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Bankshot ‘Golden age’ of banking? Those words may haunt Jamie Dimon

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If there's one thing Jamie Dimon is known for, it's his habit of making big, bold pronouncements that he's later forced to walk back.

There were his comments at the onset of [the London Whale debacle](#) in 2012, in which he dismissed news stories about JPMorgan Chase's massive trading positions as a "[tempest in a teapot.](#)" More recently, Dimon described bitcoin as a "[fraud](#)" and a currency that is only popular among criminals — a comment [he said months later he regretted.](#)

It is too soon to say if he will ultimately stand by the pronouncement he made Friday morning at an industry conference in New York. But it was certainly a doozy. Asked about the impact of technology on the banking industry, Dimon took a moment to reflect on the industry's good fortunes of late.

“You guys thought I was kidding when a few years ago I said, you can have a golden age of banking,” said Dimon, chairman and CEO of JPMorgan. “I mean, you’re going to have a golden age of banking. You have a golden age of banking.”



Making the case

A mix of improving technology, better financial returns and a rollback of certain financial regulations has created a “golden age” in American banking, JPMorgan Chase Chairman and CEO Jamie Dimon said Friday. **(Bloomberg News)**

Dimon pointed to regulatory issues, “some of which are disappearing,” he said. Presumably he was referencing the recent rollback in Washington of crisis-era rules. He also pointed to the fact that satisfaction scores are up across the industry.

He also pointed to the industry's increasing financial returns. During the crisis, JPMorgan's return on tangible common equity — a key measure of profitability — stood at around 7%, according to Dimon. Last year, that metric stood at just under 14%.

“Look at [JPMorgan's] financial results alone — they’re extraordinary and consistent, year after year after year after year after year and after year,” Dimon said. “And it’s not just us, OK?”

There’s no question that the industry’s fortunes have changed over the past two years. Regulators are scaling back rules. Taxes are lower. Rates are on the rise, after nearly a decade of historic lows.

But for whom is it really the golden age?

Ask small-bank CEOs how they are doing at keeping pace as [big banks invest billions in new technology](#). Even large regionals — the group that won big under the recent Dodd-Frank rollbacks — are struggling to compete, at least when it comes to attracting consumer deposits.

During the first quarter, megabanks such as JPMorgan and Bank of America [vastly outpaced their smaller rivals](#) in attracting deposits, a trend that some have attributed to their digital product offerings.

Asked Friday about the dominance of big banks in deposits, Dimon said a “nationalization of the banking business” is taking place. It started years ago, he said, with the removal of interstate banking restrictions and other “anachronistic” laws, and is culminating in the ability of big banks to attract new customers with nice apps and cool branding.

“It doesn’t mean that other small banks can’t compete — they can,” Dimon said. “They can do things the big banks aren’t going to do.”

Perhaps more important, however, is the question of how long banking’s good times will last.

While asset quality has been pristine in recent years, there are signs that deterioration is just around the corner. Just this week, the [CEOs of major credit card issuers](#) said they are starting to tighten their credit standards in preparation for an eventual downturn.

There’s also the matter of competition. Asked about the [Amazon’s banking ambitions](#), Dimon declined to comment, other than to say that it is his “operating assumption” that big tech companies will have a major role to play in banking in the years to come, and may even offer a “full spectrum” of services.

At various points during his appearance, Dimon also referenced the growing competitive threat from Chinese financial institutions.

International and Commercial Bank of China “makes a lot more money than JPMorgan Chase does,” Dimon said. He also called out the Bank of China and the e-commerce giant Alibaba.

“ICBC or Bank of China can buy what they need to buy,” Dimon said. “They have a huge home market. They are coming.”

In other words, the golden age could disappear soon.

***Bankshot** is American Banker’s column for real-time analysis of today’s news.*

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