

## The Henry Fund

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## JPMORGAN CHASE (JPM)

Financial Services – Universal Banking

February 27, 2026

Stock Rating

**HOLD**

### Investment Thesis

#### Drivers of Thesis

- **Low-beta deposit franchise and NII durability:** Sticky operating deposits across consumer and wholesale clients keep JPM's funding costs low and deposit betas muted, with our model projecting net interest income rising from roughly \$95B in 2025 to about \$118B by 2028E before flattening, supporting resilient earnings through the rate cycle.
- **AI-driven efficiency and fee upside:** Management is directing a multibillion-dollar tech budget toward AI and data, and early deployments are already yielding roughly \$2B in annual run-rate cost saves, with additional margin and non-interest revenue upside as use cases scale across trading, payments, and wealth.
- **Crisis winner and flight-to-quality beneficiary:** The 2023 regional-bank turmoil, including JPM's FDIC-assisted acquisition of First Republic, showed that stress events tend to redirect deposits and assets toward JPM's balance sheet, allowing the firm to add scale and high-quality clients at attractive terms when weaker competitors are forced to shrink.

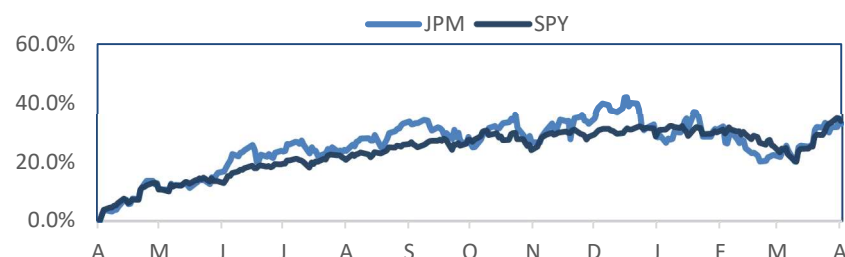
#### Risks to Thesis

- **Rate- and capital-regulation shock:** A deeper-than-expected Fed cutting cycle or tougher Basel 3.1 implementation could compress NII below our ~\$100B base case and constrain capital available for buybacks.
- **Spread compression:** Faster rate cuts than modeled would pressure asset yields more than deposit costs, driving net interest spread below the roughly 2.4% level embedded in our 2025 assumptions.
- **Citadel competition in equities:** Citadel's push into high-touch equity block trading, explicitly flagged by Dimon in the 2026 shareholder letter, threatens JPM's institutional equities wallet share and pricing power over time

### Analyst Expectations

Year	2023	2024	2025	2026E	2027E	2028E
EPS	\$16.23	\$19.75	\$20.65	—	—	—
HF est. growth	—	—	—	17.3%	12.5%	11.4%

### 12 Month Returns



### Target Price

**\$330**

Henry Fund DCF	\$358.34
Henry Fund DDM	\$248.13
Relative PE Multiple	\$269.03

### Price Data

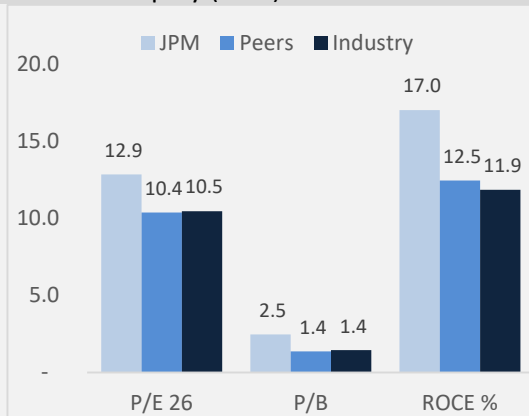
Current Price	\$313.02
52wk Range	\$202.16 - 337.25
Consensus 1yr Target	\$351.76

### Key Statistics

Market Cap (B)	\$829.59B
Shares Outstanding (B)	2.68B
Institutional Ownership	78.07%
Beta	1.15
Dividend Yield	1.92%
Est. 5yr Growth	8.20%
Price/Earnings (TTM)	15.06
Price/Earnings (FY1)	12.1
Price/TBV (mrq)	2.94
Price/Book (mrq)	2.46

### Profitability

Operating Margin	39.79%
Net Income Margin	31.27%
Return on Assets (TTM)	1.27%
Return on Equity (TTM)	17.03%



Important disclosures appear on the last page of this report.

## COMPANY DESCRIPTION

JPMorgan Chase & Co. (NYSE: JPM) is a global financial services firm formed in 2000 through the merger of J.P. Morgan & Co. and Chase Manhattan Corporation, with roots tracing back to 1799. Headquartered in New York City, JPMorgan is the largest bank in the United States by total assets and the most profitable bank in the world by net income, with \$4.9 trillion in assets, ~\$830B in market capitalization, and over 290,000 employees operating across more than 100 countries<sup>[1][2]</sup>. The firm serves over 82 million U.S. consumers, 6 million small businesses, and tens of thousands of institutional and corporate clients globally through three primary reportable segments: the Commercial & Investment Bank (CIB), Consumer & Community Banking (CCB), and Asset & Wealth Management (AWM).

## DRIVERS OF THESIS

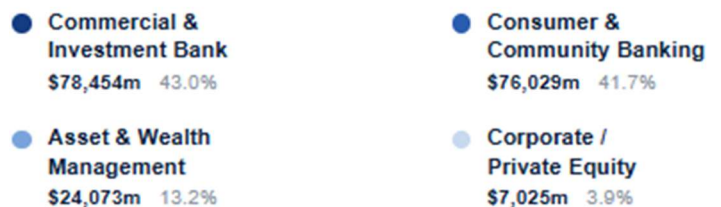
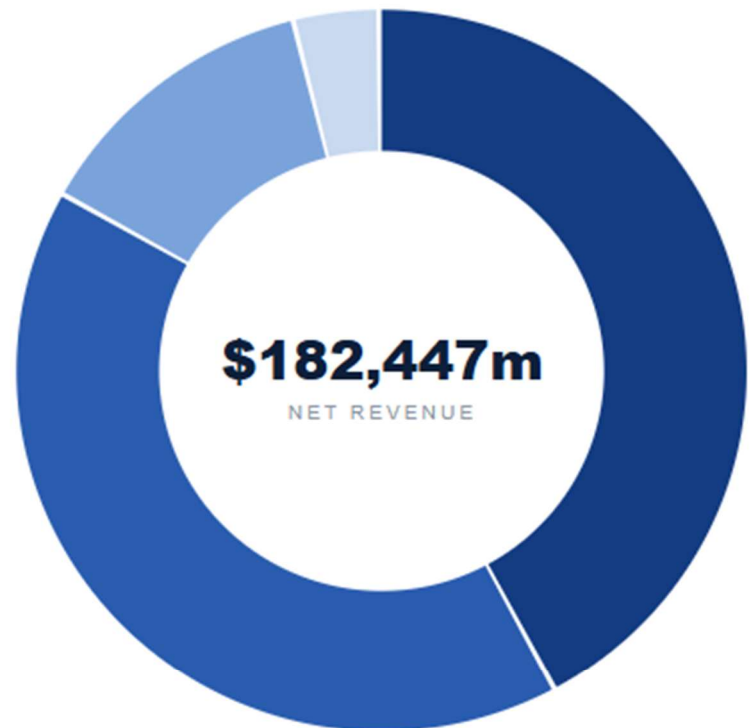
Our Hold thesis rests on three structural drivers that we believe are largely captured in consensus but remain the foundation for JPMorgan's premium valuation: durability of net interest income across the rate cycle, AI- and automation-driven efficiency gains, and the franchise's ability to convert episodic stress events into share gains.

### Driver 1 — Low-Beta Deposit Franchise and NII Durability

JPMorgan's ~\$2.6T deposit base is sticky and keeps funding costs muted and deposit betas well below the U.S. universal-bank average. Our model projects net interest income rising from \$95.4B in 2025A to \$118.16B in 2028E (CAGR of 7.3%), with total net revenue compounding from \$182B to \$230B over the same window as non-interest income contribution scales<sup>[10]</sup>. Critically, the NII line keeps growing modestly even as our model embeds lower interest rates through 2027E, because deposit repricing lags asset repricing on the way down. This is the single most important reason we are not at Sell despite material NIBD-migration headwinds.

## JPMorgan Chase — Net Revenue by Segment

Full Year 2025 | \$m



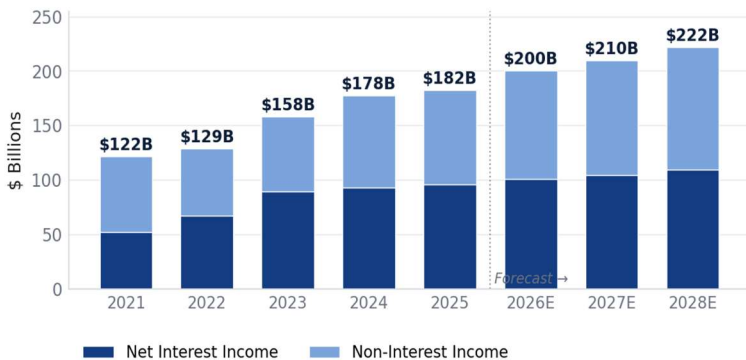
Source: JPMorgan Chase & Co. 2025 reported figures | Figures in \$m

## Driver 2 — AI-Driven Efficiency and Fee Upside

Management is directing a multi-billion-dollar annual technology budget toward AI and data infrastructure, and early deployments are already yielding roughly \$2B in annual run-rate cost saves across operations, coding, and document processing. [13] Our model captures this through non-interest expense decelerating sharply from 52.4% of revenue in 2025A to 44% in 2035E. The result is an efficiency ratio that has compressed from 58.6% in 2021 to 52.4% in 2025A; we model a temporary uptick to 53.4% in 2026E as peak technology spend completes, before the ratio resumes its decline to 50.2% in 2028E and ~44% by 2035E [10]. The remaining incremental margin upside is more limited than the run-rate suggests, but the fee-income tailwinds (payments, AWM) provide additional operating leverage and scalability that consensus models tend to under-weight. **Driver 3 — Crisis Winner and Flight-to-Quality Beneficiary**

The 2023 regional bank turmoil, characterized by JPM’s FDIC-assisted acquisition of First Republic, demonstrated that stress events redirect deposits and high-quality clients toward JPM’s balance sheet, allowing the firm to add scale at attractive terms when weaker competitors are forced to shrink. The January 2026 Apple Card portfolio acquisition from Goldman (\$20B in balances, 12 million digitally native customers) is the most recent example. The flight-to-quality dynamic is non-linear and difficult to forecast directly; we treat it as embedded option value in the franchise rather than a line item in the model.

### Net Revenue: NII durability through the rate cycle



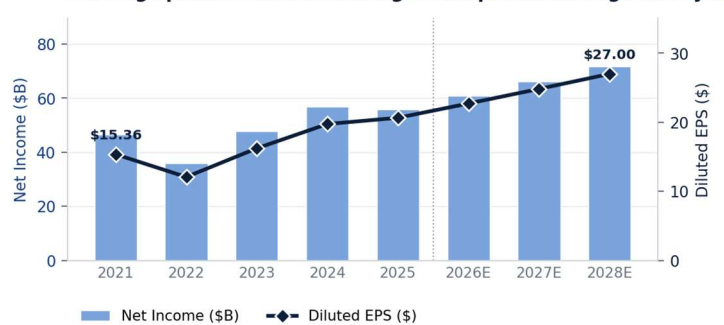
Source: Henry Fund model, JPM 2025 10-K

### Efficiency ratio: AI and automation drive structural improvement



Source: Henry Fund model, JPM 10-K

### Earnings power: scale advantages compound through the cycle



Source: Henry Fund model, JPM 10-K

## Segment Analysis: Commercial & Investment Bank

**FY2025 Revenue: \$78.5B (42% of firm) | 2025 IB Fees: \$10.2B | ROE: 18%**

The Commercial & Investment Bank is JPMorgan’s largest segment by 2025 revenue, generating \$78.5 billion, or approximately 42% of total firm revenue, following the 2024 reorganization that combined Corporate & Investment Banking with Commercial Banking. The segment serves corporations, governments, and institutional investors globally across three sub-businesses: Banking & Payments, Markets, and Securities Services.

The segment’s financial performance in FY2025 was driven primarily by record payments revenue of \$19.3 billion. These trends helped CIB gain a return on equity of 18% in 2025 from. Investment banking fees continued recovering through 2025 to \$9.6 billion, aided by rate-cut tailwinds for M&A financing and a stabilizing equity issuance window.

The firm holds a #1 position in global investment banking fees and continues to benefit from scale advantages in both advisory and markets businesses<sup>[1]</sup>

**Retail trading tailwind.** Retail trading volumes have increased substantially in recent years, with approximately 50% growth in cash inflows from 2023-2025. This directly supports JPMorgan's principal transactions revenue line, which reached \$27.2 billion in 2025. With elevated market-making opportunities and spreads benefiting from higher client activity, sustained retail participation represents a clear upside risk to our base case. However, retail flows tend to be cyclical and sentiment-driven rather than structural.<sup>[1]</sup> As well as seeing increasing competition from quantitative firms such as Citadel.

**Outlook.** We model investment banking fees recovering to \$11.5B in 2026E (+20%), supported by rate-cut tailwinds for acquisition financing and pent-up exit pressure in sponsor-owned assets. Principal transactions revenue benefits from continued elevated trading volumes, though we model capital markets fee growth moderating toward low single digits by 2028E as the cyclical recovery matures. A faster-than-expected Fed easing cycle remains the primary downside risk to CIB NII, partially offset by improving capital markets activity.

## Segment Analysis: Consumer & Community Banking

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**FY2025 Revenue: \$76.0B (41% of firm) | 2025 Net Income: \$27.8B | ROE: 32%**

Consumer & Community Banking (CCB) is JPMorgan's second-largest segment by revenue and the primary channel through which the firm interacts with retail customers, particularly through its commercial bank chase. CCB serves over 82 million U.S. consumers and 6 million small businesses through retail branches, digital banking, home lending, auto finance, and credit cards, operating under the Chase brand.

**NIBD migration is the key watch item.** CCB is the segment most exposed to the two central risks in our Hold thesis. Net income declined to \$18.2B in 2025 from its high of 21.2 in 2023 as provisions for credit losses rose to \$11.4B from

\$6.9B in 2023, a trend our model projects continuing as consumer credit normalizes from post-COVID lows. More critically, noninterest-bearing deposits at the firm level fell from a peak of ~\$757B in 2021 to ~\$619B in 2024, an 18% decline. However, in the most recent Q1 2026 Earnings non-interest-bearing deposits increased for the first time since 2022.

**in 2025.** As consumers shift idle checking balances into higher-yielding money-market funds and Treasury bills, CCB's cost of funds rises and its contribution to firmwide NII compresses. Our model embeds the net interest spread narrowing from 2.38% in 2025 to ~2.0% by 2029E, with CCB deposit-mix shift as a significant factor.

**Outlook** We model CCB revenue growing modestly through 2026E, with deposit-mix pressure partially offset by loan growth of 4% and the Apple Card portfolio contribution. Credit normalization is modeled to continue, with CCB-driven provisions contributing to the \$15.4B firmwide PCL forecast for 2026E. Credit quality in the Apple Card book (which carries higher structural charge-off rates than the existing card portfolio) is the primary variable to monitor.

## Segment Analysis: Asset & Wealth Management

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**FY2025 Revenue: \$28.9B (16% of firm) | AUM: \$4.8T (+18% YoY) | Net Inflows: \$553B | ROE: 40%**

Asset & Wealth Management (AWM) is JPMorgan's highest-margin segment and its strongest long-term structural growth driver. The segment serves institutional, retail, and ultra-high-net-worth clients through two main businesses: Asset Management (mutual funds, ETFs, alternatives, and multi-asset strategies) and the Global Private Bank (banking, lending, and investment services for ultra-high-net-worth individuals). With the majority of these client assets being in actively managed portfolios.

**FY2025 performance.** Assets under management grew 18% to \$4.8 trillion<sup>[1]</sup>, supported by \$553 billion in annual net inflows and market appreciation. The segment generated record revenue of \$28.9 billion. The capital-light, high-margin fee model generates high incremental

returns and provides a natural diversifier against NII compression risk from lower rates. More than 80% of long-term fund assets outperformed the peer median over the past ten years.

**Forward outlook.** Our model assumes asset-management fees grow approximately 10% annually through 2027E before slowing to 8% as AUM growth moderates. This represents the most optimistic assumption embedded in our Hold thesis. Even under this favorable outlook, the durability of fee income growth is being compressed, as competition fights intensely for market share. AWM helps to offset firmwide net interest income compression driven by deposit-mix shifts and rate normalization.

## Cost Structure Analysis

### Compensation & Benefits — Largest Expense Line

Compensation and benefits is the single largest noninterest expense, comprising approximately 57% of total noninterest expense. It grew from \$41.6 billion in 2022 to \$54.5 billion in 2025A, reflecting post-First Republic headcount integration, wage inflation, and elevated bonus accruals tied to strong CIB performance. Our model projects compensation of \$58.3 billion in 2026E (**+7.0% YoY**), decelerating to approximately 3% annual growth thereafter as productivity gains from AI and automation offset ongoing merit cycles. Technology, communications, and equipment expense peaks at \$12.0 billion in 2026E before stepping down to \$10.1 billion in 2027E as major cloud migration and infrastructure projects complete and ongoing maintenance spending replaces peak build-out costs. This line is the clearest example of JPMorgan's structural investment discipline paying dividends over the forecast period.

### Professional Services — Fastest-Growing Structural Cost

Professional and outside services is the fastest-growing structural cost line, rising from \$10.2 billion in 2022 to \$12.4 billion in 2025A, and projected to reach \$15.6 billion by 2028E. This reflects durable regulatory compliance

burdens, litigation exposure, and reliance on specialized external vendors. **We model approximately 8% annual growth in this line, consistent with the 2022-2025 trend rate.** Provisions for credit losses roughly doubled from \$6.4 billion in 2022 to \$14.2 billion in 2025A as JPMorgan's loan book expanded and credit normalized post-pandemic. The model projects a peak of \$15.4 billion in 2026E, consistent with 8% loan growth and continued reserve build, before gradually declining as credit conditions stabilize.

### Operating Leverage — Positive But Moderating

JPMorgan delivered meaningful positive operating leverage during the 2022-2024 rate-hiking cycle. In absolute terms, noninterest expense grew from \$71.3B in 2021 to \$95.6B in 2025 (+34% cumulatively), while total net revenue grew from \$121.6B to \$182.4B. The 2026E expense growth is driven primarily by compensation and peak technology spend, both of which moderate in subsequent years. We model expense growth decelerating sharply to 3.1% in 2027E as productivity gains from AI and automation begin offsetting wage inflation and major infrastructure projects complete. The efficiency ratio is modeled at approximately 44% through the forecast period, consistent with recent historical compression but leaving execution and AI implementation success a key risk.

### Fixed vs. Variable Cost Split

Approximately 60-65% of JPMorgan's operating cost base is effectively fixed in the near-term: compensation tied to multi-year employment agreements, premises costs locked by lease terms, and depreciation on capitalized assets. The remaining 35-40% has meaningful variable characteristics: technology and software licensing scales with transaction volumes, marketing adjusts with acquisition targets, and certain professional services are project-driven. This means the efficiency ratio's ability to improve meaningfully from here requires revenue acceleration rather than cost compression. Our model projects the efficiency ratio stabilizing around 51-52% through the forecast horizon, consistent with JPMorgan's

recent historical range and management’s stated expense discipline

Expense Line (\$B)	2021A	2022A	2023A	2024A	2025A	2026E	Δ 21→25
Compensation	\$38.6	\$41.6	\$46.5	\$51.4	\$54.5	\$58.3	+41%
Technology	\$9.9	\$9.4	\$9.2	\$9.8	\$11.0	\$12.0	+11%
Professional Svcs	\$9.8	\$10.2	\$10.2	\$11.1	\$12.4	\$12.7	+26%
Occupancy & Other	\$13.0	\$14.9	\$21.3	\$19.5	\$17.8	\$19.2	+37%
Total Opex	\$71.3	\$76.1	\$87.2	\$91.8	\$95.6	\$102.2	+34%
Efficiency Ratio	58.6%	59.2%	55.2%	51.7%	52.4%	51.2%	-6.2pp

### Earnings Trajectory — Consensus vs Henry Fund

Our 2026E EPS estimate of \$24.22 is closely aligned with Street consensus of approximately \$24.50, reflecting relatively predictable near-term guidance and aligned views on 2026 NII. The gap widens modestly in outer years, with our 2027E and 2028E EPS estimates of \$27.24 and \$30.35 sitting slightly below Street estimates as our model embeds a somewhat more conservative NII trajectory and

slightly higher provisions. Over the forecast horizon, EPS grows at an 11-12% CAGR, supported by loan growth, fee income recovery, and continued buybacks reducing share count by ~2% annually. While the EPS growth profile is attractive, it is largely captured in the consensus \$351.76 price target, leaving limited room for upside surprise from earnings alone.

### Management Guidance Aligns Closely With Our Model

JPMorgan’s 2026 management guidance aligns tightly with our base case. Management’s February 2026 guidance calls for NII of approximately **\$99-101B** and firmwide expenses of **<\$105B**, consistent with our \$101.91B and \$107.6B forecasts respectively. Consensus 2026E EPS of ~\$24.50 is also closely aligned with our \$24.22 estimate. This tight convergence between our model, management guidance, and street consensus reinforces our Hold view: there is minimal room for positive earnings surprise relative to already-strong expectations. JPMorgan’s guidance has a track record of being **reasonably accurate rather than structurally conservative**, in contrast to some peers that consistently under-promise and over-deliver. The earnings visibility is high, but the upside optionality is limited<sup>[1]</sup>

### The Dimon Premium and Succession Optionality

Jamie Dimon’s continued tenure is materially more significant for the investment case than consensus models reflect. Over more than two decades at the helm, Dimon’s January 2026 confirmation that he intends to remain CEO for at least five more years<sup>[18]</sup> extends the runway over which we are comfortable with the direction of JPM. This succession we view as a key risk with Dimon’s successor hopefully keeping the same risk adverse mindset.

### Peer Comparisons

JPMorgan is the largest bank in the United States by total assets and operates as a global universal bank with leading franchises in retail banking, investment banking, capital markets, and asset & wealth management. Its

primary peers are U.S. universal and super-regional banks (Bank of America, Wells Fargo, Citigroup, PNC, Capital One) and select international peers (HSBC, RBC, UBS). The peer set differs structurally from JPMorgan in business mix, geographic exposure, and regulatory environment.

## Market Capitalization

Company	Mkt Cap	Listed	Total Assets
JPM	~\$815bn	NYSE	~\$4,400bn
BAC	~\$440bn	NYSE	~\$3,260bn
WFC	~\$295bn	NYSE	~\$1,930bn

[10][11]

JPMorgan trades at the largest market capitalization of any U.S. bank at ~\$815 billion, approximately 1.9x Bank of America and 2.8x Wells Fargo despite being roughly 1.3x BAC's total assets and 2.3x WFC's. This valuation premium reflects JPMorgan's sector-leading profitability (16.7% ROE vs. 10.6% at BAC and 12.5% at WFC), scale advantages in CIB and AWM, and fortress capital position (Tier 1 of 15.5%). However, the magnitude of this premium on a book value basis (2.50x P/B vs. 1.43x BAC and 1.66x WFC) leaves limited room for further expansion.

## Price / Earnings (P/E) Ratio

Company	P/E 2026E	Context
JPM	~12.9x	Sector-leading 16.7% ROE; premium reflects franchise quality
BAC	~10.52x	Improving ROE trajectory, diversified universal bank
WFC	~10.23x	Asset cap lifted June 2025; re-rating story underway

[7]

JPMorgan's Forward P/E ratio of ~**12.9x** sits above the peer group average of ~**10.39x**, representing a premium of approximately 20% to peers. This premium is structurally supported by JPMorgan's sector-leading 17% ROE versus a peer average of ~12.46%, but the magnitude of the multiple itself captures most of the quality differential. Bank of America at ~**10.52** and Wells Fargo at ~**10.23x** trade closer to the peer average.

## Net Interest Margin (NIM) — 2025

Company	NIM	vs FY24	Driver
JPM	2.38%	-12bps	Deposit mix shift away from NIBDs pressuring spread; model projects ~2.00% by 2032E
BAC	2.01%	+6bps	Structural hedge supporting modest expansion; lags JPM on asset yields
WFC	2.64%	+10bps	Asset cap removal unlocking deployment; slightly above JPM on mix

Sources: JPMorgan FY25 10-K - firmwide NIM 2.38%; Bank of America FY25 Results - NIM 2.01%; Wells Fargo FY25 Results - NIM 2.64%.

Wells Fargo's NIM of **2.64%** places it above JPMorgan (**2.38%**) and Bank of America (**2.01%**), reflecting a more favorable asset mix and the June 2025 lifting of its Federal Reserve asset cap. Unlike BAC and WFC which saw modest NIM expansion in 2025, JPMorgan's NIM compressed by roughly 12bps as noninterest-bearing deposit balances continued to migrate toward higher-yielding alternatives. A key to watch is whether the structural NIBD migration trend is persistent. Wells Fargo's **+10bps** improvement and Bank of America's **+6bps** expansion is due to peers' different balance sheet positioning.

Importantly, JPMorgan's lower NIM versus peers does not indicate weaker management. It reflects a different asset and funding mix, particularly a larger mix of lower-yielding deposits held at the Fed and a higher share of institutional wholesale funding. The firm's absolute NII of \$95.4 billion remains the largest in the sector by a wide margin.<sup>[7]</sup>

## Structural Headwind: Noninterest-Bearing Deposit Migration

A critical structural headwind for JPMorgan, and one that is often under-appreciated by investors focused on headline NIM, is the **persistent migration out of noninterest-bearing deposits**. NIBDs at JPMorgan have fallen from a peak of approximately \$757 billion in 2021 to ~\$619 billion in 2024, an 18% decline in absolute terms. During the post-2022 rate-hiking cycle, interest-bearing deposit rates rose from ~0.03% in 2021 to **2.37%** in 2025, a 234bp increase that has dramatically widened the cost differential between NIBDs and rate-paying accounts. Every dollar that migrates from a zero-cost checking balance into an interest-bearing account directly compresses net interest spread at the firmwide cost of **~2.37%**. Our model projects this migration continuing, with net interest spread narrowing from 2.38% in 2025 to approximately 2.00% by 2029E. The implications are twofold: JPMorgan’s NII faces a persistent structural headwind even absent further Fed easing, because deposit repricing continues even at steady rates; and the NII benefit from the 2022-2024 rate cycle is partially *unwinding* as depositors catch up on rate-shopping. This NIBD-migration dynamic is a key reason our model projects modest NII growth in 2026E before declining in outer years, and it underpins our Hold rating despite the otherwise constructive near-term setup<sup>[14][1]</sup>

### Efficiency Ratio — 2025

Company	Efficiency	vs FY24	Driver
JPM	52.4%	+0.7pp	Technology investment cycle at peak; efficiency stable with limited room for further improvement
BAC	~64%	-1.5pp	Improving from higher base; consumer bank scale advantages
WFC	~70%	-2.0pp	Asset cap removal allows revenue growth to absorb fixed costs; efficiency improvement path

[1]

JPMorgan’s efficiency ratio of **52.4%** is materially below U.S. universal bank peers BAC (~64%) and WFC (~70%), reflecting JPMorgan’s scale advantages in CIB, strong technology execution, and disciplined expense management. This represents roughly a **12-18 percentage point efficiency advantage** versus the primary U.S. universal bank peer set. However, this advantage is already well-known to investors and fully reflected in the current multiple. Unlike BAC and WFC which have clear paths to efficiency improvement (BAC from a higher base, WFC from asset cap removal), JPMorgan’s efficiency ratio is at or near its structural floor, with our model projecting the ratio stabilizing around 51-52% through the forecast period. This means incremental operating leverage from cost compression is largely exhausted, further supporting our Hold view.

## Risks

### Faster-Than-Expected Fed Easing Cycle

The single largest downside risk to our Hold rating is a faster-than-expected Fed rate-cutting cycle. With Kevin Warsh’s nomination as Fed Chair and markets pricing a terminal rate of ~3.00-3.25% by 2027, an aggressive easing path could compress JPMorgan’s NII well below our \$100B 2026E estimate. Asset repricing occurs faster than deposit repricing in a cutting cycle, particularly given the firm’s large portfolio of variable-rate earning assets, reversing the asymmetry that benefited NII during the hiking cycle from **~\$66.7B in 2022** to **~\$92.6B in 2024**. Our base case already embeds earning-asset yields declining from 5.05% in 2025A to 4.89% in 2026E.<sup>[16]</sup>

**The NII Cliff:** If the Fed cuts rates by 200bp+ over the next two years rather than our modeled ~165bp reduction, NII could be \$5-10B lower annually from 2027 onward, reducing EPS by \$2-4 per share and pushing our intrinsic value estimates into the mid-\$200s. This represents the clearest downside catalyst to our Hold thesis and could trigger a rating change to Sell.

**Consumer Credit Risk:** If the Fed cuts rates by 200bp+ over the next two years rather than our modeled ~165bp reduction, NII could be \$5-10B lower annually from 2027 onward, reducing EPS by \$2-4 per share and pushing intrinsic value estimates into the mid-\$200s. This represents the clearest downside catalyst to the Hold thesis and could trigger a rating change to Sell.

## Consumer Credit Environment

The U.S. consumer credit environment is normalizing from post-COVID lows rather than entering acute stress, but the trajectory remains an important swing factor for JPMorgan given the firm’s \$1.4T loan book and growing card portfolio.

**Card Portfolio Risk:** JPMorgan’s January 2026 acquisition of the Apple Card portfolio from Goldman Sachs added approximately \$20B in credit-card balances and 12 million customers. The acquired portfolio carries a higher structural risk profile than the existing Chase card book, reflected in the \$2.2B initial provision booked at close. Charge-off rates in the Apple Card book historically ran ~1-1.5% above comparable prime portfolios. Integration and risk management of this portfolio is a key operational focus for 2026.

**Commercial Real Estate:** JPMorgan’s CRE exposure is modest relative to the broader loan book and concentrated in multifamily (well-collateralized) rather than office. An office CRE stress scenario could generate incremental provisioning of several hundred million dollars, representing <1% of total loans, within manageable ranges given the firm’s capital position.<sup>[13]</sup>

## Monetary Policy Uncertainty

The Federal Reserve is currently at a federal funds rate of **3.50-3.75%**<sup>[13]</sup> following a series of cuts from the 5.25-5.50% peak in mid-2024. For banks, this creates a double-edged environment:

**NII Compression vs. Capital Markets:** Continued Fed cuts will compress NII across the sector, but could simultaneously benefit JPMorgan’s capital markets business by stimulating M&A, leveraged buyout activity, and equity issuance. Our model embeds investment banking fees recovering from \$9.6B in 2025 to \$11.5B in 2026E (+20%) on this basis, partially offsetting NII compression. The net effect depends on the pace and magnitude of rate cuts: a gradual, measured cutting cycle (bullish for capital markets) versus an aggressive cutting cycle (bearish for NII more than offsetting the capital markets benefit).

## Regulatory & Political Landscape

The U.S. regulatory environment is shifting toward deregulation under new leadership at Treasury, Fed, OCC, FDIC, and CFPB, which is a modest net positive for JPMorgan.

**Basel 3.1 Implementation:** The U.S. Basel 3.1 Endgame implementation has been delayed to **January 2027** with expectations that the final rule will be meaningfully less restrictive than the 2023 proposal. For JPMorgan, lighter-touch regulation could ease capital requirements by 50-100bp and unlock incremental buyback capacity, representing a credible upside risk. However, JPMorgan already operates well above regulatory minimums with a 15.5% Tier 1 ratio, so the incremental benefit is smaller than for less-capitalized peers.

**Private Credit Disintermediation:** The growth of private credit funds (Apollo, Ares, Blackstone) is disintermediating traditional bank lending in leveraged finance and middle-market credit, putting structural pressure on CIB loan volumes and spreads. This is a long-term headwind difficult to quantify in a 10-year model but directionally negative for the wholesale banking revenue mix.

## Summary Table: Risk vs. Reality

Risk Factor	Impact on Thesis	Severity
<b>Faster Fed Cuts</b>	Compresses NII below \$100B base case; could trigger Sell rating.	<b>High</b>
<b>NIBD Migration</b>	Sustained deposit-mix shift pressures spread below 2.00%.	<b>Medium-High</b>
<b>Apple Card Credit</b>	Higher charge-offs than provisioned in \$2.2B initial reserve.	<b>Medium</b>
<b>Basel 3.1 Easing</b>	Upside: Could unlock additional buyback capacity.	<b>Low-Medium</b>

## VALUATION

### Cost of Equity Calculation

JPMorgan's cost of equity is estimated using the Capital Asset Pricing Model (CAPM). Using a risk-free rate of **4.08%** (based on the 10-year U.S. Treasury) and an equity risk premium of **5.00%**, we apply a Beta of **1.17** to reflect the bank's systematic risk and sensitivity to U.S. market conditions. This results in a **Cost of Equity of 9.93%**. In a banking context, this serves as the primary hurdle rate for evaluating whether the firm is creating or destroying shareholder value, and in DCF/DDM form it is the discount rate applied to projected cash flows to equity.<sup>[12]</sup>

### Discounted Cash Flow & Economic Profit (EP)

Key inputs for the valuation model include a terminal growth rate of **3.0%** and a CV Year Return on Equity (ROE) of **14.4%**. The model evaluates JPMorgan's value based on its ability to generate returns above its **9.93% cost of equity**. The present value of free cash flows to equity from 2026 to 2035, combined with a continuing value based on a steady-state ROE of 14.4%, yields an equity value of \$797.0B. Dividing by 2.646B diluted shares yields an intrinsic value of \$301.21, with an implied price as of valuation date of \$303.57. The Economic Profit variant of the same model yields a slightly higher \$330.41, and we use the average of the two, rounded to \$303.57, as our DCF point estimate. This sits approximately 5.8% below the current \$322.40 market price<sup>[9]</sup>

### Relative Valuation

JPMorgan's projected P/E ratios for 2025 and 2026E are **13.1x** and **12.4x**, respectively. Comparing these to the peer averages of **12.2x** for 2025 and **10.9x** for 2026E, JPMorgan's P/E ratio sits above peer averages. Applying the peer average 2026E P/E multiple of 10.9x to our 2026E EPS estimate of \$24.22 implies a relative valuation of \$296.41, approximately 8% below current. This is the most bearish of our three valuation methods and reflects JPMorgan's meaningful premium over peers. Despite a sector-leading ROE of **16.7%** compared to BAC (**10.6%**) and WFC (**12.5%**), JPMorgan's relative premium is fundamentally justified but has limited room for further expansion, supporting the Hold view.<sup>[7]</sup>

## KEYS TO MONITOR

JPMorgan's valuation is highly sensitive to a small number of macroeconomic and bank-specific variables. The most important factors to monitor are Federal

Reserve policy, deposit-mix evolution, and credit quality trends, as these directly influence NII, the principal driver of our Hold thesis.

### Federal Reserve Policy (Primary Driver)

JPMorgan's profitability remains highly sensitive to the interest rate environment, given its \$1.4T loan book and roughly 52% of total net revenue derived from NII. The pace and terminal level of Fed rate cuts is the single most important variable for the thesis.

- **Upside trigger:** A shallower-than-consensus cutting cycle (terminal rate above 3.50%) or a sustained pause at current levels would lift NII above our \$100B 2026E estimate and support a Hold-to-Buy migration at current levels.
- **Downside trigger:** An aggressive cutting cycle (terminal rate below 2.50% by mid-2027) would compress NII below \$95B, pressure EPS, and likely trigger a Hold-to-Sell rating change. The nomination of Kevin Warsh as Fed Chair adds policy uncertainty, with Warsh historically more hawkish on inflation but operating under political pressure for rate cuts.

### Deposit Mix Evolution

Noninterest-bearing deposits are the key leading indicator of funding-cost pressure and a core component of our thesis. NIBD balances fell from ~\$757B in 2021 to ~\$619B in 2024 (-18%). A stabilization or rebuild in NIBD balances would signal the migration trend has run its course and would be incrementally positive for the thesis. Continued migration at the 2021-2024 pace would compress NII below our base case. Monitor quarterly average NIBD balances disclosed in the 10-Q for directional trend.

### Credit Quality & Provisions

Asset quality remains a key risk factor, particularly in the consumer card portfolio given the Apple Card addition. While current credit metrics are manageable (firmwide charge-off rate ~0.7%, card charge-off rate ~3.4%), normalization is ongoing. The 2026E PCL of \$15.4B includes a \$2.2B initial Apple Card provision, so any upward revision indicates genuine credit deterioration.

- **Upside trigger:** Charge-off rates stabilizing or declining, particularly in card, would keep PCL at or below \$15.4B, supporting earnings durability and potential Hold-to-Buy migration.
- **Downside trigger:** Card charge-off rates accelerating above 4.5%, CRE office impairments material, or Apple Card charge-offs running meaningfully above the \$2.2B initial reserve would push PCL above \$17B and compress EPS by \$0.50-1.00+.  
Valuation triggers: Re-rating to Buy at ~\$270 or below (consistent with 11.1x 2026E EPS, roughly peer-median); Downgrade to Sell at ~\$360 or above (well above the relative multiple's implied \$296) or on material NII deterioration below \$95B.

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19. **JPMorgan Chase & Co. – FY2026 Proxy Statement (Form DEF 14A)** — sec.gov; CEO succession planning disclosures (April 2026)
20. **Claude AI**  
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21. **Google Gemini**  
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## DISCLAIMER

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<i>Fiscal Years Ending Dec. 31</i>	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
<b>Total assets</b>	<b>\$ 3,386.07</b>	<b>\$ 3,743.57</b>	<b>\$ 3,665.74</b>	<b>\$ 3,875.39</b>	<b>\$ 4,002.81</b>	<b>\$ 4,424.90</b>	<b>\$ 4,760.45</b>	<b>\$ 5,057.04</b>	<b>\$ 5,396.73</b>	<b>\$ 5,724.65</b>	<b>\$ 6,058.52</b>	<b>\$ 6,400.88</b>	<b>\$ 6,729.99</b>	<b>\$ 7,065.83</b>	<b>\$ 7,403.14</b>	<b>\$ 7,674.73</b>
<b>Cash and Cash Equivalents</b>	\$ 823.89	\$ 1,002.53	\$ 882.83	\$ 900.30	\$ 764.32	\$ 679.76	\$ 740.53	\$ 804.53	\$ 870.93	\$ 938.70	\$ 1,006.63	\$ 1,073.34	\$ 1,137.38	\$ 1,197.25	\$ 1,251.46	\$ 1,289.01
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Deposits with banks	\$ 502.74	\$ 714.40	\$ 539.54	\$ 595.09	\$ 445.95	\$ 321.60	\$ 331.24	\$ 341.18	\$ 351.42	\$ 361.96	\$ 372.82	\$ 384.00	\$ 395.52	\$ 407.39	\$ 419.61	\$ 432.20
Federal funds sold and securities purchased under resale agreements	\$ 296.28	\$ 261.70	\$ 315.59	\$ 276.15	\$ 295.00	\$ 336.43	\$ 386.89	\$ 440.28	\$ 495.76	\$ 552.27	\$ 608.60	\$ 663.38	\$ 715.12	\$ 762.32	\$ 803.49	\$ 827.59
Securities borrowed	\$ 160.64	\$ 206.07	\$ 185.37	\$ 200.44	\$ 219.55	\$ 286.19	\$ 306.22	\$ 327.05	\$ 348.63	\$ 370.95	\$ 393.94	\$ 417.58	\$ 441.80	\$ 466.54	\$ 491.73	\$ 516.32
Trading assets	\$ 503.13	\$ 433.58	\$ 453.80	\$ 540.61	\$ 637.78	\$ 802.87	\$ 926.48	\$ 1,002.60	\$ 1,117.55	\$ 1,218.13	\$ 1,323.90	\$ 1,439.46	\$ 1,545.23	\$ 1,663.43	\$ 1,791.01	\$ 1,880.62
Investment securities, net of allowance for credit losses	\$ 590.00	\$ 672.23	\$ 631.16	\$ 571.55	\$ 681.32	\$ 777.33	\$ 831.75	\$ 886.64	\$ 941.61	\$ 996.23	\$ 1,050.02	\$ 1,102.52	\$ 1,153.24	\$ 1,201.68	\$ 1,247.34	\$ 1,284.76
Loans, net of allowance for loan losses	\$ 984.53	\$ 1,061.33	\$ 1,115.92	\$ 1,301.29	\$ 1,323.64	\$ 1,467.66	\$ 1,523.97	\$ 1,584.02	\$ 1,644.85	\$ 1,706.36	\$ 1,768.48	\$ 1,831.08	\$ 1,894.07	\$ 1,957.33	\$ 2,020.74	\$ 2,082.97
Accrued interest and accounts receivable	\$ 90.50	\$ 102.57	\$ 125.19	\$ 107.36	\$ 101.22	\$ 111.60	\$ 117.18	\$ 122.80	\$ 128.45	\$ 134.10	\$ 139.74	\$ 145.33	\$ 150.85	\$ 156.28	\$ 161.59	\$ 166.44
Premises, equipment, Goodwill, MSRs and other intangible assets	\$ 80.54	\$ 83.76	\$ 88.59	\$ 94.54	\$ 96.78	\$ 100.70	\$ 105.61	\$ 110.68	\$ 115.91	\$ 121.32	\$ 126.92	\$ 132.72	\$ 138.73	\$ 144.96	\$ 151.44	\$ 158.16
Depreciation & Amort	\$ 8.61	\$ 7.93	\$ 7.05	\$ 4.53	\$ 7.94	\$ 8.82	\$ 8.37	\$ 8.78	\$ 9.20	\$ 9.64	\$ 10.09	\$ 10.55	\$ 11.03	\$ 11.53	\$ 12.05	\$ 12.59
Capital Expenditures		\$ 11.16	\$ 11.88	\$ 10.48	\$ 10.18	\$ 12.74	\$ 13.28	\$ 13.85	\$ 14.43	\$ 15.05	\$ 15.68	\$ 16.35	\$ 17.05	\$ 17.77	\$ 18.52	\$ 19.31
Other assets	\$ 152.85	\$ 181.50	\$ 182.88	\$ 159.31	\$ 178.20	\$ 198.78	\$ 208.71	\$ 218.73	\$ 228.79	\$ 238.86	\$ 248.89	\$ 258.85	\$ 268.68	\$ 278.36	\$ 287.82	\$ 296.46
<b>Total liabilities and stockholders' equity</b>	<b>\$ 3,386.07</b>	<b>\$ 3,743.57</b>	<b>\$ 3,665.74</b>	<b>\$ 3,875.39</b>	<b>\$ 4,002.81</b>	<b>\$ 4,424.90</b>	<b>\$ 4,760.45</b>	<b>\$ 5,057.04</b>	<b>\$ 5,396.73</b>	<b>\$ 5,724.65</b>	<b>\$ 6,058.52</b>	<b>\$ 6,400.88</b>	<b>\$ 6,729.99</b>	<b>\$ 7,065.83</b>	<b>\$ 7,403.14</b>	<b>\$ 7,674.73</b>
<b>Total liabilities</b>	\$ 3,106.72	\$ 3,449.44	\$ 3,373.41	\$ 3,547.52	\$ 3,658.06	\$ 4,062.46	\$ 4,385.60	\$ 4,658.55	\$ 4,970.54	\$ 5,266.79	\$ 5,565.07	\$ 5,867.98	\$ 6,153.91	\$ 6,443.05	\$ 6,730.37	\$ 6,949.90
Deposits	\$ 2,144.26	\$ 2,462.30	\$ 2,340.18	\$ 2,400.69	\$ 2,406.03	\$ 2,559.32	\$ 2,687.29	\$ 2,816.28	\$ 2,945.82	\$ 3,075.44	\$ 3,204.61	\$ 3,332.79	\$ 3,459.44	\$ 3,583.98	\$ 3,705.83	\$ 3,817.01
Non Interest Bearing	\$ 582.52	\$ 667.16	\$ 684.92	\$ 658.91	\$ 619.31	\$ 620.40	\$ 714.07	\$ 733.27	\$ 755.54	\$ 772.83	\$ 787.61	\$ 800.11	\$ 807.60	\$ 812.57	\$ 814.35	\$ 767.47
Interest Bearing	\$ 1,529.07	\$ 1,800.65	\$ 1,695.23	\$ 1,713.19	\$ 1,786.72	\$ 1,938.92	\$ 1,973.22	\$ 2,083.00	\$ 2,190.28	\$ 2,302.61	\$ 2,417.00	\$ 2,532.68	\$ 2,651.84	\$ 2,771.41	\$ 2,891.49	\$ 3,049.54
Federal funds purchased and securities loaned or sold under rep	\$ 215.21	\$ 194.34	\$ 202.61	\$ 216.54	\$ 296.84	\$ 442.40	\$ 560.13	\$ 639.05	\$ 745.82	\$ 840.67	\$ 936.81	\$ 1,036.38	\$ 1,123.82	\$ 1,214.14	\$ 1,303.93	\$ 1,351.02
Short-term borrowings	\$ 45.21	\$ 53.59	\$ 44.03	\$ 44.71	\$ 52.89	\$ 64.78	\$ 69.96	\$ 75.20	\$ 80.47	\$ 85.70	\$ 90.84	\$ 95.84	\$ 100.63	\$ 105.16	\$ 109.36	\$ 112.65
Trading liabilities	\$ 170.18	\$ 164.69	\$ 177.98	\$ 180.43	\$ 192.88	\$ 216.02	\$ 249.28	\$ 269.76	\$ 300.69	\$ 327.75	\$ 356.21	\$ 387.30	\$ 415.76	\$ 447.56	\$ 481.89	\$ 506.00
Accounts payable and other liabilities	\$ 232.60	\$ 262.76	\$ 300.14	\$ 290.31	\$ 280.67	\$ 316.79	\$ 332.63	\$ 348.60	\$ 364.64	\$ 380.68	\$ 396.67	\$ 412.53	\$ 428.21	\$ 443.63	\$ 458.71	\$ 472.47
Beneficial interests issued by consolidated VIEs	\$ 17.58	\$ 10.75	\$ 12.61	\$ 23.02	\$ 27.32	\$ 27.95	\$ 29.35	\$ 30.76	\$ 32.17	\$ 33.59	\$ 35.00	\$ 36.40	\$ 37.78	\$ 39.14	\$ 40.47	\$ 41.69
Long-term debt	\$ 281.69	\$ 301.01	\$ 295.87	\$ 391.83	\$ 401.42	\$ 435.21	\$ 456.97	\$ 478.90	\$ 500.93	\$ 522.97	\$ 544.94	\$ 566.73	\$ 588.27	\$ 609.45	\$ 630.17	\$ 649.07
<b>Total stockholders' equity</b>	<b>\$ 279.35</b>	<b>\$ 294.13</b>	<b>\$ 292.33</b>	<b>\$ 327.88</b>	<b>\$ 344.76</b>	<b>\$ 362.44</b>	<b>\$ 374.85</b>	<b>\$ 398.49</b>	<b>\$ 426.19</b>	<b>\$ 457.85</b>	<b>\$ 493.45</b>	<b>\$ 532.90</b>	<b>\$ 576.07</b>	<b>\$ 622.78</b>	<b>\$ 672.77</b>	<b>\$ 724.83</b>
Preferred stock	\$ 30.06	\$ 34.84	\$ 27.40	\$ 27.40	\$ 20.05	\$ 20.05	\$ 20.05	\$ 20.05	\$ 20.05	\$ 20.05	\$ 20.05	\$ 20.05	\$ 20.05	\$ 20.05	\$ 20.05	\$ 20.05
Common stock	\$ 4.11	\$ 4.11	\$ 4.11	\$ 4.11	\$ 4.11	\$ 4.11	\$ 4.11	\$ 4.11	\$ 4.11	\$ 4.11	\$ 4.11	\$ 4.11	\$ 4.11	\$ 4.11	\$ 4.11	\$ 4.11
Additional paid-in capital	\$ 88.39	\$ 88.42	\$ 89.04	\$ 90.13	\$ 90.91	\$ 91.11	\$ 91.11	\$ 91.11	\$ 91.11	\$ 91.11	\$ 91.11	\$ 91.11	\$ 91.11	\$ 91.11	\$ 91.11	\$ 91.11
Retained earnings	\$ 236.99	\$ 272.27	\$ 296.46	\$ 332.90	\$ 376.17	\$ 416.06	\$ 460.06	\$ 508.70	\$ 561.90	\$ 619.56	\$ 681.66	\$ 748.11	\$ 818.78	\$ 893.49	\$ 971.98	\$ 1,053.04
Accumulated other comprehensive loss	\$ 7.99	\$ (0.08)	\$ (17.34)	\$ (10.44)	\$ (12.46)	\$ (4.29)	\$ (4.29)	\$ (4.29)	\$ (4.29)	\$ (4.29)	\$ (4.29)	\$ (4.29)	\$ (4.29)	\$ (4.29)	\$ (4.29)	\$ (4.29)
Treasury stock, at cost	\$ (88.18)	\$ (105.42)	\$ (106.22)	\$ (134.02)	\$ (134.02)	\$ (164.59)	\$ (196.18)	\$ (221.18)	\$ (246.68)	\$ (272.68)	\$ (299.18)	\$ (326.18)	\$ (353.68)	\$ (381.68)	\$ (410.18)	\$ (439.18)
Shares held in restricted stock units Trust, at cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Assumptions																
<b>Investment Banking Fee's Growth</b>	39%	-49%	-2%	37%	8%	20%	8.0%	5.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<b>Principal Transactions Growth</b>	-10%	22%	23%	1%	10%	8%	7.5%	7.0%	6.5%	6.0%	5.5%	5.0%	4.5%	4.0%	3.0%	
<b>Lending and Deposit Fee's Growth</b>	8%	1%	4%	3%	20%	5%	4.4%	3.8%	3.2%	2.6%	2.0%	1.4%	0.8%	0.2%	2.0%	
<b>Mortgage Fee's Growth</b>	-30%	-42%	-6%	19%	-1%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
<b>Card Income Growth</b>	15%	-13%	8%	15%	-14%	15%	13.8%	12.6%	11.4%	10.2%	9.0%	7.8%	6.6%	5.4%	3.0%	
<b>Other Income Growth</b>	8%	-11%	30%	122%	-50%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
<b>Asset Management</b>																
AUM	3652.00	4295.00	4048.00	5012.00	5932.00	7118.00	7829.80	8597.12	9422.44	10308.15	11256.50	12269.59	13349.31	14497.35	15715.13	16972.34
AUM Growth	0.18	-0.06	0.24	0.18	0.20	0.10	0.10	0.10	0.10	0.09	0.09	0.09	0.09	0.09	0.08	0.08
FEE %	0.50%	0.49%	0.51%	0.44%	0.43%	0.41%	0.39%	0.38%	0.37%	0.36%	0.35%	0.35%	0.34%	0.33%	0.32%	0.30%
<b>NII Calculation</b>																
IEA	2977.99	3372.38	3211.47	3481.53	3630.02	3833.49	4430.80	4734.97	5047.87	5367.91	5693.32	6022.18	6352.49	6682.20	7009.33	7271.58
NIM	1.83%	1.55%	2.08%	2.56%	2.55%	2.49%	2.35%	2.31%	2.26%	2.22%	2.17%	2.13%	2.08%	2.04%	1.99%	1.90%
<b>Provision for Credit Losses % of IEA</b>	-0.59%	0.27%	-0.20%	-0.27%	-0.29%	-0.37%	-0.35%	-0.34%	-0.33%	-0.32%	-0.31%	-0.30%	-0.29%	-0.28%	-0.27%	-0.25%
<b>Operating Expenses % Of Revenue</b>																
Compensation Expense	-29.3%	-31.7%	-32.4%	-29.4%	-28.9%	-32.0%	-31.6%	-31.2%	-30.8%	-30.4%	-30.0%	-29.6%	-29.2%	-28.8%	-28.0%	
Technology, communications and equipment expense	-8.2%	-7.3%	-5.8%	-5.5%	-6.0%	-6.0%	-5.9%	-5.8%	-5.7%	-5.6%	-5.5%	-5.4%	-5.3%	-5.2%	-5.0%	
Professional & Outside Services	-8.1%	-7.9%	-6.5%	-6.2%	-6.8%	-6.0%	-5.9%	-5.8%	-5.7%	-5.6%	-5.5%	-5.4%	-5.3%	-5.2%	-5.0%	
Marketing Expense	-2.5%	-3.0%	-2.9%	-2.8%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	
Other Expense	-7.9%	16.4%	89.2%	-20.7%	-29.1%	5.0%	4.8%	4.6%	4.4%	4.2%	4.0%	3.8%	3.6%	3.4%	3.0%	
<b>Payout Ratio</b>	0.70	0.67	0.47	0.49	0.59	0.87	0.70	0.65	0.62	0.59	0.57	0.55	0.53	0.52	0.51	0.52
Dividends	-12.69	-12.86	-13.56	-13.46	-14.78	-16.63	-16.63	-16.59	-17.33	-18.14	-19.02	-19.97	-21.00	-22.11	-23.32	-24.62
Share Repurchases	-6.52	-18.41	-3.16	-9.82	-18.83	-31.59	-25.00	-25.50	-26.00	-26.50	-27.00	-27.50	-28.00	-28.50	-29.00	-30.00

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Deposits with banks	\$ 502.74	\$ 714.40	\$ 539.54	\$ 595.09	\$ 445.95	\$ 321.60	\$ 331.24	\$ 341.18	\$ 351.42	\$ 361.96	\$ 372.82	\$ 384.00	\$ 395.52	\$ 407.39	\$ 419.61	\$ 432.20
Federal funds sold and securities purchased under resale agreements	\$ 296.28	\$ 261.70	\$ 315.59	\$ 276.15	\$ 295.00	\$ 336.43	\$ 386.89	\$ 440.28	\$ 495.76	\$ 552.27	\$ 608.60	\$ 663.38	\$ 715.12	\$ 762.32	\$ 803.49	\$ 827.59
Securities borrowed	\$ 160.64	\$ 206.07	\$ 185.37	\$ 200.44	\$ 219.55	\$ 286.19	\$ 306.22	\$ 327.05	\$ 348.63	\$ 370.95	\$ 393.94	\$ 417.58	\$ 441.80	\$ 466.54	\$ 491.73	\$ 516.32
Trading assets	\$ 503.13	\$ 433.58	\$ 453.80	\$ 540.61	\$ 637.78	\$ 802.87	926.48	1,002.60	1,117.55	1,218.13	1,323.90	1,439.46	1,545.23	1,663.43	1,791.01	1,880.62
Investment securities, net of allowance for credit losses	\$ 590.00	\$ 672.23	\$ 631.16	\$ 571.55	\$ 681.32	\$ 777.33	\$ 831.75	\$ 886.64	\$ 941.61	\$ 996.23	\$ 1,050.02	\$ 1,102.52	\$ 1,153.24	\$ 1,201.68	\$ 1,247.34	\$ 1,284.76
Loans, net of allowance for loan losses	\$ 984.53	\$ 1,061.33	\$ 1,115.92	\$ 1,301.29	\$ 1,323.64	\$ 1,467.66	1,523.97	1,584.02	1,644.85	1,706.36	1,768.48	1,831.08	1,894.07	1,957.33	2,020.74	2,082.97
Accrued interest and accounts receivable	\$ 90.50	\$ 102.57	\$ 125.19	\$ 107.36	\$ 101.22	\$ 111.60	\$ 117.18	\$ 122.80	\$ 128.45	\$ 134.10	\$ 139.74	\$ 145.33	\$ 150.85	\$ 156.28	\$ 161.59	\$ 166.44
Premises, equipment, Goodwill, MSRs and other intangible assets	\$ 80.54	\$ 83.76	\$ 88.59	\$ 94.54	\$ 96.78	\$ 100.70	\$ 105.61	\$ 110.68	\$ 115.91	\$ 121.32	\$ 126.92	\$ 132.72	\$ 138.73	\$ 144.96	\$ 151.44	\$ 158.16
Depreciation & Amort	\$ 8.61	\$ 7.93	\$ 7.05	\$ 4.53	\$ 7.94	\$ 8.82	\$ 8.37	\$ 8.78	\$ 9.20	\$ 9.64	\$ 10.09	\$ 10.55	\$ 11.03	\$ 11.53	\$ 12.05	\$ 12.59
Capital Expenditures		\$ 11.16	\$ 11.88	\$ 10.48	\$ 10.18	\$ 12.74	\$ 13.28	\$ 13.85	\$ 14.43	\$ 15.05	\$ 15.68	\$ 16.35	\$ 17.05	\$ 17.77	\$ 18.52	\$ 19.31
Other assets	\$ 152.85	\$ 181.50	\$ 182.88	\$ 159.31	\$ 178.20	\$ 198.78	\$ 208.71	\$ 218.73	\$ 228.79	\$ 238.86	\$ 248.89	\$ 258.85	\$ 268.68	\$ 278.36	\$ 287.82	\$ 296.46
<b>Total liabilities and stockholders' equity</b>	<b>\$ 3,386.07</b>	<b>\$ 3,743.57</b>	<b>\$ 3,665.74</b>	<b>\$ 3,875.39</b>	<b>\$ 4,002.81</b>	<b>\$ 4,424.90</b>	<b>4,760.45</b>	<b>5,057.04</b>	<b>5,396.73</b>	<b>5,724.65</b>	<b>6,058.52</b>	<b>6,400.88</b>	<b>6,729.99</b>	<b>7,065.83</b>	<b>7,403.14</b>	<b>7,674.73</b>
<b>Total liabilities</b>	\$ 3,106.72	\$ 3,449.44	\$ 3,373.41	\$ 3,547.52	\$ 3,658.06	\$ 4,062.46	\$ 4,385.60	\$ 4,658.55	\$ 4,970.54	\$ 5,266.79	\$ 5,565.07	\$ 5,867.98	\$ 6,153.91	\$ 6,443.05	\$ 6,730.37	\$ 6,949.90
Deposits	\$ 2,144.26	\$ 2,462.30	\$ 2,340.18	\$ 2,400.69	\$ 2,406.03	\$ 2,559.32	\$ 2,687.29	\$ 2,816.28	\$ 2,945.82	\$ 3,075.44	\$ 3,204.61	\$ 3,332.79	\$ 3,459.44	\$ 3,583.98	\$ 3,705.83	\$ 3,817.01
Non Interest Bearing	\$ 582.52	\$ 667.16	\$ 684.92	\$ 658.91	\$ 619.31	\$ 620.40	\$ 714.07	\$ 733.27	\$ 755.54	\$ 772.83	\$ 787.61	\$ 800.11	\$ 807.60	\$ 812.57	\$ 814.35	\$ 767.47
Interest Bearing	\$ 1,529.07	\$ 1,800.65	\$ 1,695.23	\$ 1,713.19	\$ 1,786.72	\$ 1,938.92	\$ 1,973.22	\$ 2,083.00	\$ 2,190.28	\$ 2,302.61	\$ 2,417.00	\$ 2,532.68	\$ 2,651.84	\$ 2,771.41	\$ 2,891.49	\$ 3,049.54
Federal funds purchased and securities loaned or sold under rep	\$ 215.21	\$ 194.34	\$ 202.61	\$ 216.54	\$ 296.84	\$ 442.40	\$ 560.13	\$ 639.05	\$ 745.82	\$ 840.67	\$ 936.81	\$ 1,036.38	\$ 1,123.82	\$ 1,214.14	\$ 1,303.93	\$ 1,351.02
Short-term borrowings	\$ 45.21	\$ 53.59	\$ 44.03	\$ 44.71	\$ 52.89	\$ 64.78	\$ 69.96	\$ 75.20	\$ 80.47	\$ 85.70	\$ 90.84	\$ 95.84	\$ 100.63	\$ 105.16	\$ 109.36	\$ 112.65
Trading liabilities	\$ 170.18	\$ 164.69	\$ 177.98	\$ 180.43	\$ 192.88	\$ 216.02	\$ 249.28	\$ 269.76	\$ 300.69	\$ 327.75	\$ 356.21	\$ 387.30	\$ 415.76	\$ 447.56	\$ 481.89	\$ 506.00
Accounts payable and other liabilities	\$ 232.60	\$ 262.76	\$ 300.14	\$ 290.31	\$ 280.67	\$ 316.79	\$ 332.63	\$ 348.60	\$ 364.64	\$ 380.68	\$ 396.67	\$ 412.53	\$ 428.21	\$ 443.63	\$ 458.71	\$ 472.47
Beneficial interests issued by consolidated VIEs	\$ 17.58	\$ 10.75	\$ 12.61	\$ 23.02	\$ 27.32	\$ 27.95	\$ 29.35	\$ 30.76	\$ 32.17	\$ 33.59	\$ 35.00	\$ 36.40	\$ 37.78	\$ 39.14	\$ 40.47	\$ 41.69
Long-term debt	\$ 281.69	\$ 301.01	\$ 295.87	\$ 391.83	\$ 401.42	\$ 435.21	\$ 456.97	\$ 478.90	\$ 500.93	\$ 522.97	\$ 544.94	\$ 566.73	\$ 588.27	\$ 609.45	\$ 630.17	\$ 649.07
<b>Total stockholders' equity</b>	<b>\$ 279.35</b>	<b>\$ 294.13</b>	<b>\$ 292.33</b>	<b>\$ 327.88</b>	<b>\$ 344.76</b>	<b>\$ 362.44</b>	<b>\$ 374.85</b>	<b>\$ 398.49</b>	<b>\$ 426.19</b>	<b>\$ 457.85</b>	<b>\$ 493.45</b>	<b>\$ 532.90</b>	<b>\$ 576.07</b>	<b>\$ 622.78</b>	<b>\$ 672.77</b>	<b>\$ 724.83</b>
Preferred stock	\$ 30.06	\$ 34.84	\$ 27.40	\$ 27.40	\$ 20.05	\$ 20.05	\$ 20.05	\$ 20.05	\$ 20.05	\$ 20.05	\$ 20.05	\$ 20.05	\$ 20.05	\$ 20.05	\$ 20.05	\$ 20.05
Common stock	\$ 4.11	\$ 4.11	\$ 4.11	\$ 4.11	\$ 4.11	\$ 4.11	\$ 4.11	\$ 4.11	\$ 4.11	\$ 4.11	\$ 4.11	\$ 4.11	\$ 4.11	\$ 4.11	\$ 4.11	\$ 4.11
Additional paid-in capital	\$ 88.39	\$ 88.42	\$ 89.04	\$ 90.13	\$ 90.91	\$ 91.11	\$ 91.11	\$ 91.11	\$ 91.11	\$ 91.11	\$ 91.11	\$ 91.11	\$ 91.11	\$ 91.11	\$ 91.11	\$ 91.11
Retained earnings	\$ 236.99	\$ 272.27	\$ 296.46	\$ 332.90	\$ 376.17	\$ 416.06	\$ 460.06	\$ 508.70	\$ 561.90	\$ 619.56	\$ 681.66	\$ 748.11	\$ 818.78	\$ 893.49	\$ 971.98	\$ 1,053.04
Accumulated other comprehensive loss	\$ 7.99	\$ (0.08)	\$ (17.34)	\$ (10.44)	\$ (12.46)	\$ (4.29)	\$ (4.29)	\$ (4.29)	\$ (4.29)	\$ (4.29)	\$ (4.29)	\$ (4.29)	\$ (4.29)	\$ (4.29)	\$ (4.29)	\$ (4.29)
Treasury stock, at cost	\$ (88.18)	\$ (105.42)	\$ (107.34)	\$ (116.22)	\$ (134.02)	\$ (164.59)	\$ (196.18)	\$ (221.18)	\$ (246.68)	\$ (272.68)	\$ (299.18)	\$ (326.18)	\$ (353.68)	\$ (381.68)	\$ (410.18)	\$ (439.18)
Shares held in restricted stock units Trust, at cost	\$ -															

Fiscal Years Ending Dec. 31	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
<b>ROE</b>															
Net Income	46.50	35.89	47.76	56.87	55.68	59.50	64.87	70.24	75.58	80.97	86.35	91.69	96.92	102.01	105.97
Beg. TSE	279.35	294.13	292.33	327.88	344.76	362.44	374.85	398.49	426.19	457.85	493.45	532.90	576.07	622.78	672.77
ROE	17%	12%	16%	17%	16%	16%	17%	18%	18%	18%	17%	17%	17%	16%	16%
<b>Free Cash Flow to Equity</b>															
Net Income	46.50	35.89	47.76	56.87	55.68	59.50	64.87	70.24	75.58	80.97	86.35	91.69	96.92	102.01	105.97
Change in Total Assets	\$ (357.50)	\$ 77.82	\$ (209.65)	\$ (127.42)	\$ (422.09)	\$ (335.55)	\$ (296.59)	\$ (339.69)	\$ (327.92)	\$ (333.87)	\$ (342.36)	\$ (329.11)	\$ (335.84)	\$ (337.31)	\$ (271.60)
Change in Total Liabilities	\$ 342.72	\$ (76.03)	\$ 174.10	\$ 110.54	\$ 404.41	\$ 323.14	\$ 272.95	\$ 311.99	\$ 296.26	\$ 298.27	\$ 302.91	\$ 285.93	\$ 289.14	\$ 287.32	\$ 219.54
FCFE	31.73	37.69	12.21	39.99	38.00	47.08	41.23	42.54	43.92	45.37	46.90	48.51	50.22	52.02	53.91
<b>Economic Profit (EP):</b>															
Beginning TSE	279.35	294.13	292.33	327.88	344.76	362.44	374.85	398.49	426.19	457.85	493.45	532.90	576.07	622.78	672.77
ROE	16.65%	12.20%	16.34%	17.34%	16.15%	16.42%	17.31%	17.63%	17.73%	17.68%	17.50%	17.21%	16.82%	16.38%	15.75%
Cost of Equity	9.05%	9.05%	9.05%	9.05%	9.05%	9.05%	9.05%	9.05%	9.05%	9.05%	9.05%	9.05%	9.05%	9.05%	9.05%
EP	21.21	9.27	21.30	27.19	24.47	26.69	30.94	34.17	37.00	39.52	41.68	43.45	44.77	45.63	45.07

**JPMorgan Chase**

Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

Key Inputs:

CV Growth of NOPLAT	3.00%
CV Year ROE	14.40%
Cost of Equity	9.05%

Fiscal Years Ending Dec. 31	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
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**DCF Model:**

Free Cash Flow (FCFE)	47.1	41.2	42.5	43.9	45.4	46.9	48.5	50.2	52.0	53.9
Continuing Value (CV)										1386.1
PV of FCF	43.2	34.7	32.8	31.1	29.4	27.9	26.4	25.1	23.8	635.4

$$CV = \text{Net Income of first CV Year} * (1 - (g/ROE)) / (RE - g)$$

Value of Operating Assets:	909.9
Non-Operating Adjustments	
PV of ESOP	0.4

Value of Equity	910.2
Shares Outstanding	2.7
Intrinsic Value of Last FYE	\$ 339.91
Implied Price as of Today	\$ 347.16

**EP Model:**

Economic Profit (EP)	26.7	30.9	34.2	37.0	39.5	41.7	43.4	44.8	45.6	45.1
Continuing Value (CV)										713.4
PV of EP	24.5	26.0	26.3	26.2	25.6	24.8	23.7	22.4	20.9	327.0



$$CV = (EP/RE) + (\text{Net Income of first CV Year} * (g/ROE) * (ROE - RE)) / (RE * (RE - g))$$

Total PV of EP	547.4
Beginning TSE	362.4
Value of Operating Assets:	909.9
Non-Operating Adjustments	
PV of ESOP	0.4

Value of Equity	910.2
Shares Outstanding	2.7
Intrinsic Value of Last FYE	\$ 339.91
Implied Price as of Today	\$ 347.16

## JPMorgan Chase

### Relative Valuation Models

Ticker	Company	Price	EPS	EPS	P/E 25	P/E 26	P/B	Tangible
			2025	2026E				P/B
BAC	Bank of America	\$53.12	\$3.86	\$5.05	13.76	10.52	1.37	1.85
WFC	Wells Fargo & Co	\$80.58	\$6.34	\$7.88	12.71	10.23	1.51	1.80
C	Citigroup	\$129.73	\$7.11	\$12.44	18.25	10.43	1.18	1.34
			Average		<b>14.91</b>	<b>10.39</b>	<b>1.36</b>	<b>1.66</b>
JPM	JPMorgan Chase	\$313.02	\$ 20.05 	\$ 24.35 	15.6	12.9	2.46	2.94