JPMORGAN CHASE & CO

JPMorgan Chase is one of world's largest diversified-banking firms. The company operates a leading global corporate and investment bank and is the second-largest mortgage originator in the United States, after Wells Fargo. JPMorgan Chase also operates a large retail-banking network and is a leading credit card issuer.

Analyst's Notes

Analysis by Stephen Biggar, April 11, 2025

ARGUS RATING: BUY

- Surging trading revenues help with 1Q EPS beat
- On April 11, JPM reported 1Q25 EPS of $5.07, up from $4.44 in the prior-year quarter and above the consensus of $4.64. Trading revenues surged 47% sequentially on extreme market volatility, helping offset a 10% sequential decline in investment banking.
- JPM maintained 2025 guidance calling for net interest income of $90 billion (versus 2024 actual of $92 billion), and expenses of $95 billion ($91.1 billion).
- The company also kept its estimate for a card services net charge-off rate of 3.6% for 2025.
- We are lowering our target price to $262 from $275, or 14-times our 2025 EPS estimate, a lower multiple than previously as we account for expected wider variability of earnings from tariff-induced turmoil.

INVESTMENT THESIS

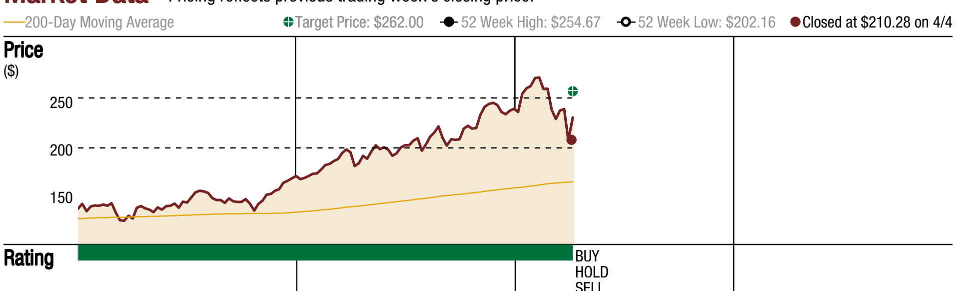
We are maintaining our BUY rating on JPMorgan Chase & Co. (NYSE: JPM) following 1Q25 earnings. The results included a 1% year-over-year rise in net interest income but 17% higher noninterest income, aided by higher trading revenues. JPM has an Investor Day planned for May 2025.

Along with 1Q results, the company maintained guidance calling for 2025 net interest income of $90 billion (versus 2024 actual of $92 billion) and expenses of $95 billion ($91.1 billion). JPM sees a card services net charge-off rate of roughly 3.6% in 2025. The company previously forecast a through-the-cycle return on tangible common equity of 17%.

In May 2023, the company acquired First Republic (FRC), which catered to wealthy clients, and, like failed Silicon Valley Bank, had a high percentage of uninsured depositors (those with deposits of more than $250,000). JPM paid the FDIC $10.6 billion for $173 billion in loans and $92 billion of deposits. The deal includes a loss-sharing agreement with the FDIC, covering single-family residential mortgages and commercial loans. JPM also repaid $25 billion of deposits to a consortium of large banks that had been used to mitigate deposit outflows from FRC. JPM recognized a $2.7 billion gain on the purchase,

Market Data

Pricing reflects previous trading week's closing price.



FY ends Dec 31	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4
EPS ($) Quarterly	0.00	0.00	0.00	0.00	4.44	4.40	4.38	4.81	5.07	4.58	4.47	4.61	4.82	4.83	4.74	5.06
EPS Annual	16.77				18.03				18.72 (Estimate)				19.51 (Estimate)			
Revenue ($ in Bil.) Quarterly	0.0	0.0	0.0	0.0	41.9	50.2	42.7	42.8	45.3	44.0	42.6	43.1	44.5	44.2	43.2	44.5
Revenue Annual	0.0				177.6				175.1 (Estimate)				176.3 (Estimate)			

Argus Recommendations

Rating			
Twelve Month Rating	SELL	HOLD	**BUY**
Five Year Rating	SELL	HOLD	**BUY**
Sector Rating	Under Weight	Market Weight	**Over Weight**

Argus assigns a 12-month BUY, HOLD, or SELL rating to each stock under coverage.

- BUY-rated stocks are expected to outperform the market (the benchmark S&P 500 Index) on a risk-adjusted basis over the next year.
- HOLD-rated stocks are expected to perform in line with the market.
- SELL-rated stocks are expected to underperform the market on a risk-adjusted basis.

The distribution of ratings across Argus' entire company universe is: 74% Buy, 26% Hold, 0% Sell.

Key Statistics

Key Statistics pricing data reflects previous trading day's closing price. Other applicable data are trailing 12-months unless otherwise specified

Market Overview

Price	$227.11
Target Price	$262.00
52 Week Price Range	$179.20 to $280.25
Shares Outstanding	2.78 Billion
Dividend	$5.60

Sector Overview

Sector	Financial
Sector Rating	OVER WEIGHT
Total % of S&P 500 Market Cap.	14.70%

Financial Strength

Financial Strength Rating	HIGH
Debt/Capital Ratio	73.2%
Return on Equity	15.5%
Net Margin	21.0%
Payout Ratio	0.29
Current Ratio	--
Revenue	$278.91 Billion
After-Tax Income	$58.47 Billion

Valuation

Current FY P/E	12.13
Prior FY P/E	12.60
Price/Sales	2.27
Price/Book	1.96
Book Value/Share	$116.07
Market Capitalization	$632.05 Billion

Forecasted Growth

1 Year EPS Growth Forecast	3.83%
5 Year EPS Growth Forecast	10.00%
1 Year Dividend Growth Forecast	13.54%

Risk

Beta	1.07
Institutional Ownership	73.28%

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Analyst's Notes ...Continued

excluding expected restructuring costs of $2 billion between 2023 and 2024. The transaction is expected to be accretive to tangible book value and have an internal rate of return of at least 20%. We believe that FRC provides a healthy addition of loans and deposits and that it will help expand JPM's high-net-worth franchise. As it already has more than 10% of U.S. bank deposits, JPM is unable to grow deposits via traditional acquisitions.

We like JPM among the large banks given its better lending-growth profile, strong credit-card franchise, and expected market-share gains in its capital-markets businesses. We view the current forward multiple as undervaluing the franchise.

Our target price is $262 (down from $275), which represents a reasonable multiple of 14-times our 2025 EPS forecast. High interest rates have kept loan growth subdued, and we now expect an investment-banking rebound to stall on tariff-induced turmoil, but trading revenues have surged on market volatility.

RECENT DEVELOPMENTS

Over the past year, JPM shares have risen 16% compared to a 2% advance for the broad market.

On April 11, JPM reported 1Q25 EPS of $5.07, up from $4.44 in the prior-year quarter and above the consensus of $4.64. Net revenues rose 8%, to $45.3 billion. Net interest income rose 1%, while non-interest income was up 17%, benefiting from higher asset management and trading revenues.

Beginning in the second quarter of 2024, the company combined its Corporate & Investment Bank and Commercial Banking business segments into one segment called Commercial & Investment Bank.

In Consumer & Community Banking, first-quarter net income was down 8% to $4.4 billion. Net revenues rose 4%, with gains in home lending and card services & auto outweighing a 1% decline in banking & wealth management. Operating expenses were up 6%, reflecting higher marketing costs and technology expenses. The results also reflected credit costs of $2.6 billion, up from $1.9 billion a year earlier.

In the Commercial & Investment Bank, net revenues were up 12% at $19.7 billion, with gains of 4% in banking & payments revenue (led by a 12% rise in investment-banking) and 19% in markets revenue. Operating expenses increased 13%. The loss provision was $705 million, up sharply from only $1 million a year earlier, and net income was up 5% to $6.9 billion.

In Asset & Wealth Management, net revenue rose 12% to $5.7 billion on higher asset-management fees. Assets under management rose 15% to $4.1 trillion. Operating costs rose 7%, attributed to higher revenue-related compensation and continued growth in private banking advisor teams, as well as higher distribution fees. Net income was up 23% to $1.6 billion.

EARNINGS & GROWTH ANALYSIS

JPM's business diversification continued to benefit results in 1Q25. Net interest income was essentially flat while noninterest

Growth & Valuation Analysis

GROWTH ANALYSIS ($ in Millions, except per share data)	2020	2021	2022	2023	2024
Revenue	119,883	121,685	127,727	154,952	169,439
COGS	—	—	—	—	—
Gross Profit	—	—	—	—	—
SG&A	37,464	41,603	45,547	51,056	56,331
R&D	—	—	—	—	—
Operating Income	—	—	—	—	—
Interest Expense	-54,563	-52,311	-66,710	-89,267	-92,583
Pretax Income	35,815	59,562	46,166	61,612	75,081
Income Taxes	6,684	11,228	8,490	12,060	16,610
Tax Rate (%)	19	19	18	20	22
Net Income	29,131	48,334	37,676	49,552	58,471
Diluted Shares Outstanding	3,087	3,027	2,970	2,943	2,879
EPS	8.88	15.36	12.09	16.23	19.75
Dividend	3.60	3.80	4.00	4.10	4.80
GROWTH RATES (%)					
Revenue	3.6	1.5	5.0	21.3	9.3
Operating Income	—	—	—	—	—
Net Income	-20.0	65.9	-22.1	31.5	18.0
EPS	-17.2	73.0	-21.3	34.2	21.7
Dividend	5.9	5.6	5.3	2.5	17.1
Sustainable Growth Rate	5.3	14.9	9.1	13.8	12.6
VALUATION ANALYSIS					
Price: High	$141.10	$172.96	$169.81	$170.69	$254.31
Price: Low	$76.91	$123.77	$101.28	$123.11	$164.30
Price/Sales: High-Low	3.6 - 2.0	4.3 - 3.1	3.9 - 2.4	3.2 - 2.3	4.3 - 2.8
P/E: High-Low	15.9 - 8.7	11.3 - 8.1	14.0 - 8.4	10.5 - 7.6	12.9 - 8.3
Price/Cash Flow: High-Low	13.3 - 7.3	— - —	5.5 - 3.3	9.3 - 6.7	— - —

Financial & Risk Analysis

FINANCIAL STRENGTH	2022	2023	2024
Cash ($ in Millions)	567,234	624,151	469,317
Working Capital ($ in Millions)	—	—	—
Current Ratio	—	—	—
LT Debt/Equity Ratio (%)	111.7	130.4	120.1
Total Debt/Equity Ratio (%)	128.3	145.3	139.9
RATIOS (%)			
Gross Profit Margin	—	—	—
Operating Margin	—	—	—
Net Margin	28.1	30.8	33.6
Return On Assets	1.0	1.3	1.4
Return On Equity	13.7	16.9	18.2
RISK ANALYSIS			
Cash Cycle (days)	—	—	—
Cash Flow/Cap Ex	—	—	—
Oper. Income/Int. Exp. (ratio)	—	—	—
Payout Ratio	23.4	33.8	24.2

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Analyst's Notes ...Continued

income climbed 17% as investment banking rebounded and trading revenues surged on volatile asset prices.

Looking ahead, we expect net interest income growth to remain sluggish as high interest rates continue to impact loan demand. JPM has guided toward net interest income (NII) of $90 billion in 2025 (compared to $92 billion in 2024), with expenses coming in at $95 billion ($91.1 billion in 2024), both unchanged from guidance issued along with 4Q24 results. Average loans were up 2% year over year in 1Q25, similar to the 4Q24 pace, and we expect a similar low single-digit growth rate going forward. We look for overall revenues to be up 2% in 2025, though we have lowered our investment banking revenue forecast (based on tariff-induced market turmoil) while raising our estimate for trading revenues on renewed market volatility.

We are raising our 2025 EPS estimate to $18.72 from $17.94 on higher trading revenues. We are increasing our 2026 forecast to $19.51 from $19.00.

FINANCIAL STRENGTH & DIVIDEND

Our financial strength rating on JPMorgan Chase is High.

In June 2024, the Federal Reserve completed its 2024 Comprehensive Capital Analysis and Review (CCAR) stress test process. JPMorgan said its common equity tier 1 capital ratio would fall to a minimum of 12.3% under the severe adverse scenario of the stress test, versus a 15.0% achieved ratio in 4Q23. JPM increased its quarterly common stock dividend to $1.40 per share from $1.25 effective in 1Q25. The company repurchased $7 billion of its stock in 1Q25 under a $30 billion authorization.

JPMorgan has indicated that its capital priorities are to first invest in and grow its market-leading businesses to support clients, customers, and communities; second, to pay a sustainable competitive dividend; and third, to return remaining excess capital to shareholders.

JPM's Basel III Tier I capital ratio (standardized) was 15.4% in 1Q25, up from 15.0% a year earlier. The total capital ratio was 18.2%, unchanged from a year earlier.

Dividends came to $4.80 per share in 2024. We expect payouts of $5.45 in 2025 (up from a prior $5.20) and $6.00 in 2026 (up from a prior $5.54). The current yield is about 2.0%.

MANAGEMENT & RISKS

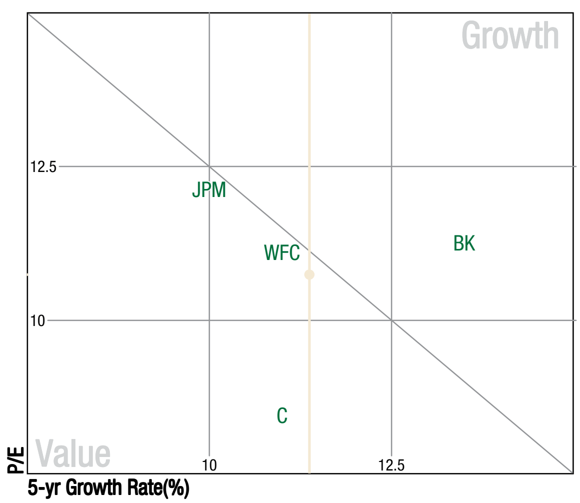
JPM is led by Chairman and CEO Jamie Dimon. Generally, we consider JPM to have a deep bench of talent for succession purposes, and in recent years has had a stable group of senior executives. After COO Daniel Pinto announced his retirement effective at the end of 2026 (to be replaced by Jennifer Piepszak), these include Troy Rohrbaugh and Doug Petno, co-CEOs of the Commercial and Investment bank, and Marianne Lake, CEO of the Consumer Bank.

JPMorgan Chase has a large consumer franchise in the U.S. and a large global-securities and asset-management operation. The Dodd-Frank Act and other regulatory actions have impacted many

Peer & Industry Analysis

The graphics in this section are designed to allow investors to compare JPM versus its industry peers, the broader sector, and the market as a whole, as defined by the Argus Universe of Coverage.

- **The scatterplot shows how JPM stacks up versus its peers on two key characteristics: long-term growth and value. In general, companies in the lower left-hand corner are more value-oriented, while those in the upper right-hand corner are more growth-oriented.**
- **The table builds on the scatterplot by displaying more financial information.**
- **The bar charts on the right take the analysis two steps further, by broadening the comparison groups into the sector level and the market as a whole. This tool is designed to help investors understand how JPM might fit into or modify a diversified portfolio.**



Ticker	Company	Market Cap ($ in Millions)	5-yr Growth Rate (%)	Current FY P/E	Net Margin (%)	1-yr EPS Growth (%)	Argus Rating
JPM	JPMorgan Chase & Co.	632,046	10.0	12.1	21.0	4.2	BUY
WFC	Wells Fargo & Co.	206,064	11.0	11.1	15.7	13.6	BUY
C	Citigroup Inc	115,922	11.0	8.5	7.4	17.0	BUY
BK	Bank of New York Mellon Corp	55,004	13.5	11.3	11.3	13.5	BUY
Peer Average		**252,259**	**11.4**	**10.7**	**13.9**	**12.1**	

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Analyst's Notes ...Continued

of JPM's businesses; however, many of the costs related to the rules have already been factored into operating expenses.

On the commercial side, we note that most of JPM's revenue and earnings are not generated from proprietary trading businesses. However, JPM is a major owner and trader of derivatives. Increased regulation of derivatives trading, including the movement of trades to exchanges and clearinghouses, could have an impact on JPM's trading revenues.

In September 2020, JPM agreed to pay a $920 million fine to the SEC and the Commodities Futures Trading Commission to resolve investigations into alleged manipulation in the metals and Treasury markets. The investigations involved 'spoofing,' in which traders flood markets with orders that they have no intention of executing.

COMPANY DESCRIPTION

JPMorgan Chase is one of world's largest diversified-banking firms. The company operates a leading global corporate and investment bank and is the second-largest mortgage originator in the United States, after Wells Fargo. JPMorgan Chase also operates a large retail-banking network and is a leading credit card issuer.

VALUATION

We believe that JPM's market outperformance over the past year reflects optimism about still good employment trends that should keep credit costs manageable, as well as record trading revenues from a highly volatile market environment, which should help offset expected weakness in investment banking as tariff-induced turmoil leads to muted deal activity.

JPM trades at 12.4-times our 2025 EPS estimate, which we view as reasonable given still improving earnings trends despite significant market turmoil. Our target price of $262 (reduced from a prior $275) assumes a multiple of 14-times our 2025 forecast, with the lower multiple reflecting greater expected volatility in the near- and intermediate term outlook.

On April 11 at midday, BUY-rated JPM traded at $233.61, up $6.50.

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About Argus

Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing forecasts from Argus' Economist, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

And finally, Argus' Valuation Analysis model integrates a historical ratio matrix, discounted cash flow modeling, and peer comparison.

THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- A BUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- A HOLD-rated stock is expected to perform in line with the S&P 500.
- A SELL-rated stock is expected to underperform the S&P 500.

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