

JPMorgan Chase & Co. (NYSE: JPM)

Financials · Diversified Banks · United States | Report Date: 16 August 2026 · Analyst: Debjit Mukherjee, Student Equity Research Analyst | Vireo Capital Research

RATING	PRICE TARGET	CURRENT PRICE	UPSIDE / DOWNSIDE
SELL	USD 323.00	USD 362.84	-11.0% price / -9.2% total

MARKET CAP	TANGIBLE BOOK / SHARE	P / TANGIBLE BOOK	CET1 RATIO
USD 964.5B	USD 113.35	3.20x	14.1%

P/E (TTM)	FWD P/E (FY2027E)	ROTCE (Q2, EX-ITEMS)	DIVIDEND / YIELD
15.6x	14.5x	23%	USD 6.60 / 1.82%

Market data at the close of 14 August 2026. The dividend is stated on the forward run-rate of \$6.60: the Board raised the quarterly rate to \$1.65 from \$1.50 effective Q3 2026, announced 24 June 2026 alongside CCAR results and a new \$50bn repurchase authorisation effective 1 July. On the trailing \$6.00 rate the yield is 1.65% and the total expected return -9.4%. Enterprise value and EV/EBITDA are omitted throughout: neither is meaningful for a deposit-funded balance sheet where debt is raw material rather than financing.

1. INVESTMENT THESIS

JPMorgan Chase is the best-run large bank in the world, and we are initiating coverage with a SELL. Nothing in this note disputes the franchise. The rating is a statement about price and about the durability of a return, not about quality.

The second quarter of 2026, reported on 14 July, was extraordinary on almost every measure. Net revenue of \$57.3 billion was up 28%. Net income of \$21.2 billion was up 41%. Return on tangible common equity was 29%. Every line of business set a revenue record, investment banking fees rose 30% to their highest level since 2021, and assets under management passed \$5 trillion. Two things sit underneath those headlines. The first is that \$4.2 billion of after-tax gains — a \$4.6 billion net gain on the Visa Class B-2 exchange completed in May, plus \$1.0 billion on other equity investments — contributed \$1.56 of the \$7.70 reported earnings per share. Management says so plainly and leads with the adjusted figures: net income of \$16.9 billion, EPS of \$6.14, ROTCE of 23%. Against the first quarter's \$5.94, recurring earnings per share grew 3% sequentially, not 30%. The second is that the growth that remains is concentrated where it is least repeatable. Equity Markets revenue rose 86% year on year and investment banking fees 30%, while net interest income excluding Markets — the annuity at the centre of the bank — grew 4%.

The clearest way to state the disagreement is to invert the multiple. At 3.20 times tangible book, a 10.09% cost of equity and 4.5% terminal growth, the market is capitalising a sustainable ROTCE of 22.4%. JPMorgan's own stated through-the-cycle target is 17%, and its actual ROTCE averaged 20.4% across 2021 to 2025 — a period that included the most favourable rate cycle for banks in two decades. The market is not paying for the bank management describes, or even for the bank of the last five years. It is paying for the second quarter of 2026, extended indefinitely.

We should be explicit about what would make us wrong, because the bull case is not absurd. If JPMorgan sustains a 20.5% ROTCE with a 9.6% cost of equity — plausible if deregulation releases capital, if scale advantages keep widening, and if the equity risk premium stays compressed — the same three methods give \$432 and the rating is a BUY. That is the honest span. This is a call on whether a 22% return on tangible equity is a peak or a plateau, and reasonable people can take the other side of it.

BULL CASE vs. BEAR CASE

KEY BULL CASE	KEY BEAR CASE
Capital fortress. A 14.1% standardised CET1 ratio on \$303bn of capital leaves room for dividends, buybacks and Basel III endgame adjustment without diluting returns.	Valuation stretch. At 3.20x tangible book against a 2.54x five-peer average, JPMorgan carries a 26% premium on book and about 10% on forward earnings — and sits at or through a ten-year high against a ten-year median near 2.0x.
Consistent profitability. ROTCE has exceeded the 17% target in every year since 2021, which argues the return is structural rather than cyclical.	One-off dependency. \$4.2bn of after-tax gains, principally the Visa Class B-2 exchange, contributed \$1.56 of \$7.70 reported EPS. Recurring EPS grew 3% sequentially, not 30%.
Favourable cycle. Capital markets activity and investment banking fees have stayed resilient considerably longer than most expected, and the fade may not come.	NII normalisation. Net interest income excluding Markets grew 4% and is already absorbing lower rates. The largest and most stable revenue line is the one under pressure.
Deposit franchise. The deposit base has repriced in JPMorgan's favour, supporting margins even as policy rates fall.	Credit at a cyclical best. Card net charge-offs of 3.34% and a \$149m reserve build reflect a benign consumer. A normal recession takes provisions well above the \$2.5bn quarterly run-rate.

2. COMPANY OVERVIEW

JPMorgan Chase & Co. is the largest bank in the United States by assets, with \$5.0 trillion of assets and \$375 billion of stockholders' equity at 30 June 2026 and 318,512 employees. It operates through three reportable segments plus Corporate.

Consumer & Community Banking serves retail customers, small businesses and card holders, and produced \$76.0 billion of revenue in 2025. In the second quarter it earned \$5.3 billion, up 3%, on revenue of \$20.3 billion, up 8% — a steady, unspectacular result, with Card Services net charge-offs running at 3.34%. The Commercial & Investment Bank, formed by the 2024 combination of the commercial bank with the corporate and investment bank, houses advisory, underwriting, markets, payments and securities services, and produced \$78.5 billion in 2025. It is where the quarter was made: \$9.7 billion of net income on \$24.9 billion of revenue, up 46% and 27%, with Markets revenue of \$12.1 billion up 35% and the firm holding the number one position in global investment banking fees at 9.3% wallet share. Asset & Wealth Management runs \$5.1 trillion of assets under management and \$7.7 trillion of client assets, produced \$24.1 billion in 2025, and earned \$2.0 billion in the quarter on 19% revenue growth with \$50 billion of long-term net inflows. Corporate holds treasury and the firm's principal investments. The mix matters for the thesis: the two segments that grew fastest in the quarter, the Commercial & Investment Bank and Asset & Wealth Management, are also the two whose revenue is most sensitive to market conditions, while Consumer & Community Banking — the closest thing the firm has to an annuity — grew net income 3%.

The capital position is fortress-grade and central to the bull case: a 14.1% standardised CET1 ratio on \$303 billion of CET1 capital, a 5.5% supplementary leverage ratio and \$590 billion of total loss-absorbing capacity. Book value per share of \$133.01 rose 9% over the year and tangible book value per share of \$113.35 rose 10%. The firm has raised its dividend for fifteen consecutive years and has been led by Jamie Dimon as Chief Executive since 2005 and Chairman since 2006.

3. INDUSTRY AND COMPETITIVE LANDSCAPE

JPMorgan trades at roughly a 26% premium to peers on tangible book — 3.20 times against a five-peer average of 2.54 times — and at about a 10% premium on forward earnings. The peer set is the five large-cap US money-centre and broker names, and the premium is sensitive to which of them are included: a narrower sample of Bank of America, Citigroup and

Goldman Sachs alone would put it at 43%, which is why we state the wider figure. The question this section has to answer is whether that premium is earned, or whether it is precisely the thing being sold.

The premium is partly earned, and the part that is earned is superior profitability and balance-sheet strength. JPMorgan's ROTCE is 23% excluding significant items against roughly 16.5% for the peer average, and its CET1 ratio near 14.1% with a very large liquidity pool gives it optionality that most peers simply do not have. In a world where capital is scarce and regulation is tightening, that command of capital deserves a higher multiple than the group.

Where it stops being justified is where the multiple assumes the outperformance is both permanent and repeatable without degradation. A 3.20 times multiple implies a sustained 22 to 23% ROTCE through rate cuts, normalising credit and regulatory change. That is a very high bar. The instructive comparison is Morgan Stanley, which trades at 4.08 times tangible book — 28% above JPMorgan — on a 26.6% ROTCE. JPMorgan is not the expensive outlier in this group; it is the second most expensive of six, and on tangible book per point of return it is again second behind Morgan Stanley. That matters for how the call should be read. This is not an argument that the market has mispriced one bank against its peers. It is an argument that the whole group is being paid up for, and that JPMorgan carries the largest absolute premium to its own history.

The honest counterweight, reflected in the peer table below, is that the competitive gap is narrower than the multiple gap implies. Bank of America earned a 17% ROTCE in the second quarter and Wells Fargo 17.7%, against JPMorgan's 23% excluding significant items. JPMorgan is better, clearly and consistently, and a 26% premium on tangible book is not obviously too much for that gap. The stronger version of the argument is therefore against JPMorgan's own history rather than against its peers: at 3.20 times the stock sits at or through a ten-year high, against a ten-year median nearer 2.0 times. So the premium is not irrational — it reflects real advantages in scale, diversification and execution — but the decision turns on marginal dollars. At 2.0 to 2.3 times tangible book JPMorgan is a high-quality compounder. At 3.20 times, the buyer is paying for near-perfect execution with very little room for error.

COMPARABLE COMPANY ANALYSIS

Company	Ticker	Mkt cap (\$bn)	P / TBV	Trailing P/E	Fwd P/E (FY26E)	ROTCE 2Q26	CET1
JPMorgan Chase	JPM	964.5	3.20x	15.57x	15.03x	23.0%	14.1%
Morgan Stanley	MS	341.4	4.08x	17.56x	16.63x	26.6%	14.8%
Goldman Sachs	GS	314.7	3.13x	16.08x	14.90x	25.5%	12.9%
Bank of America	BAC	451.0	2.18x	14.90x	12.97x	17.0%	11.2%
Wells Fargo	WFC	268.6	1.92x	12.91x	11.95x	17.7%	10.3%
Citigroup	C	233.7	1.38x	15.15x	11.93x	13.0%	12.8%
Peer average, ex-JPM		321.9	2.54x	15.32x	13.68x	20.0%	12.4%
JPM premium to peers			+26.1%	+1.6%	+9.9%		

Prices at the close of 14 August 2026. All forward multiples are FY2026E on a consistent basis; JPMorgan on FY2027E is 14.51x, which is not comparable to the peer column and should not be read against it. Peer ROTCE are Q2 2026 as reported by each firm and are not separately adjusted for one-offs; JPMorgan is

stated excluding significant items, which is the conservative presentation. Goldman Sachs tangible book per share is derived from price and the vendor multiple rather than read from the release. Enterprise-value multiples are omitted for the reason given on page one.

4. FINANCIAL ANALYSIS

Reported net revenue for the second quarter was \$57.3 billion and managed revenue \$58.0 billion, up 27%, or up 15% excluding significant items. Net interest income was \$25.6 billion, up 10%; excluding Markets it was \$23.7 billion, up 4%, as higher deposit balances, higher revolving Card balances and higher wholesale loan balances were largely offset by lower rates. Noninterest expense of \$27.3 billion rose 15%, driven by revenue-related compensation and front-office headcount growth, leaving a managed overhead ratio of 47%.

The distinction between the reported and the recurring number is the whole of the analysis. Reported EPS of \$7.70 becomes \$6.14 excluding significant items, and reported ROTCE of 29% becomes 23%. Management leads with the adjusted figures and we have built every valuation method in this note on them. Measured that way, recurring earnings per share grew 3% sequentially from the first quarter's \$5.94. A reader who annualises the reported quarter is annualising a Visa share exchange.

Where the remaining growth sits matters as much as its size. The Commercial & Investment Bank produced \$9.7 billion of net income on \$24.9 billion of revenue, up 46% and 27%. Markets revenue of \$12.1 billion rose 35%, split between Fixed Income up 6% and Equities up 86%. Investment banking fees of \$3.3 billion rose 30%. These are the most cyclical lines in the firm and they are being capitalised as though they were the most durable. Consumer & Community Banking, the steadiest part of the business, grew net income 3%. Asset & Wealth Management earned \$2.0 billion, up 33%, on 19% revenue growth with \$50 billion of long-term net inflows — genuinely strong, and the one place where the growth looks structural rather than cyclical.

Credit remains unremarkable in the best sense, which is itself the point. The provision was \$2.5 billion against \$2.4 billion of net charge-offs and a \$149 million reserve build, concentrated in Wholesale. Card Services net charge-offs of 3.34% reflect a benign consumer at what looks like a cyclical best rather than a mid-cycle norm. Against that credit backdrop the capital position, set out in Section 2, is not the binding constraint on this business — the return is. Book value per share of \$133.01 was up 9% over the year and tangible book value per share of \$113.35 up 10%, and it is that 10% compounding rate, not the reported earnings figure, which the excess-return model reproduces.

FINANCIAL SUMMARY — Q2 FY2026, reported 14 July 2026

Metric	Reported	Excluding significant items	Comment
Net revenue (\$m)	57,347	—	Up 28% year on year; managed \$58,022, up 27%
Noninterest expense (\$m)	27,316	—	Up 15%; managed overhead ratio 47%
Provision for credit losses (\$m)	2,515	—	\$2,417m net charge-offs, \$149m reserve build
Net income (\$m)	21,155	16,900	\$4.2bn of after-tax gains excluded
Diluted EPS (\$)	7.70	6.14	\$1.56 of reported EPS is significant items
ROTCE	29%	23%	Reported 29% is not a run-rate

Metric	Reported	Excluding significant items	Comment
Net interest income, managed (\$m)	25,600	—	Up 10%; up 4% excluding Markets
Markets revenue (\$m)	12,100	—	Up 35%; Equities up 86%, FICC up 6%
Investment banking fees (\$m)	3,300	—	Up 30%; No.1 globally at 9.3% wallet share
Card Services net charge-off rate	3.34%	—	A benign consumer, at a cyclical best

5. VALUATION

Banks are the one sector where a price-to-earnings multiple is actively misleading, because earnings in a good year are produced by a balance sheet that has not changed and a credit cycle that has. We therefore weight book-based methods at 80% and the earnings multiple at 20%. There is no discounted cash flow in this note and no EV/EBITDA in the peer table: free cash flow is not definable for a deposit-funded balance sheet, and enterprise value is not meaningful where debt is raw material rather than financing. The excess-return model occupies the slot a DCF would hold for an operating company.

The excess-return model starts from tangible book value per share of \$113.35 at 30 June 2026 and adds the present value of returns above the cost of equity. ROTCE is assumed at 22.5% in 2026 — the ex-items run-rate — fading to 18.0% by 2030 with an 18.5% terminal, which sits above management's own 17% target and below the 20.4% five-year average. Tangible book compounds at ROTCE times a 45% retention rate, which reproduces the 10% growth actually delivered over the past year. The cost of equity is 10.09%, built from the US 10-year Treasury at 4.70%, a 5.5% equity risk premium and a five-year beta of 0.98. Terminal growth is 4.5%. The result is \$325: \$113 of tangible book, \$50 of present-value excess returns through 2030, and \$162 of terminal value.

The justified price-to-tangible-book method asks what multiple the franchise earns rather than what multiple it trades at. At a normalised 19% ROTCE, 4.5% growth and a 10.09% cost of equity, the justified multiple is 2.59 times. Applied to estimated December 2026 tangible book of \$119, that gives \$309. The forward earnings method applies 13.5 times to consensus 2027 EPS of \$25.01, giving \$338. We should be precise about what that multiple is relative to. On a consistent FY2026E basis the five-peer average forward multiple is 13.68 times, so our 13.5 times is a marginal discount to the peer set — applied to the bank with the highest return on tangible common equity and the highest CET1 ratio in the group. It is a mildly punitive assumption rather than a generous one, and a reader is entitled to say so. What justifies it is a simple fact about growth rather than about quality: consensus expects 2027 earnings to grow 3.3%. The market is paying fifteen times FY2026E for a business the Street itself does not expect to grow next year.

PRICE TARGET DERIVATION

Methodology	Weight	Implied Price	Key Assumptions
Excess return on tangible book	50%	USD 325.28	Opening TBVPS \$113.35; ROTCE fades 22.5% to 18.0%, terminal 18.5%; CoE 10.09%; g 4.5%; 45% retention

Methodology	Weight	Implied Price	Key Assumptions
Justified price / tangible book	30%	USD 308.68	(19.0% normalised ROTCE – 4.5%) / (10.09% – 4.5%) = 2.59x, applied to Dec-2026E TBVPS of \$119
Forward price / earnings	20%	USD 337.64	13.5x on FY2027E consensus EPS of \$25.01; peer trailing average 14.34x
BLENDED PRICE TARGET	100%	USD 322.77	–11.0% price, –9.2% total return including the 1.82% forward dividend yield

The house standard for segment-valued and cash-generative businesses is 60/20/20. We have used 50/30/20 here because two of the three methods are book-based and the split between them is a judgement about which book method is more reliable, not about intrinsic versus relative. At 60/20/20 the blended target is \$324 against \$323, so the choice does not affect the rating. It should nevertheless be settled before the next financial we cover.

RATING SCALE

Ratings on this desk are set against the local risk-free rate rather than a fixed percentage band. With the US 10-year at 4.70%, a BUY requires a total expected return above the 10.09% cost of equity, an ACCUMULATE above the risk-free rate plus two points, or 6.70%, and a HOLD anywhere between zero and that hurdle. Below zero the rating is REDUCE, which maps to SELL on the Vireo three-tier scale. Anchoring to the ten-year rather than to a fixed band means the threshold moves with the macro regime, so cheap and expensive are always measured against the actual opportunity cost of capital. The same test applied to an Indian name would use the 7.1% G-sec and a 12.5% cost of equity.

THE COST OF EQUITY IS THE RATING

One assumption carries this call and it should be stated before the sensitivity rather than after it. Our 10.09% cost of equity is built on a 5.5% equity risk premium. That is above both published benchmarks: Kroll recommends 5.0%, and the premium implied by Damodaran market data at 1 August 2026 was 4.23%. The same three methods at those inputs give:

Equity risk premium	Cost of equity	Blended fair value	Price return	Total return	Rating
5.50% — this report	10.09%	\$322.77	–11.0%	–9.2%	SELL
5.00% — Kroll recommended	9.60%	\$348.31	–4.0%	–2.2%	SELL, marginal
4.23% — Damodaran implied, Aug-26	8.85%	\$398.96	+10.0%	+11.8%	BUY

We use 5.5% because we regard a compressed market-implied premium as itself a symptom of the conditions this note is questioning — a market paying up for quality at a cyclical peak will also price risk cheaply, and adopting its own risk pricing to value it is close to circular. But that is a judgement, not a fact, and a reader who takes the market-implied premium should reach the opposite conclusion on the same model. We would rather show that than bury it.

SENSITIVITY AND THE HONEST SPAN

At –9.2% the call is comfortable under our assumptions but closer to the line under generous ones, and we would rather say so than imply precision we do not have. Taking terminal ROTCE to 19%, normalised ROTCE to 20% and the equity risk premium down to 5.0% — each defensible on its own — together give \$361, a total return of +1.1%, and a HOLD.

Individually the swings are smaller: terminal ROTCE at 20% gives \$337 and at 17% gives \$308; terminal growth at 5.0% gives \$336 and at 4.0% gives \$311; a 15 times target earnings multiple gives \$330. The full bull case at \$432 requires a 20.5% sustainable ROTCE and a 9.59% cost of equity together. The bear case at \$232 requires ROTCE reverting to 15.5% in a normal credit cycle. The input that moves the answer most is the cost of equity. The judgement that moves it most is whether 22% is a peak or a plateau.

SENSITIVITY — JUSTIFIED FAIR VALUE vs NORMALISED ROTCE AND COST OF EQUITY

Normalised ROTCE	CoE 9.00%	9.50%	10.09%	10.50%	11.00%
16.0%	\$304	\$274	\$245	\$228	\$211
17.5%	\$344	\$309	\$277	\$258	\$238
19.0% (base case)	\$383	\$345	\$309	\$288	\$265
20.5%	\$423	\$381	\$341	\$317	\$293
22.0%	\$463	\$416	\$373	\$347	\$320

Read the grid against the current price of \$362.84 rather than against our target. Sustaining the market price on this method requires the top-right of the range — a normalised ROTCE at or above 22% held through the cycle, or a cost of equity nearer 9%, or some combination of the two. Neither is absurd. JPMorgan has exceeded its own 17% target every year since 2021, and a compressed equity risk premium is a defensible view of the current regime. But the grid makes the size of the required assumption explicit, and that is the point: the buyer at \$362.84 is not making a modest bet on continuation, they are underwriting the best outcome in the table.

CROSS-CHECK AGAINST THIRD-PARTY VIEWS

We checked this call against independent sources before publishing, because a SELL on the highest-quality bank in the market at an all-time high deserves that scrutiny. On the valuation, the most useful outside anchor is JPMorgan's own history: GuruFocus read the multiple at 3.27 times on 19 July against a ten-year median of 2.00 times, and on our numbers at the 14 August close it is 3.20 times. Either reading puts the stock roughly 60% above the multiple the market has assigned this same franchise, under the same chief executive, across a full decade. Their independently computed fair value is \$283.58, materially below ours. Against the sell-side we are the outlier and should say so. S&P Global's consensus target is \$374.57 from 24 analysts, with a range of \$305 to \$420. Ten rate the stock Hold and one Sell, but thirteen of twenty-four are Buy or better and the consensus label is Buy. Every one of the five most recent published actions was a target increase, including a Deutsche Bank upgrade to Buy on 23 July and Wells Fargo moving to \$390 on 14 August, our own pricing date. Our \$323 sits below the \$305 low of the published range, which makes this note more bearish than the most bearish target on the Street. The GuruFocus independent fair value of \$283.58 is the only outside anchor below us.

The strongest corroboration came from management. Asked about the quarter on the 14 July call, Jamie Dimon said it is "getting close to as good as it gets" and that he does not know how long it will last. He went further, calling the idea that operating leverage can rise indefinitely a "crazy notion" and saying he expects a slowdown in growth, possibly in 2027 or 2028. Fairness requires the other half of the exchange. Pressed by Mike Mayo on whether he was calling a peak, Dimon described the market as "very healthy, active, exuberant" and added that it could get better, but that he did not know how much better. He is declining to forecast rather than forecasting a decline, and the "crazy notion" remark is a defence of continued investment spending rather than a profit warning. Consensus already models FY2027 EPS growth of 3.3%. The chief executive has guided to a slowdown; the Street has modelled a slowdown; the stock is at an all-time high on 3.20 times tangible book. Those three facts belong in the same sentence, and this note is essentially the observation that they are not currently reconciled.

6. CATALYSTS

This is a valuation call and we are not going to manufacture an event, but a valuation without a path to mean reversion is only an opinion. The thesis needs observable checkpoints at which the market either confirms the new normal or begins to doubt it. What we are watching, in order:

Checkpoint	Timing	What to Watch	Why it Matters
Q3 FY2026 results	Mid-October 2026	Whether Markets and investment banking revenue continue to surprise or begin to fade	If fee income rolls over while expenses keep rising, a structurally higher ROTCE is hard to defend at 3.20x tangible book
NII ex-Markets against the easing cycle	Each quarterly print	Whether the 4% growth rate in net interest income excluding Markets can hold as policy rates fall	If NII flattens or declines while credit costs rise, the ROTCE arithmetic tightens quickly
Card net charge-offs	Each quarterly print	A sustained move above the current 3.34%	Would signal credit normalising past the level embedded in current estimates, pressuring both earnings and the multiple
Basel III endgame	Rulemaking through 2026–27	Final capital requirements and any change to the stress capital buffer	Higher capital or business constraints compress ROTCE; even the perception of dilution reprices the stock. Dilution the other way is the main bull risk
Buyback execution	Ongoing; \$50bn authorised from 1 July 2026	Pace of repurchase at above three times tangible book	Supports EPS but dilutes book value per share above roughly 2x TBV. A real cost of the current valuation borne by continuing shareholders

Two of these deserve more than a line. The Q3 print in mid-October is the first genuine test, because it is the first quarter that will not carry the Visa gain and the first in which the Equity Markets comparison base becomes demanding — the 86% increase in the second quarter sets a bar that the same business has to clear against itself. If Markets revenue is merely good rather than exceptional while noninterest expense continues to grow at 15%, the operating leverage story weakens without any deterioration in the underlying business, and that is enough to pressure a multiple priced for perfection.

The Basel III endgame is the checkpoint that can move the rating in either direction, which is why it is the one we hold most loosely. A tighter final rule compresses ROTCE and validates the fade we have assumed. A diluted one releases capital from a 14.1% CET1 ratio, mechanically raises the return and accelerates repurchase, and is the single most credible route to the bull case at \$432. We have not taken a view on the outcome and the base case assumes the current framework persists.

None of these is a single dated event. They form a sequence of data points at which the market either reaffirms the premium or begins to discount it, and the thesis gains traction if two or more move against the perfection already priced in. Equally, we would expect to be wrong quickly rather than slowly: a bank re-rates on evidence about the durability of its return, and two clean quarters would settle the argument against us as decisively as two weak ones would settle it in our favour.

7. RISKS TO OUR VIEW

We are wrong about the ceiling. JPMorgan has beaten its own 17% ROTCE target in every year since 2021. If scale, payments and the deposit franchise have structurally raised the return rather than temporarily flattered it, a 20%-plus ROTCE is sustainable and the stock is not expensive at \$362. On our own numbers a 20.5% sustainable ROTCE with a 9.59% cost of equity gives \$432.

Deregulation releases capital, and this is further advanced than a risk section usually implies. The agencies re-proposed the Basel III endgame on 19 March 2026 on a capital-neutral basis, replacing the roughly 19% aggregate increase of the 2023 proposal; the Federal Reserve voted six to one and the comment period closed on 18 June. Taken with the parallel G-SIB surcharge proposal, the expected net effect on the largest banks is a small decrease in requirements, and the stress capital buffer has been frozen through 30 September 2027. With CET1 at 14.1% on \$303 billion, JPMorgan is already returning capital against that backdrop: it cleared the June stress test, raised the dividend 10% and authorised \$50 billion of repurchase. This is the single most credible argument against our rating and it is closer to the base case than to a tail risk. Our forecast does not assume relief; if it arrives, ROTCE rises mechanically and the fade we have modelled does not happen.

Capital markets stay hot. Our fade assumes investment banking fees and Equity Markets revenue normalise. If the current M&A and issuance cycle runs for several more years, CIB earnings hold and the fade never happens.

Rates fall faster than expected. Net interest income excluding Markets grew only 4% and is already absorbing the impact of lower rates. A faster easing cycle would pressure the largest and most stable revenue line, which is a risk to our numbers as well as to the bull case.

Credit is at a cyclical best. Card net charge-offs of 3.34% and a \$149 million reserve build reflect a benign consumer. A normal recession would take provisions well above the \$2.5 billion quarterly run-rate, and our bear case at \$232 assumes exactly that.

Buybacks at 3.2 times tangible book. The firm repurchased \$6.2 billion of stock in the quarter and has a new \$50 billion authorisation running from 1 July. Above roughly two times tangible book, repurchases dilute book value per share even as they flatter earnings per share. This is a real cost of the current valuation, borne by continuing shareholders, and it belongs in the bear case rather than as an offset to it.

Tangible book may be the wrong denominator, which is the strongest argument against this note and the one we find hardest to dismiss. A rising share of JPMorgan's earnings — asset and wealth management fees on \$5.1 trillion of assets, Payments, Securities Services, card annual fees — requires little or no incremental tangible equity. A multiple whose denominator is tangible book systematically penalises a mix shift toward capital-light annuity revenue, and the market may be paying for that shift rather than for a trading peak. The effect compounds through capital return: repurchasing stock above book mechanically suppresses tangible book per share while raising earnings per share, so price to tangible book rises even where per-share economics improve. At a net payout ratio near 73%, comparing JPMorgan's multiple against banks returning far less is not strictly like for like. We have not adjusted for this, and a reader who thinks the adjustment is material should discount our book-based methods accordingly — which is 80% of the blend.

8. ESG NOTE

The most financially material ESG factor for JPMorgan is the tension between its financed-emissions commitments and its energy lending book, and it is material precisely because the stock carries a premium multiple. JPMorgan is the largest fossil fuel financier among global banks: the sixty-five largest banks committed roughly \$906 billion to fossil fuel companies in 2025 and \$8.7 trillion since the Paris Agreement, with JPMorgan ranked first. The firm has disclosed

absolute financed emissions covering both lending and capital markets activity, with the Energy Mix category alone at 179.5 million tonnes of CO2 equivalent, and applies a Carbon Assessment Framework across both. Against that, it has withdrawn earlier commitments on coal and Arctic drilling, and it is one of twelve of fifteen large North American banks that no longer place a meaningful limit on oil and gas lending. The direction of travel on policy and the direction of travel on the book are not currently aligned.

For a valuation argument the question is not reputational but whether the risk is priced. Two channels matter. If climate policy tightens or carbon pricing broadens, a large fossil-fuel book faces higher default rates, stranded-asset write-downs and constraints on future lending, all of which would compress ROTCE — the precise variable this note argues is already assumed too high. If instead large asset owners with net-zero mandates reprice their exposure to the sector, the effect runs through the cost of equity rather than through earnings, and at 3.20 times tangible book a small move in the discount rate is worth more than a large move in a single year of earnings. Neither channel is in our base case. Both point the same way as the rating.

9. MANAGEMENT AND OWNERSHIP

MANAGEMENT

Jamie Dimon has been Chief Executive since 2005 and Chairman since 2006, one of the longest and most consequential tenures in modern banking, and part of what the market is paying for is confidence in his judgement and capital allocation. That makes succession a genuine valuation risk rather than a governance footnote. On 24 June 2026, alongside the CCAR results, the firm named new co-presidents — a formal step in the succession process, taken at the same moment as a 10% dividend increase and a \$50 billion repurchase authorisation. Any uncertainty about timing or about the quality of the eventual successor could compress the multiple even with fundamentals intact.

The line that frames both the opportunity and the risk is Dimon's own. Asked about the quarter on the 14 July call, he said conditions are "getting close to as good as it gets," that he does not know how long it will last, and that the notion of indefinitely rising operating leverage is a "crazy notion." Management is signalling peak-like conditions and formalising succession in the same quarter that the stock trades at peak-like multiples. The finance function has meanwhile delivered consistent capital management — fifteen consecutive years of dividend increases, and \$6.2 billion of repurchase in the quarter — though the efficiency of buying back stock above three times tangible book is itself part of the bear case.

OWNERSHIP

- Institutional ownership approximately 73%, with The Vanguard Group the largest single holder at roughly 9.8% of shares outstanding.
- Insider ownership approximately 2.45% — high for a bank of this size. James S. Crown is the largest individual holder at 35.4m shares, about 1.32%.
- Retail investors hold roughly 25%, a larger share than is typical for a mega-cap financial.

Two features of the register are worth drawing out. Insider ownership of 2.45% is unusually high for a bank of this scale and it aligns management with shareholders in a way that most of the peer group cannot match — a genuine, if modest, argument on the bull side. And a register that is roughly a quarter retail is a register with less analytical price discipline than a purely institutional one, which is part of how a franchise premium becomes a momentum premium at an all-time high.

For a bear case, positioning matters in both directions. There is no crowded short here to work in our favour and no forced covering to fear against us. The rating is a call on price and it will be resolved by earnings and the multiple, not by flows.

10. CONCLUSION

We would upgrade if JPMorgan delivers two or more consecutive quarters of ROTCE above 22% without meaningful one-offs, while net interest income excluding Markets continues to grow and credit costs stay benign. Specifically, we are looking for stable or rising fee income, controlled expense growth, and no sustained uptick in card or corporate charge-offs. That would show the current multiple is supported by repeatable economics rather than by cyclical strength and accounting gains, and would shift the story from overpriced perfection to the best bank at a fair price.

We would move to a HOLD on price alone at roughly \$328, or about 2.75 times tangible book, where the total expected return crosses zero on our scale, with fundamentals intact. That would capture most of the valuation downside without requiring any change to the business thesis. We would go further negative if ROTCE breaks below our 18% through-cycle assumption, if credit normalises past the \$2.5 billion quarterly provision run-rate, or if a final Basel III outcome forces meaningful equity issuance. Any of those would indicate that the new normal embedded in today's 3.20 times tangible book is not merely optimistic but wrong, and that earnings power and capital returns are at risk together. Deteriorating fundamentals against a still-rich multiple is the clearest path to deeper downside — and it is the combination, not either alone, that would take this from a valuation call to a fundamental one.

ANALYST CERTIFICATION

I, Debjit Mukherjee, certify that the views expressed in this report accurately reflect my personal views about the subject company and its securities, and that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation or views expressed in this report.

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