# Credit Risk Brief & Stress Test — JPMorgan Chase (JPM)

**Date:** Oct 21, 2025

## Executive Summary

Base 3Q25 results show total net revenue of $46.4B, interest expense of $25.5B, and PPNR of $22.1B. Reported net income was $14.4B (tax rate 23.2%). Regulatory capital is strong (CET1 14.8%), with liquidity of roughly $1500B in cash & marketable securities.

## Leverage, Coverage & Liquidity

Leverage (proxy): Interest‑bearing liabilities/Common equity ≈ 9.6x. Coverage (gross, bank proxy): Net revenue/interest expense ≈ 1.82x. Liquidity: Deposits/Loans ≈ 1.8x; HQLA/Assets (proxy) ≈ 33.33%.

## Stress Scenario

Assumptions: –10% total net revenue, +200 bps to funding cost (interest‑bearing liabilities), +5 days DSO and +5 days ‘inventory’ (trading) proxy.

Results (quarterly): Net revenue $41.8B; interest expense $41.6B; PPNR $17.7B; pretax $-2.5B; net income $-1.9B. Working‑capital drag ≈ $1.6B; capex proxy $0.2B; FCF proxy $-3.8B. Coverage falls to 1.00x.

## Covenants & Early‑Warning Indicators

• Maintain CET1 ≥ 13.0% and TLAC compliance; board notification if CET1 < 13.5%.

• Minimum Liquidity: HQLA ≥ $1.3T; LCR ≥ 110% (monitor daily).

• Leverage guardrail: Interest‑bearing liabilities/Common equity ≤ 11x.

• Earnings protection: PPNR ≥ $18B/quarter; Markets VaR within approved bands.

• EWIs: rapid deposit outflows (>2% weekly), widening wholesale funding spreads (+50 bps w/w), credit card charge‑offs >3.5%, criticized CRE growth >10% q/q.

## Risk Mitigants & Monitoring Plan

• Risk limits: tighten counterparty and sector limits in CRE and high‑yield; set tenor caps on unsecured wholesale funding.

• Collateralization: prioritize secured funding; require additional margin for lower‑rated counterparties.

• Triggers: activate liquidity playbook if coverage <1.4x or deposit outflows exceed thresholds; pause buybacks if CET1 <14%.

• Monitoring: weekly KPI pack (PPNR run‑rate, deposit beta, funding gap, NII sensitivity, VaR/utilization, LCR/HQLA, card NCOs).

## Data Notes

Figures reflect JPM’s 3Q25 public filings; where granular data is unavailable, standard proxies are used (coverage definition, WC days, capex % of revenue). See Excel workbook for all formulas.