

# JPMorgan Chase & Co - Financial and Strategic Analysis Review

Publication Date: May-2024

Reference Code: GDFS30560FSA

## Company Snapshot

### Key Information

JPMorgan Chase & Co, Key Information	
Web Address	www.jpmorganchase.com
Financial year-end	December
Number of Employees	3,09,926
NYSE	JPM
Source : GlobalData	

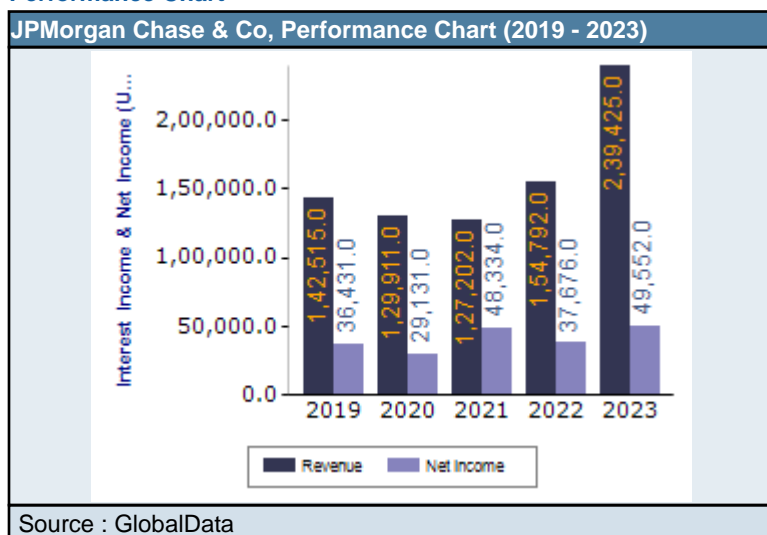
### Key Ratios

JPMorgan Chase & Co, Key Ratios	
P/E	11.21
EV/EBITDA	78.59
Return on Equity (%)	15.11
Debt/Equity	1.87
Operating profit margin (%)	₹ 38.97.00
Dividend Yield	2.42
Note: Above ratios are based on share price as of 01-May-2024	
Source : GlobalData	

### Share Data

JPMorgan Chase & Co, Share Data	
Price (USD) as on 01-May-2024	191.86
EPS (USD)	16.06
Book value per share (USD)	104.45
Shares Outstanding (in million)	2,943.10
Source : GlobalData	

### Performance Chart



## Company Overview

JPMorgan Chase & Co (JPM) is a financial holding company that offers consumer and commercial banking, investment banking, financial transaction processing, and asset management solutions. The company's consumer business offers credit cards, auto finance, education finance, and merchant services. Its commercial banking business comprises middle market banking, business credit, equipment finance, and commercial term lending. It also offers corporate client banking; and government, not-for-profit, and healthcare banking.

## SWOT Analysis

JPMorgan Chase & Co, SWOT Analysis	
Strengths	Weaknesses
Adequate Capital	Asset Quality
Cost Efficiency	
Digital Growth: Consumer & Community Banking	
Opportunities	Threats
Growing Wealth Management Prospects: US	Risks Related to Online Identity Theft and Hacking
Growing Market for Payment Channels: The US	Litigation Risks
Strategic Initiatives	Competition
Source : GlobalData	

## Financial Performance

The bank reported interest income of (US Dollars) US\$170,588 million for the fiscal year ended December 2023 (FY2023), an increase of 83.8% over FY2022. In FY2023, the bank's operating margin was 39%, compared to an operating margin of 35.9% in FY2022. In FY2023, the bank recorded a net margin of 20.7%, compared to a net margin of 24.3% in FY2022.

The bank reported interest income of US\$47,438 million for the first quarter ended March 2024, an increase of 0.1% over the previous quarter.

## Key Information

JPMorgan Chase & Co, Key Information			
<b>Corporate Address</b>	383 Madison Avenue, New York, NY, 10017, United States	<b>Ticker Symbol, Stock Exchange</b>	JPM [New York Stock Exchange]
<b>Telephone</b>	+1 212 2706000	<b>No. of Employees</b>	3,09,926
<b>Fax</b>	+1 302 6555049	<b>Fiscal Year End</b>	December
<b>URL</b>	www.jpmorganchase.com	<b>Revenue (in USD Million)</b>	2,39,425.0
<b>Industry</b>	Financial Services		
<b>Locations</b>	Argentina, Australia, Austria, Bahamas, Bahrain, Bangladesh, Belgium, Brazil, Canada, Chile, China, Colombia, Denmark, Egypt, Finland, France, Germany, Greece, Hong Kong, India, Indonesia, Ireland, Israel, Italy, Japan, Lebanon, Luxembourg, Malaysia, Mauritius, Mexico, Netherlands, New Zealand, Nigeria, Norway, Pakistan, Panama, Peru, Philippines, Poland, Portugal, Qatar, Russia, Saudi Arabia, Singapore, South Africa, South Korea, Spain, Sri Lanka, Sweden, Switzerland, Taiwan, Thailand, Turkey, United Arab Emirates, United Kingdom, United States, Venezuela, Vietnam		
Source : GlobalData			

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## JPMorgan Chase & Co - SWOT Analysis

### SWOT Analysis - Overview

JPMorgan Chase & Co (JPM) is a provider of banking and financial services. Cost efficiency, adequate capital and digital growth of Consumer & Community Banking segment are its major strengths, even as its asset quality remains a cause for concern. The growing market for payments channels and wealth management in the US and strategic initiatives could provide ample growth opportunities to the company. However, competition, risks related to online identity theft and hacking, and litigation risks could pose challenges to the company.

### JPMorgan Chase & Co - Strengths

#### Strength - Adequate Capital

JPM has a robust capital base, which ensures capital adequacy to facilitate organic and inorganic growth with the secured and unsecured nature of its lending. Sound capital management and moderate risk-weighted asset growth enabled the company to strengthen its capital base. In FY2023, based on a standardized approach, the company's total capital adequacy ratio, common equity tier-1 (CET1) capital ratio, tier 1 capital ratio, and leverage ratio stood at 18.5%, 15%, 16.6% and 7.2%, as compared to 16.8%, 13.2%, 14.9%, and 6.6%, in the previous year with all the ratios being well above the statutory minimum transitional requirement of 14.9%, 11.4%, 12.9%, and 4%, respectively.

#### Strength - Cost Efficiency

JPM reported improvement in its cost efficiency in FY2023. In FY2023, its efficiency ratio improved to 55.14% from 59.16% in the previous year. The ratio indicates non-interest expenses as a percentage of net revenue. The cost efficiency improved due to a more substantial increase in net revenue relative to non-interest expenses. The company's net revenue grew 22.9% to US\$158,104 million from US\$128,695 million in FY2022, owing to an increase of 33.8% and 11.1% in net interest income and non-interest income, respectively. The increase in net interest income could be due to higher interest rates, the impact of First Republic, and increased revolving balances in card services. It reported an increase in non-interest revenue due to the impact of First Republic, which included a US\$2.8 billion estimated bargain purchase gain, along with increased asset management fees and higher Markets non-interest revenue. The company's non-interest expenses increased 14.5% to US\$87,172 million from US\$76,140 million in the previous year, on account of higher compensation expenses.

#### Strength - Digital Growth: Consumer & Community Banking

JPMorgan Chase's Consumer & Community Banking segment reported considerable increase in digital activities, indicating increased confidence among its clients. The company remains committed to innovation, focusing on the development of new products and platforms, besides the modernization of applications through SaaS replacement, refactoring, and legacy decommissioning. In FY2023, the segment reported a substantial increase in the number of active digital customers, which increased from 63.1 million in the previous year to 67 million. The number of mobile customers also increased significantly, reaching 53.8 million, up from 49.7 million in FY2022. The debit and credit card sales increased from US\$1,555.4 billion to US\$1,678.6 billion year-over-year. Its payment transactions increased to 5.9 trillion from 5.6 trillion in the preceding year.

### JPMorgan Chase & Co - Weaknesses

#### Weakness - Asset Quality

JPM reported decline in asset quality in FY2023. In FY2023, the company's non-performing assets (NPAs) increased 4.8% to US\$7,597 million from US\$7,247 million in the previous year. Its non-performing loans (NPLs) stood at US\$4,203 million in FY2023. Net charge-offs as a percentage of average total loans stood at 0.52% as compared to 0.27% in the previous year. Due to the decline in quality of assets, the company's allowance for loan losses increased 13.7% to US\$22,420 million from US\$19,726 million in the previous year.

### JPMorgan Chase & Co - Opportunities

#### Opportunity - Growing Wealth Management Prospects: US

The growing affluent population in the US could provide ample growth opportunities to the company. According to in-house research, the affluent population is projected to reach 278.1 million by 2026, which would include 6.8 million high net worth individuals (HNWIs) and 165.2 million mass affluent. The retail liquid assets of the population are forecast to reach US\$95,925.11 billion, with US\$58,250.88 billion and US\$33,085.53 billion being the wealth of HNWIs and mass affluent, respectively. The investors in the US have a strong propensity to invest in risk assets. This is significantly greater than most comparable countries due to the size and depth of the financial markets in the US. Both the mass affluent and emerging affluent investors prefer risk assets over deposits.

#### Opportunity - Growing Market for Payment Channels: The US

The growing market for payment channels in the US could provide growth opportunities to the company. According to an

in-house report, the number of cards in circulation in the country is projected to reach 1,764.4 million in 2027, which would include 626.2 million debit cards, 1110.7 million credit cards, and 27.5 million charge cards. The transaction value of the channels is forecast to grow to US\$14,804.9 billion in 2027, including US\$6,178.2 billion for debit cards, US\$8,037.1 billion for credit cards, and US\$589.6 billion for charge cards. The growth in the market for payment channels could be due to the increasing number of contactless payments, growing ecommerce market and the launch of the new instant payment system, FedNow.

### Opportunity - Strategic Initiatives

Strategic initiatives will allow the company to expand its business further. In March 2024, the company's subsidiary, Neovest, Inc., acquired LayerOne Financial, an investment management platform. The acquisition enables Neovest to provide a unified platform offering integrated portfolio, order, and execution management services. The upgraded Neovest platform, resulting from this acquisition, is poised to benefit the hedge fund industry with a modular framework, allowing firms to either deploy the entire platform in their operations or integrate specific modules with their existing systems. In February 2024, JPM announced its plans to open 500 new branches and renovate approximately 1,700 branches in the US in the next three years. Through this expansion initiative, the company intends to reach new markets, particularly focusing on rural communities and lower-income areas that currently have limited access to traditional banking services. Some of the areas where the company established these new branches include Charlotte in North Carolina, Philadelphia, Boston, Minneapolis, and the greater Washington, D.C., area. In November 2023, J.P. Morgan Payments partnered with One Inc to enable insurance carriers to leverage its liquidity and payments capabilities as part of One Inc's digital claims payout platform. This strategic collaboration reflects a shared vision aimed at delivering innovative solutions to meet the evolving demands of the Property and Casualty (P&C) insurance industry. They intend to establish new benchmarks for instant insurance claims payments, ultimately bringing benefits to both insurers and policyholders.

### JPMorgan Chase & Co - Threats

#### Threat - Risks Related to Online Identity Theft and Hacking

The company's IT-enabled business operations are prone to various security threats, which could affect its financials. In its business transactions, the company depends on information technology enabled services (ITES) such as online banking, card payments and phone transactions. This exposes the company to online identity theft and hacking. Although the company's online portal operations contain diverse security mechanisms, they are still vulnerable to unauthorized attacks (break-ins or denial-of-service attacks), zero-day security holes and similar disruptions caused by hackers. The extent of internet security is dependent on the quality of hardware and software, which may not protect the company's portal from unauthorized attacks, resulting in break-ins and other disruptive system failures.

#### Threat - Litigation Risks

JPM, as a provider of asset management services, is at the risk of regulatory scrutiny and client litigations. The company operates in the asset management and investment management sector, which has seen unscrupulous managers taking huge bets with client assets, resulting in huge losses in the discretionary investment portfolio of clients. Following recession, such financial operations have come under heavy scrutiny from governments and clients, which tarnished the reputation of portfolio managers. High risk financial transactions undertaken by asset management companies also created an environment of mistrust among clients, who are taking on their portfolio managers for the alleged losses incurred at the behest of asset management companies. Regulators across the world have also encouraged litigation by clients and imposed penalties to recover money by liquidating the financial institutions' assets.

#### Threat - Competition

The financial services sector is highly competitive. The company faces competition from both domestic and foreign companies. It competes with banking and non-banking financial service companies offering deposits, loans, banking services, corporate lending, financial planning services, SME banking services, remittance services, asset and wealth management, and international trade services, among others. A few of its competitors include Bank of America Corp, BNP Paribas SA, HSBC Holdings Plc and Citigroup Inc. Intense competition from established players and consolidation of their financial products could have a negative impact on the company's operations. Such highly competitive market could affect its profitability, if it fails to retain existing customers and attract new customers.

**NOTE:** The above strategic analysis is based on in-house research and reflects the publishers opinion only