JPMORGAN CHASE & CO. · VIREO CAPITAL RESEARCH

NYSE: JPM · Financials — Diversified Banks · Valuation model · Analyst: Debjit Mukherjee · Market data as at 14 August 2026

SNAPSHOT

RATING	PRICE TARGET	CURRENT PRICE	DOWNSIDE (PRICE)	TOTAL RETURN	MARKET CAP ($m)	P / TBV	FWD P/E
SELL	$323	$362.84	-11.0%	-9.2%	964,500	3.20x	14.51x
BOOK VALUE / SH	**TANGIBLE BOOK / SH**	**DIVIDEND / SH**	**DIV YIELD**	**CET1 RATIO**	**TOTAL ASSETS**	**SHARES OUT (m)**	**ROTCE EX-ITEMS**
$133.01	$113.35	$6.60	1.82%	14.1%	$5.0trn	2,658	23.0%

Tangible book value per share (30-Jun-2	$113.35
Dividend per share	$6.60
Dividend yield	1.82%
FY2027E EPS (consensus)	$25.01
FY2027E EPS — used for forward P/E	$25.01

INVESTMENT SUMMARY

SELL. Fair value $323 against $362.84 — 11.0% downside on price, 9.2% negative total return on the $6.60 forward dividend.
JPMorgan is the best-run large bank in the world and nothing here disputes the franchise. The rating is about price and about the durability of a return, not about quality.

The disagreement is one number. At 3.20x tangible book, a 10.09% cost of equity and 4.5% terminal growth, the market is capitalising a sustainable ROTCE of 22.4%. Management's own through-cycle target is 17% and the 2021-25 actual averaged 20.4%, across the best rate cycle for banks in two decades. The market is paying for Q2 2026 extended indefinitely.

Q2 was flattered: $4.2bn of after-tax gains, principally the Visa Class B-2 exchange, contributed $1.56 of $7.70 reported EPS. Ex-items EPS was $6.14 and ROTCE 23%, not 29%. Recurring EPS grew 3% sequentially. The growth that remains sits in the least repeatable lines — Equity Markets +86% — while net interest income ex-Markets grew 4%.

Three methods, weighted 50/30/20: excess return on tangible book $325, justified P/TBV $309, and 13.5x FY2027E consensus $338.
The rating rests on the equity risk premium. At 5.5% the blend is $323; at Kroll's 5.0% it is $348; at Damodaran's implied 4.23% it is $399 and a BUY. We use 5.5% because a market paying up for quality at a peak also prices risk cheaply, and valuing it with its own risk pricing is close to circular.

We are the outlier: 13 of 24 analysts rate the stock Buy or better, and $323 sits below the $305 low of the published range.

KEY CATALYSTS

[redacted]
- Basel III endgame rulemaking — re-proposed 19 Mar 2026 capital-neutral; comments closed 18 Jun; SCB frozen to 30 Sep 2027.
- NII ex-Markets against the easing cycle — 4% growth is already absorbing lower rates.
- Card net charge-offs from 3.34% — guidance was cut to ~3.2% at Q2, so any reversal is informative.
- $50bn repurchase from 1 July — pace of buyback above 3x tangible book.

[redacted]

· We are wrong about the ceiling. ROTCE has beaten the 17% target every year since 2021; at 20.5% sustainable and a 9.59% CoE the same methods give $432 and a BUY.

· Capital relief arrives. Basel III is capital-neutral as re-proposed and the expected net effect is a small decrease — closer to base case than tail risk.

· Tangible book may be the wrong denominator. Capital-light fee income needs no incremental equity, and buybacks above book suppress TBVPS while raising EPS. At 73% net payout the multiple is partly self-inflicted.

· Capital markets stay hot and the fade never happens.

[redacted]

PRICE TARGET SUMMARY — excess-return blend

Methodology	Weight	Implied price	Commentary
Excess return on tangible book	50%	$325.28	*Residual income on TBVPS. ROTCE fades 22.5% to 18.0%, terminal 18.5%. CoE 10.09%, g 4.5%*
Justified price / tangible book	30%	$308.68	*(normalised ROTCE 19% less g) / (CoE less g), applied to Dec-2026E TBVPS of $119*
Forward price / earnings	20%	$337.64	*13.5x on FY2027E consensus EPS of $25.01; peer average forward multiple 13.68x*
Weights sum	**100%**		
BLENDED PRICE TARGET		**$322.77**	**$322.77 · -11.0% price, -9.2% total return**

METHODOLOGY NOTE FOR EDITORIAL. Banks are not valued on a discounted cash flow or on EV/EBITDA — enterprise value is not meaningful where debt is raw material rather than financing, and free cash flow is not definable for a deposit-funded balance sheet. The intrinsic method here is an excess-return (residual income) model on tangible book, which occupies the same slot the DCF holds for an operating company. The blend is 50/30/20 rather than the house 60/20/20; at 60/20/20 the target is $324 against $323, so the choice is immaterial here, but it should be settled before the next financial.

DIVIDEND BASIS. The Board raised the quarterly dividend 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. The forward run-rate is therefore $6.60, not the $6.00 trailing rate, and the yield is 1.82%. Total expected return on the forward dividend is -9.2% rather than -9.4%. The rating is unchanged.

METHOD 1 — EXCESS RETURN (RESIDUAL INCOME) ON TANGIBLE BOOK · 50% of target

Per share, US$. The intrinsic method for a bank. Value = opening tangible book + PV of returns earned above the cost of equity.

ASSUMPTIONS

Risk-free rate — US 10-year Treasury, 14-Aug-2026	4.70%
Equity risk premium	5.50%
Beta (5-year)	0.98
Cost of equity = rf + beta x ERP	10.09%
Terminal growth rate	4.50%
Payout ratio used for the tangible book roll-forward	55%
Opening tangible book value per share (30-Jun-2026)	$113.35

FORECAST

$ per share	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E	Terminal
ROTCE assumption	22.5%	21.0%	19.5%	18.5%	18.0%	18.5%
Opening tangible book value per share	$113.35	$124.83	$136.62	$148.61	$160.98	$174.02
Excess return = (ROTCE − CoE) x opening TBVPS	14.066735	13.61859161	12.85620637	12.49822387	12.73378418	14.63533579
Closing tangible book value per share	$124.83	$136.62	$148.61	$160.98	$174.02	
Discount factor	0.9083477155	0.8250955723	0.7494736781	0.6807827034	0.6183874134	
PV of excess return	12.7774866	11.23663963	9.635388276	8.508574634	7.874411862	

OUTPUT

Opening tangible book value per share	$113.35
PV of excess returns, FY2026E–FY2030E	$50.03
Terminal value of excess return = terminal / (CoE − g)	$261.81
PV of terminal value	$161.90
EXCESS-RETURN FAIR VALUE (US$)	**$325.28**

ROTCE fades from the 22.5% ex-significant-items run-rate toward a through-cycle 18.0%, with an 18.5% terminal. Management's own stated target is 17%, so the fade is deliberately conservative in the analyst's favour only at the terminal. Reported Q2 ROTCE of 29% is not a run-rate: $4.2bn of after-tax gains, principally the Visa Class B-2 exchange completed in May, contributed $1.56 of the $7.70 reported EPS. Every method in this model is built on the ex-items figures.

SENSITIVITY — THE COST OF EQUITY IS THE RATING

Equity risk premium	Cost of equity	Excess return	Justified P/TBV	Forward P/E	BLENDED	Price return	Total return	Rating	
5.50%	10.09%	$325.28	$308.68	$337.64	**$322.77**	-11.0%	-9.2%	**SELL**	*This report*
5.00%	9.60%	$358.56	$338.33	$337.64	**$348.31**	-4.0%	-2.2%	**SELL**	*Kroll recommended*
4.23%	8.85%	$424.61	$397.09	$337.64	**$398.96**	+10.0%	+11.8%	**BUY**	*Damodaran implied, Aug-26*

The rating is one assumption. At the 5.5% equity risk premium used in this report the call is a SELL with an 11% downside. At the 5.0% premium Kroll recommends it remains a SELL but only marginally. At the 4.23% premium implied by Damodaran market data at 1 August 2026 the same three methods produce a BUY. We use 5.5% because we regard the market-implied premium as itself a symptom of the conditions this note is questioning, but a reader who disagrees on that single input should reach the opposite conclusion, and should be able to see it here.

METHOD 2 — JUSTIFIED PRICE / TANGIBLE BOOK · 30% of target

The multiple the franchise earns, not the multiple it trades at. Justified P/TBV = (normalised ROTCE − g) / (CoE − g).

Normalised through-cycle ROTCE	19.0%
Terminal growth rate	4.50%
Cost of equity	10.09%
Justified price / tangible book (x)	2.59x
Tangible book value per share, Dec-2026E	$119.00

JUSTIFIED P/TBV FAIR VALUE (US$)	$308.68

MEMO — what the market is paying

Price / tangible book the market is paying today (x)	3.20x
ROTCE the current price implies, at this g and CoE	22.4%
Normalised ROTCE assumed here	19.0%
Gap the market is capitalising	3.4%

SENSITIVITY — fair value vs normalised ROTCE and cost of equity

Normalised ROTCE \ CoE	9.00%	9.50%	10.09%	10.50%	11.00%
16.0%	304.1111111	273.7	244.8121646	228.0833333	210.5384615
17.5%	343.7777778	309.4	276.744186	257.8333333	238
19.0%	383.4444444	345.1	308.6762075	287.5833333	265.4615385
20.5%	423.1111111	380.8	340.608229	317.3333333	292.9230769
22.0%	462.7777778	416.5	372.5402504	347.0833333	320.3846154

Shaded cell is the base case. Read the grid against the current price of $362.84: sustaining the call requires the top-right of the range — a ROTCE at or above 22% held through the cycle, or a cost of equity nearer 9%. JPMorgan has beaten its own 17% ROTCE target every year since 2021, so that is not absurd; it is simply not what we would underwrite.

METHOD 3 — FORWARD PRICE / EARNINGS, AND PEER COMPARISON · 20% of target

US large-cap banks. Prices as at 14 August 2026. EV/EBITDA is omitted deliberately — it is not meaningful for a deposit-funded balance sheet.

Company	Ticker	Mkt cap ($bn)	TBVPS	P / TBV	Trailing P/E	Fwd P/E (FY26E)	ROTCE 2Q26	Div yield	CET1	This desk
JPMorgan Chase	**JPM**	**964.5**	**$113.35**	**3.20x**	**15.57x**	**15.03x**	**23.0%**	**1.82%**	**14.1%**	**SELL**
Morgan Stanley	MS	341.4	$53.18	4.08x	17.56x	16.63x	26.6%	2.12%	14.8%	Not covered
Goldman Sachs	GS	314.7	$332.00	3.13x	16.08x	14.90x	25.5%	1.92%	12.9%	Not covered
Bank of America	BAC	451.0	$29.37	2.18x	14.90x	12.97x	17.0%	1.74%	11.2%	Not covered
Wells Fargo	WFC	268.6	$46.13	1.92x	12.91x	11.95x	17.7%	2.25%	10.3%	Not covered
Citigroup	C	233.7	$100.89	1.38x	15.15x	11.93x	13.0%	1.92%	12.8%	Not covered
Peer average, ex-JPM				**2.54x**	**15.32x**	**13.68x**	**20.0%**		**12.4%**	
JPM premium / (discount) to peer average				**+26.1%**	**+1.6%**	**+9.9%**				

Prices at the 14 August 2026 close. Peer set is the five large-cap US money-centre and broker peers. JPM ROTCE is stated excluding significant items, which is the conservative comparator; peer ROTCE are as each company reported for 2Q26 and are not separately adjusted. All forward P/E are FY2026E on a consistent basis — note JPM on FY2027E is 14.51x, which is not comparable to the peer column. GS tangible book per share is derived from price and the vendor multiple rather than read off the release.

WHAT THE CORRECTED SAMPLE SHOWS. On tangible book JPMorgan is the second most expensive of six, not the outlier: Morgan Stanley trades at 4.08x, 28% above JPM, and Goldman at 3.13x now sits marginally below. Per point of return on tangible common equity JPM is also second dearest behind Morgan Stanley. The premium is real — roughly 26% on tangible book and roughly 10% on forward earnings — but it is not the 43% a three-peer sample produces.

FORWARD P/E FAIR VALUE

FY2027E EPS — consensus	$25.01
Target forward P/E (x)	13.50x
Memo: peer average forward P/E, FY2026E	13.68x
Memo: forward P/E the market pays on FY2	14.51x
Memo: forward P/E the market pays on FY2	14.99x
FORWARD P/E FAIR VALUE (	**$337.64**

Our 13.5x target sits marginally BELOW the five-peer average forward multiple of 13.68x (FY2026E basis), 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.

STREET POSITIONING — 24 analysts

Mean / median price target $374.57 / $372.00

Range	\$305 – \$420
Consensus implied upside to spot	+3.2%
Ratings split	9 Strong Buy · 4 Buy · 10 Hold · 1 Sell
Five most recent actions	All target increases, incl. Deutsche Bank upgrade to Buy (23 Jul) and Wells Fargo to \$390 (14 Aug)

Thirteen of twenty-four analysts rate JPMorgan Buy or better and the consensus label is Buy, not Hold. Ten Holds and one Sell is the sceptical minority, not the centre of gravity, and every one of the five most recent published actions was a target increase. 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 — a position worth stating plainly rather than implying we are in company.

SUPPORTING FINANCIALS · Q2 FY2026 and balance sheet

US$m unless stated. Source: JPMorgan Chase Q2 2026 earnings release, reported 14 July 2026.

Q2 FY2026 RESULTS

Item	Reported	Ex-significant items	Note
Net revenue — reported	57,347	—	*Up 28% year on year*
Net revenue — managed	58,022	—	*Up 27%; up 15% excluding significant items*
Noninterest expense	27,316	—	
Provision for credit losses	2,515	—	*$2.4bn net charge-offs, $149m reserve build*
Net income	21,155	16,900	*$4.2bn after-tax gains excluded*
EPS (US$)	$7.70	$6.14	*$1.56 of reported EPS is significant items*
ROTCE	29.0%	23.0%	*Reported 29% is not a run-rate*
Net interest income, managed	25,600	—	*Up 10%; up 4% excluding Markets*
Markets revenue	12,100	—	*Up 35% — the most cyclical line in the firm*
Investment banking fees	3,300	—	
Card Services net charge-off rate	3.3%	—	*A benign consumer, at a cyclical best*

BALANCE SHEET AND CAPITAL — 30 June 2026

Total assets	$5.0trn
Total stockholders' equity	$374.6bn
Book value per share	$133.01
Tangible book value per share	$113.35
CET1 ratio — Standardised	14.1%
Shares outstanding	2,658m
Share repurchases in the quarter	$6.2bn
Employees	318,512

THE SIGNIFICANT ITEMS, AND WHY REPORTED Q2 OVERSTATES THE RUN-RATE. Q2 net income of $21.2bn included a $4.6bn net gain on Visa Class B-2 shares exchanged in May 2026 plus roughly $1.0bn of gains on certain equity investments — $4.2bn after tax, or $1.56 of the $7.70 reported EPS. Management's own headline number excludes them: $16.9bn of net income, $6.14 of EPS and a 23% ROTCE rather than 29%. Every valuation method in this model is built on the ex-items figures.

A note on buybacks. The firm repurchased $6.2bn of stock in the quarter at roughly 3.2 times tangible book. Above about two times tangible book, repurchases dilute book value per share even as they flatter earnings per share. That is a real cost of the current valuation, borne by continuing shareholders, and it is part of the bear case rather than an offset to it.