 1 adoption impact which we reported as a 1Q22 Standardized RWA increase of $40B; current SCB 2.9% vs. CCB of 2.5%
4 Estimated impacts based on our best understanding of the GSIB proposal. The impact incorporates the benefit of higher RWA from the B3 Proposal on the short-term wholesale funding component of the GSIB surcharge

The B3 Proposal makes GSIB surcharge recalibration even more essential

- If implemented as proposed, the B3 Proposal increases JPMC's RWA by 30% ($500B), equating to a 25% ($50B) rise in required capital[5]
  - Of this $50B, $22.5B is attributable solely to our 4.5% GSIB surcharge (4.5% x $500B), despite no change to our systemic risk footprint
  - Additively, since adoption in 2015, economic growth has inflated JPMC's GSIB dollars of capital by $25.4B[6]
  - For context, the B3 Proposal's estimated 19% increase for Category I and II firms equates to ~ $150B of capital. If the GSIB surcharge's coefficients were right-sized to reflect economic growth as the final rule originally intended, aggregate dollars of capital required for U.S. GSIBs would decline by $59B[6], which would meaningfully contribute to addressing the over-calibration of the B3 Proposal

THE B3 PROPOSAL RAISES CAPITAL ACROSS REQUIREMENTS

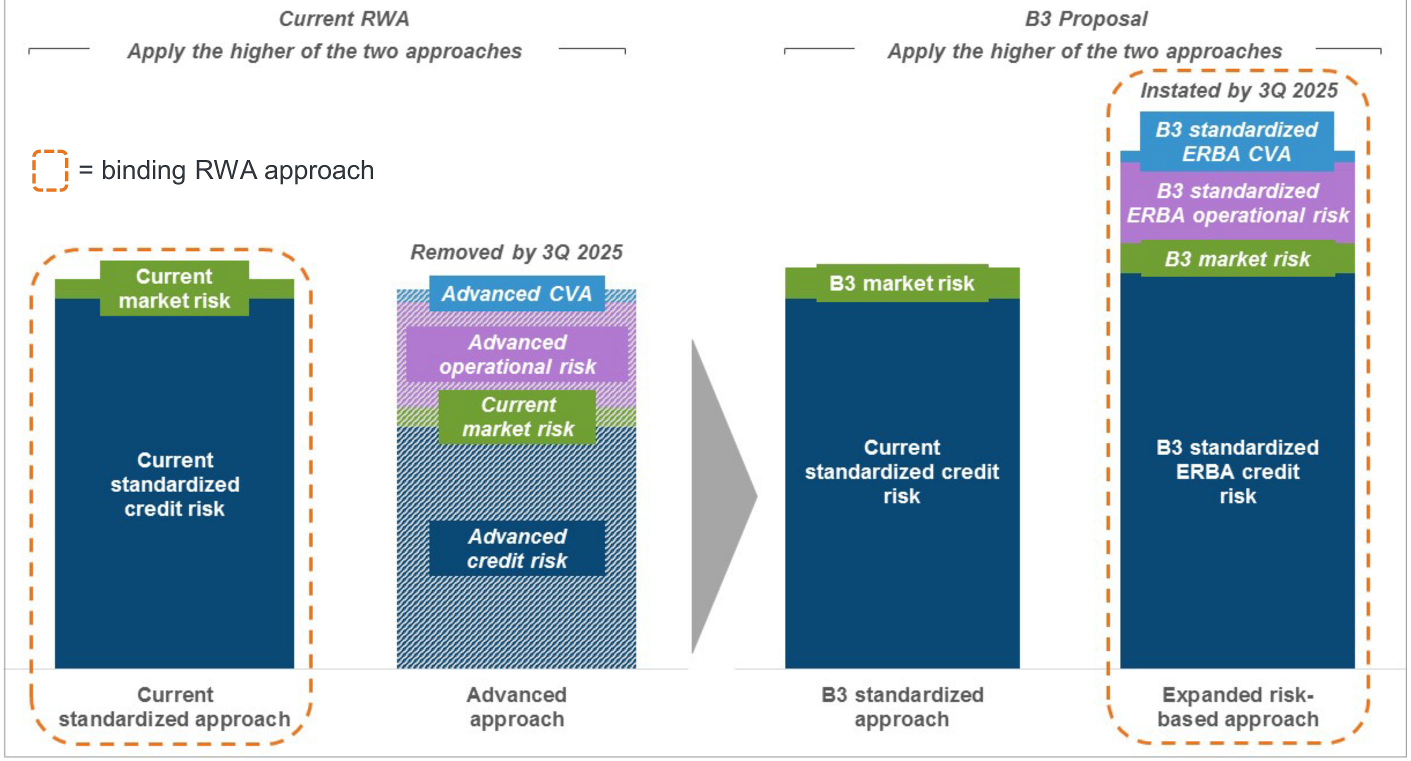


5 This is consistent with the 24.9% increase in capital requirements across all U.S. GSIBs, as estimated by Financial Services Forum's Quantitative Impact Study
6 Assumes a deflation of the method 2 GSIB surcharge coefficients including: size, interconnectedness, complexity and cross jurisdictional activity by 1.53 which reflects the increase in economic growth, measured as nominal GDP from 2013 (data used by FRB to originally calibrate fixed coefficients) to 4Q22
7 Based on JPMC's current 2.9% SCB and $500B RWA increase, the translation to an updated SCB under the B3 regime would put JPMC below the 2.5% SCB floor, effectively increasing the dollars of capital required by the SCB
8 Reflects CET1 based on estimated 3Q23 Standardized RWA with a 2.9% SCB and 4.5% GSIB

The B3 Proposal shifts GSIBs' binding CET1 requirement, which will affect how banks deploy capital

- U.S. GSIBs calculate minimum capital requirements using the standardized and advanced approaches. Over the last 6 years, however, the advanced approach – where operational and CVA RWA are currently capitalized – has never been the firm's binding CET1 requirement.
  - Similarly, the advanced approach has only bound other U.S. GSIBs sporadically if ever over the same time horizon[9]
- This lack of "bindingness" is why many refer to operational and CVA RWA-based capital charges as "new"
  - Since these risks are not capitalized in the current standardized approach but will be through the B3 Proposal's now binding ERBA capital stack, they will become drivers in banks' decision-making with respect to deployment of capital, which could ultimately impact the cost of credit for consumers and businesses

CURRENT RWA CAPITAL STACKS VS. B3 PROPOSAL CAPITAL STACKS



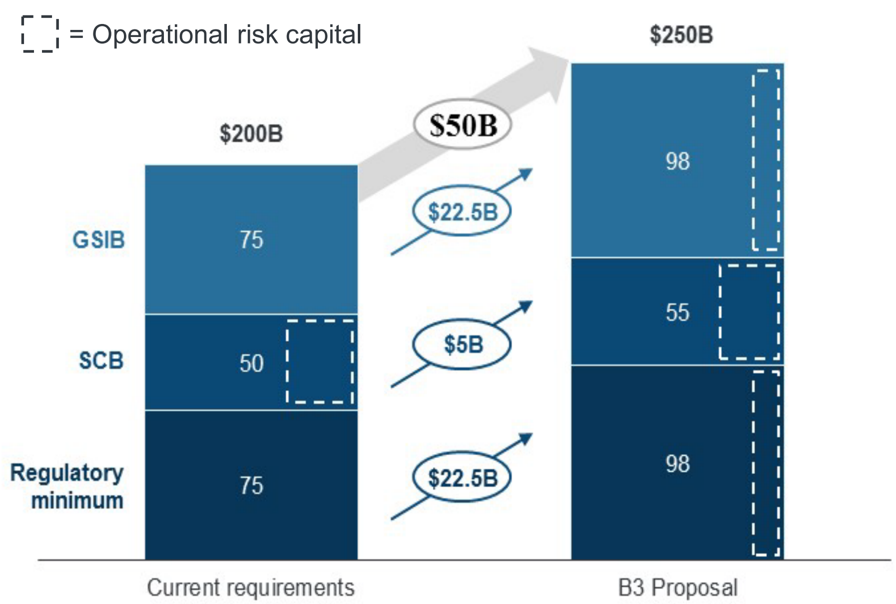
Note: For ease of illustration, the chart refers to the higher of the two RWA stacks and sets aside the incremental required capital that arises as a result of the SCB only being applicable to the current standardized capital stack.

9 Based on Category I and II banks' disclosed current standardized approach and advanced approach RWAs and CET1 capital from 4Q 2017 – 3Q 2023.

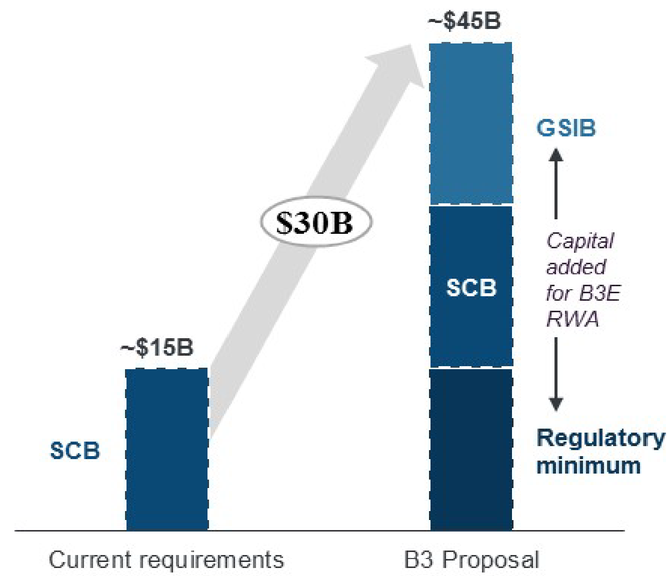
Based on the B3 Proposal, operational risk will be excessively capitalized through multiple requirements, and the economic impacts that could result warrant heightened attention prior to finalization

- The B3 Proposal "adds" a ~$30B RWA-based capital charge for operational risk. This is directly additive to the ~$15B[10] of operational risk losses already capitalized through the SCB, and is compounded when increases to RWA flow through to a firm's GSIB surcharge
- Absent analysis supporting an increase of this magnitude, operational risk losses[11] could be excluded from the SCB as a means of partially reducing the impact of the B3 Proposal
- As discussed in detail on page 6, the calibration of the RWA-based capital charge for operational risk should also be reassessed

THE B3 PROPOSAL RAISES CAPITAL ACROSS REQUIREMENTS



B3 PROPOSAL ADDS A NEW OPERATIONAL RISK RWA CAPITAL CHARGE TO EXISTING SCB REQUIREMENTS



Note: Numbers above have been rounded for ease of illustration.

10 Estimate for operational risk losses calculated as follows: Federal Reserve nine-quarter operational risk losses of $185B for all CCAR banks allocated pro-rata based on total assets and adjusted for a 50% haircut to reflect timing of peak stress occurring prior to the end of nine quarters. Applying this to JPM: $185B x 17% x 50% = ~$15B

11 Similar to operational risk, the B3 Proposal adds a "new" RWA-based capital CVA capital charge to the binding ERBA stack, additive to the capital required for these losses through the SCB. CVA losses could be excluded from the SCB as a means reducing the overall impact of the B3 Proposal.

Operational risk adjustments will likely need to be made through multiple requirements, and the marginal incentives created by each solution should be well understood

SETTING ILM TO 1 IS NOT THE "EASY FIX" IT APPEARS TO BE

- Bank Policy Institute's (BPI) QIS[12] shows little to no RWA change (as of the proposed B3 implementation date[13]) when banks' ILM is set to 1
- In contrast, BPI data shows that a freely floating ILM in combination with a reduced loss multiplier results in a more consistent distribution of RWA change across the industry with considerably less dispersion
- Additionally, allowing ILM to freely float distributes RWA reductions more consistently with a banks' historical operational losses
- Finally, it is critical to note that any ILM adjustment does not occur in isolation. For example, any reduction to the services component would lower the BIC, consequently leading to a higher ILM

THE BIC MULTIPLIER ACTS AS A LARGE-BANK-SURCHARGE, WHICH IS FURTHER COMPOUNDED (*SQUARED*) FOR GSIBS

- For every dollar of revenue, the BIC multiplier assigns a large bank ~1.5 times more operational risk RWA compared to the same activities occurring at a smaller firm[14]
- This compounding effect arises when the large-bank-surcharge from the BIC multiplier is then multiplied by another large-bank-surcharge due to the GSIB surcharge itself, effectively resulting in a "*large-bank-surcharge squared*"
- Specifically, a GSIB will need to hold ~ 2.2 times the amount of capital versus a smaller, non-GSIB bank for each dollar of BIC revenue[15]

RECOMMENDATIONS THAT ARE SENSIBLE FOR A DIVERSE POPULATION OF BANKS

- Adjust the BIC coefficients from the current size-based buckets of 12%, 15%,and 18% to a fixed 12%
- Allow offsetting of fee income with fee expense and apply specifically calibrated risk weights[16] to distinguish between the different levels of operational risk across lines of business
- Allow floating ILM (without a floor), and meaningfully reduce the multiplier for past operational risk losses from 15 times average losses over the preceding 10 years

12 Operational risk QIS conducted by Bank Policy Institute
13 Larger losses associated with the GFC will roll off prior to 2025 implementation, moving many banks' ILMs closer to if not at 1. As such, setting the ILM to 1 will not reduce RWA for many banks.
14 Large bank defined as a bank that that earns more than $30 billion in revenue; smaller bank defined as a bank that earns less than $1 billion in revenue
15 Example assumes ILM = 1 for all banks. SCB for the hypothetical comparison non-GSIB bank is assumed to be 2.5%. The average GSIB impact assumes the blended GSIB surcharge for the 8 US GSIBS as of 1Q 2024 and the blended SCB (adjusted for the estimated Basel III Endgame impact), as well as the marginal BI multiplier, weighted by each US GSIB's estimated BIC.
16 BPI ABA B3 Proposal response, Section 5B, Figure 1, pg. 94, (Jan. 16, 2024), available here.

Conclusion and summary recommendations

MATERIALLY HIGHER CAPITAL REQUIREMENTS ARE LIKELY TO HAVE NEGATIVE ECONOMIC IMPACTS

- JPMC has assessed the impact of both the B3 and GSIB Proposals holistically, because they—like many components of the prudential framework—are inextricably linked
- The capital increase from the combination of both Proposals will be highly impactful to banks' decision-making
- The negative consequences— rising cost and reduced credit availability—will have long-lasting effects on consumers and businesses alike, ultimately impacting the U.S. economy, and have not been adequately assessed in the Proposals
  - For example, the increased CCF required for undrawn portions of credit cards which will put pressure on FICO scores thereby limiting certain people's ability to access other forms of retail credit such as mortgages. This is likely to be most impactful for low- to-moderate-income borrowers who rely most heavily on credit cards for day-to-day spending and to build credit history
- Capital markets activities — that are foundational for the U.S. economy —will incur materially higher costs from the B3 Proposal, including revisions to market risk, CVA, counterparty credit risk, and operational risk RWA
  - Required capital for the relevant risks is already over-calibrated as a result of the SCB and GSIB surcharge

SUMMARY RECOMMENDATIONS: BOTH STRUCTURAL REVISIONS AND ADJUSTMENTS TO RISK WEIGHTS ARE NEEDED

- Proposed structural revisions include:
  - Adjusting the GSIB surcharge for economic growth and RWA growth from B3E, as systemic risk is unchanged
  - Right-sizing the aggregate required capital for operational risk and market risk across all requirements
- RWA-specific revisions[17] include:
  - Reducing the overall calibration of operational risk RWA
  - Adjusting risk weights to better align with actual risk, for example:
    - At a minimum, removing the gold plating to the BCBS standard for retail exposures
    - Maintaining the 100% risk weight for low-risk equity such as tax-oriented equity investments in renewable energy
    - Eliminating SFT haircut floors
    - Applying reduced risk weights to investment grade companies regardless of whether they have publicly traded securities

17 The below list is non-exhaustive. Please refer to JPMC's comment letter as well as those submitted by FSF, BPI/ABA, SFA, SIFMA/ISDA and FIA for a complete list of recommended changes.