

# EQUITY RESEARCH REPORT

SUMMIT SECURITIES RESEARCH  
Financial Services Coverage Team

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## JPMORGAN CHASE & CO. (NYSE: JPM)

**Rating:** OUTPERFORM

**Price Target:** \$260.00

**Current Price:** \$231.75 (as of December 1, 2024)

**Analyst:** Robert Chen, CFA

**Date:** October 15, 2024

**Sector:** Diversified Financial Services

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### EXECUTIVE SUMMARY

We maintain our OUTPERFORM rating on JPMorgan Chase & Co. (JPM) with a price target of \$260, implying 12.2% upside from current levels. As the premier franchise in American banking, JPM continues to demonstrate superior execution across economic cycles:

- **Net Interest Income Resilience:** Disciplined deposit pricing maintaining NII stability
- **Credit Quality Leadership:** Best-in-class credit metrics with conservative provisioning
- **Capital Markets Dominance:** #1 position in investment banking fees and trading revenue
- **Digital Transformation:** Technology investments driving operational efficiency and customer acquisition

### KEY INVESTMENT HIGHLIGHTS

**1. Industry-Leading Financial Performance** JPMorgan's scale advantages and diversified business model continue to drive outperformance: - Return on Equity (ROE): 17.8% in Q3 2024, well above peer median of 13.2% - Return on Assets (ROA): 1.64%, demonstrating superior asset utilization - Efficiency Ratio: 55.1%, best among large-cap banks - Book value per share growth: 12.8% CAGR over past 5 years

**2. Consumer & Community Banking Franchise** The CCB division represents a durable competitive advantage with 86 million customers: - Branch network: 4,800+ locations providing geographic diversification - Digital engagement: 54 million active mobile users (+8% YoY) - Credit card spend: \$214.5B in Q3 2024 (+6.9% YoY) - Home lending: #1 market share in mortgage originations with \$41.2B quarterly volume

### **3. Corporate & Investment Bank Excellence**

CIB maintains market-leading positions across key products:

- Investment banking fees: \$2.4B in Q3 2024 (+3.1% YoY despite market headwinds)
- Markets revenue: \$5.2B (+8.7% YoY) with balanced fixed income and equities contribution
- Commercial banking loans: \$196.8B (+4.2% YoY) with strong middle-market relationships
- Asset Management AUM: \$3.2T with net inflows of \$28.5B in Q3

## **FINANCIAL ANALYSIS**

**Q3 2024 Results Demonstrate Resilience:**

- Total Revenue: \$43.3B (+22.1% YoY, vs. \$40.9B consensus)
- Net Interest Income: \$22.9B (+3.1% YoY)
- Non-Interest Income: \$20.4B (+52.4% YoY, aided by securities gains)
- Net Income: \$12.9B (+0.7% YoY)
- Earnings Per Share: \$4.37 (vs. \$3.99 estimate)

**Credit Quality Metrics Remain Strong:**

- Net charge-off rate: 1.76% (vs. industry average of 2.1%)
- Allowance for credit losses: \$17.4B (conservative 2.9% of total loans)
- Card NCO rate: 3.11% (within guided range of 3.4%-3.8%)
- Commercial real estate exposure well-managed at 1.8% of total loans

**Robust Capital Position:**

- CET1 Ratio: 15.9% (well above 10% regulatory minimum)
- Total Loss Absorbing Capacity (TLAC): \$486B
- Tangible book value per share: \$83.45 (+14.2% YoY)
- Share repurchases: \$1.0B in Q3 2024

## **SEGMENT PERFORMANCE ANALYSIS**

**Consumer & Community Banking (\$20.7B revenue):**

- Net interest income up 2.9% YoY despite rate pressures
- Credit card revenue +14.8% YoY driven by spend growth
- Home lending revenue down 12.1% due to mortgage market conditions
- Investment fee income up 18.2% with assets under management growth

**Corporate & Investment Bank (\$12.9B revenue):**

- Banking revenue +7.6% YoY with robust M&A advisory activity
- Markets revenue +8.7% YoY across fixed income and equity products
- Securities Services +12.4% YoY with AUM growth and new client wins
- Commercial banking loans growing steadily at 4.2% YoY

**Asset & Wealth Management (\$4.2B revenue):**

- Management fees up 11.8% YoY with market appreciation and net flows
- AUM reached \$3.2T with long-term net inflows of \$28.5B
- High net worth client acquisition continuing with 4.8% growth

**Commercial Banking (\$3.2B revenue):**

- Revenue up 5.1% YoY with loan growth and deposit fee income
- Middle market lending relationships expanding
- Treasury services revenue growing with transaction volume increases

## **VALUATION & PRICE TARGET METHODOLOGY**

Our \$260 price target represents attractive risk-adjusted returns:

**Tangible Book Value Multiple (60% weight): \$265/share** - Target 3.2x P/TBV (premium to 2.8x peer average) - 2024E TBVPS of \$83 growing to \$92 by end-2025 - Premium justified by superior ROE and credit quality

**Dividend Discount Model (40% weight): \$252/share** - Assumed dividend growth rate of 8% annually - Required rate of return: 11.2% based on CAPM - Terminal value assumption: 3.5% long-term growth

## **RISKS & CATALYSTS**

**Key Downside Risks:** - Economic recession leading to increased credit losses

- Net interest margin compression if rates decline rapidly

- Regulatory capital requirements increasing beyond expectations - Commercial real estate deterioration affecting credit quality

**Positive Catalysts:** - Continued market share gains in investment banking

- Digital transformation driving efficiency improvements - Capital deployment via increased dividends and buybacks - Potential acquisition opportunities in regional banking space

## **COMPETITIVE POSITIONING**

JPMorgan maintains significant competitive advantages: - **Scale:** \$4.1T in assets providing cost advantages and regulatory buffer - **Diversification:** Balanced revenue mix reducing cyclical earnings volatility

- **Technology:** \$15B+ annual technology spend driving innovation leadership - **Management:** Proven executive team with strong risk management culture

## **REGULATORY & POLICY OUTLOOK**

Recent regulatory developments generally favorable: - Basel III endgame rules moderated from initial proposals - GSIB surcharge stable at current levels - Stress test results support current capital return plans - Political environment potentially more favorable to large banks

## **INVESTMENT RECOMMENDATION**

JPMorgan represents the highest-quality way to gain exposure to the U.S. banking system. The company's diversified business model, superior risk management, and strong capital position provide defensive characteristics while maintaining upside participation in economic growth. We recommend overweighting JPM within financial services allocations.

**Investment Thesis Summary:** - Fortress balance sheet with industry-leading credit quality - Diversified revenue streams providing stability through cycles -

Market-leading positions in key business lines - Strong capital generation supporting shareholder returns

**Recommendation: OUTPERFORM**

Price Target: \$260.00 (+12.2% upside)

Dividend Yield: 2.8% (with 8%+ annual growth)

Risk Rating: MODERATE

**EARNINGS ESTIMATES**

Metric	Q4 2024E	FY 2024E	FY 2025E	FY 2026E
Revenue	4.05	17.25	18.95	20.35
(B) 41.8 170.2 176.8 184.2  EPS()				
ROTCE (%)	22.1	22.8	23.2	22.9
Dividend (\$)	1.15	4.40	4.75	5.15

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**Important Disclosures:** Summit Securities Research has provided investment banking services to JPMorgan Chase & Co. within the past 12 months and may seek to do so in the future.

**Analyst Certification:** Robert Chen hereby certifies that the views expressed in this research report accurately reflect his personal views about JPMorgan Chase & Co. and that no part of his compensation was directly or indirectly related to the specific recommendations herein.

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