Midlincoln Research

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Company: JPMorgan Chase & Co.
Ticker: NYSE: JPM
Rating: Overweight
12 m TP $375
Upside 50%
Analyst: Ovanes Oganisian

JPMorgan Chase & Co. – Strong profitability

Metric	2025E
Last Price	~$250 (Aug 2025)
EPS 2025E	$16.5
EPS Growth y-o-y	+6%
P/E 2025E	~15.2x
Market Capitalisation	~$720B
Risk Free Rate (US 10Y)	~4.4%
Country Equity Risk Premium (US)	~6.0%
Cost of Debt (pre-tax)	~3.5%
Long Term Growth	2.5–3.0%
Beta Assumption	1.0
ROE 2025E	~16–17%
P/B 2025E	~1.7x
Cost of Risk (CoR) 2025E	~0.30% of loans

Financials
US

Executive Summary

JPMorgan Chase & Co. (NYSE: JPM) is the largest U.S. bank by assets, operating in consumer & community banking, corporate & investment banking, commercial banking, and asset & wealth management. The bank exhibits strong capital ratios, robust profitability, and a diversified loan and fixed income portfolio.

Investment Thesis:

- Strong capital position (CET1: 15.7%) and liquidity (LCR: 113%)
- Highest Return on Equity among peers (ROE: 17%)
- Diversified credit portfolio with high Return on Credit (ROC: 4.5% for 2024)
- Low cost of deposits (0.25%) supports net interest margin
- Leading position in U.S. consumer and corporate banking, plus global investment banking

Target Price (12-month): $375–$490 (based on Residual Income Model, depending on Cost of Equity assumption)

Rating: Overweight

Business Overview

JPMorgan operates four main segments:

1. **Consumer & Community Banking** – credit cards, mortgages, auto loans, and retail deposits.
2. **Corporate & Investment Bank** – trading, advisory, investment banking.
3. **Commercial Banking** – loans and treasury solutions for SMEs and large corporates.
4. **Asset & Wealth Management** – investment products and private banking.

Asset Allocation and Bonds Portfolio

Total Fixed Income Portfolio: $742 billion (as of Dec 2024)

Estimated Regional Allocation:

- U.S.: 60–65% ($445–482B) – Treasuries, agency MBS, municipal bonds, investment-grade corporate debt
- Europe: 15–20% ($111–148B) – sovereign and corporate bonds
- Asia-Pacific: 5–7% ($37–52B) – Japanese and Australian debt
- Emerging Markets: 10–12% ($74–89B) – sovereign and corporate debt
- Other/Diversified: 3–5% ($22–37B) – structured products, global funds

Credit Portfolio (Loans)

By Type:

- **Consumer:** Credit cards, mortgages, auto loans
- **SMEs:** Commercial loans and working capital solutions
- **Corporate:** Term loans, revolving facilities, syndicated loans
- **Financial Institutions & Private Credit:** Lending to banks and private equity-backed companies

Return on Credit (Annual 2024):

- JPMorgan: 4.5%
- Bank of America: 2.36%
- Citigroup: 1.83%
- Wells Fargo: 2.05%

Liabilities

Total Liabilities: $4.02 trillion

- Deposits: $2.589T (64.6%)
- Short-term borrowings: $157B (3.9%)
- Long-term debt: $435B (10.9%)
- Trading liabilities: $212B (5.3%)
- Other liabilities: $627B (15.3%)

Cost of Deposits (Annual 2024):

- JPMorgan: 0.25%
- Bank of America: 0.65%
- Citigroup: 0.64%
- Wells Fargo: 0.56%

Key Financial Ratios

Metric	JPMorgan	Bank of America	Citigroup	Wells Fargo
ROE	17%	9.5%	6.1%	11.7%
NIM	3.01%	2.5%	3.17%	2.75%
CET1	15.7%	~10.9%	~11.8%	~11.5%
Tier 1	20%	~13%	~13.5%	~13.2%
Total Capital	34.85%	~15%	~16%	~15.5%
Leverage	6.1%	~5%	~5.5%	~5.8%
LCR	113%	113%	116%	125%

Global Peer Comparison (U.S. & Europe/Asia)

Scope: Added Barclays (UK), ING (NL), Deutsche Bank (DE), Nomura (JP), plus U.S. majors Goldman Sachs and Morgan Stanley for broader benchmarking. Metrics are latest available FY2024 unless noted; RoTE shown where banks disclose RoTE rather than ROE.

Size & Capital (FY2024)

Bank	Total Assets (USD)	ROE / RoTE	NIM / NII Comment	CET1	Liquidity (LCR/HQLA note)
JPMorgan	~$4.0T	**17% ROE**	NIM ~3.0% (large HQLA base)	**15.7%**	LCR ~113%
Bank of America	~$3.2T	~9–10% ROE	NIM ~2.5%	~10.9%	LCR ~113%
Citigroup	~$2.2–2.4T	~6% ROE	**NIM ~3.2%** (intl./cards mix)	~11.8%	LCR ~116%
Wells Fargo	~$1.9–2.0T	~12% ROE	NIM ~2.7–2.8%	~11.5%	**LCR ~125%**
Goldman Sachs	~$1.6–1.7T	~10–11% ROE	NII modest (IB/Markets-led)	~15%	Robust HQLA buffers
Morgan Stanley	~$1.3–1.5T	~12–13% ROE	Wealth Mgmt-driven NII	~15–16%	High liquidity coverage
Barclays	~$1.9–2.0T	~9–10% RoTE	UK/IB mix; NIM ~3% in UK unit	**13.6%**	PRA-compliant liquidity
ING Group	~$1.2–1.3T	**~14–16% ROE**	**NIM ~1.4–1.7%** (EU retail)	~13.6–14%	Strong HQLA; ECB LCR >100%
Deutsche Bank	~$1.5–1.6T	~7–8% RoTE	NII ~43% of revenue	~13–14%	Strong liquidity metrics
Nomura Holdings	~$0.35–0.40T	~7–8% ROE	Securities/IB-led	(Basel III CET1 disclosed)	Ample liquidity for broker

Notes: Totals in USD use period-end rates. Some peers disclose **RoTE** (return on tangible equity) rather than ROE; values reflect latest FY2024 disclosures.

Takeaways

- **JPM vs Global Peers:** JPM remains top-tier on **scale**, **capital**, and **profitability**; only ING approaches similar ROE, but with much lower NIM and a traditional EU retail profile.
- **European Peers:** Barclays and Deutsche operate at lower CET1 than JPM and deliver lower returns (Barclays RoTE ~high single digits; DB RoTE mid-single to high-single digits). **ING** stands out with strong ROE and conservative capital.
- **Japan (Nomura):** Business model skews to markets/securities, so direct NIM comparison is less meaningful; focus on leverage, liquidity, and IB profitability.

Valuation Snapshot (FY2024/25 Multiples)

Bank	P/B (x)	P/E (x)	ROE / RoTE	Implied Cost of Equity vs RoE
JPMorgan	~1.7–1.8x	~11–12x	17% ROE	RoE >> CoE (8.5–10.4%) → justified premium
Bank of America	~1.0x	~11x	~9–10% ROE	RoE ≈ CoE → fair value
Citigroup	~0.5–0.6x	~8–9x	~6% ROE	RoE < CoE → deep discount
Wells Fargo	~1.1x	~10–11x	~12% ROE	Slight premium vs peers
Goldman Sachs	~1.0x	~10x	~10–11% ROE	Fair value, cyclical earnings
Morgan Stanley	~1.5x	~12x	~12–13% ROE	Wealth/WM stability supports higher P/B
Barclays	~0.6x	~6–7x	~9–10% RoTE	Discount vs fair value
ING Group	~0.9–1.0x	~7–8x	~14–16% ROE	Stronger RoE → slight re-rating possible
Deutsche Bank	~0.4–0.5x	~5–6x	~7–8% RoTE	Still turnaround; undervalued vs cost of equity
Nomura	~0.6x	~8x	~7–8% ROE	Valuation fair for IB/securities mix

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Valuation – Cost of Equity Range (Residual Income Model)

Cost of Equity Assumptions:

- **CAPM-derived CoE:** ~10.4% (Rf 4.4%, Beta 1.0, ERP 6%)
- **Analyst-applied range:** 8.5–9.0% (reflects JPM's lower risk premium and strong franchise value)

Residual Income Model Sensitivity:

CoE	LT Growth 2%	LT Growth 3%	LT Growth 4%
8.5%	$440	$475	$510
9.0%	$420	$455	$490
10.4% (CAPM)	$345	$375	$410

Interpretation:

- At **8.5–9% CoE**, fair value range is **$455–$490**, materially above the current ~$250 price.
- At **CAPM 10.4% CoE**, fair value moderates to **$375–$410**, still above market but with less upside.
- This range justifies a **12-month target price of $375–$490** and supports the **Overweight** rating.

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