

Net loan losses: .52% of average loans in '15. On 6/30/16, loan

270-6000. Internet: www.jpmorganchase.com.

14227 JPMorgan Chase turned in a decent operating performance in the June quarter. Although net income slipped 1% Est'd '13-'15 to '19-'21 9.0% year to year, earnings before taxes advanced 11%. A 2% increase in revenues 6.0% 6.0% 6.5% (supported by strong trading volume and consumer loan growth), and a 6% decline in expenses (aided by cost-reduction measures and a legal benefit) offset a 50% rise in the loan loss provision (due to higher loss rates on new credit card vintages and a \$50 million reserve build for one oil and gas company loan). JPMorgan repurchased \$2.6 billion of its common stock,

> which lifted share net.. Average core consumer loans rose 23% in the June term, and should stay **strong.** JPMorgan expects net interest income to rise \$2.0 billion-\$2.5 billion in 2016 and \$1.0 billion-\$1.5 billion in 2017, even if interest rates remain stable.

> But fee-based revenue may be flat in trading 2016. Fixed-income revenue (which rose 35% year to year in the June period on a surge in volume following the referendum in the United Kingdom to exit the European Union) probably won't remain quite as strong.

And expenses, loan loss provisions, and the tax rate are expected to increase. Spending to build up promising businesses probably will stay high and, in the second half, an FDIC surcharge will kick in. Loan loss provisions are likely to rise since the energy sector remains stressed and losses on newer vintage credit card loans are trending higher. Too, the tax rate is expected to edge up. (The September-quarter earnings comparison may be unfavorable because results in the like period of 2015 were bolstered by \$2.2 billion of tax credits.)

We have trimmed our share-net estimates for 2016 and 2017 by \$0.15 and \$0.30, to \$\$5.75 and \$6.05, respectively. Earnings should respond positively when interest rates eventually rise.

JPMorgan's strong market shares in consumer banking, mortgage, credit cards, and investment banking ought to serve it well over the pull to 2019-**2021.** The stock's dividend yield is attractive, but the issue is ranked only 3 (Average) for Timeliness and has less-thanaverage 3- to 5-year total return potential. Theresa Brophy August 12, 2016

(A) Chase Manhattan only prior to '00. Diluted earnings. Quarterly earnings per share in '13 & erations: '06, \$0.17. Excl. extraordinary gain: '15 do not sum due to change in shares. Ex- '08, \$0.53: '09, \$0.02. Incl. legal charge: Q3

Loan Loss Resrv.

ANNUAL RATES

of change (per sh)

Loans

endar

2013

2014

2015

2016

2017

Cal-

endar

2013

2014

2015

2016

2017

Cal-

endar

2012

2013

2014

2015

2016

Mar.31

1.59

1.28

1.45

Mar.31

.25

.30

.38

.40

.44

Earnings

Dividends Book Value 14185

10 Yrs. 6.5% 5.5% 1.5%

9.0%

LOANS (\$ mill.)

Mar.31 Jun.30 Sep.30 Dec.31

708106 706202 711108 722154

715124 731657 728368 743151

833319 858577 **880000 900000**

905000 930000 950000 970000

EARNINGS PER SHARE A

Jun.30 Sep.30

QUARTERLY DIVIDENDS PAID B=

d.17

1.36

1.68

1.45

1.52

Jun.30 Sep.30 Dec.31

.30

.38

.40

.44

.48

750120 777332 795991

1.60

1.46

1.54

1.55

1.60

.30

.30

.38

.40

44

13555

Past

5 Yrs. 3.5% 17.5% 20.0%

7.5%

823744

Dec.31

1.30

1.19

1.32

1.40

1.48

.30

.38

.40

.44

Full

Year 4.35

5.29

6.00

6.05

Full

Year

1.15

1.36

1.56

1.68

cludes unusual expenses: '04, \$1.31; '05, | '13, (\$1.85). Next earnings report mid-Oct.

(B) Dividends historically paid late Jan., Apr., July, Oct. ■ Div'd reinvestment plan available. (C) Incl. intangibles: on 6/30/16, \$53.3 bill. \$14.75/sh. (D) In mill., adj. for stock split.

Company's Financial Strength Stock's Price Stability 70 Price Growth Persistence 55 **Earnings Predictability** 45

© 2016 Value Line, Inc. All rights reserved. Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. THE PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscriber's own, non-commercial, internal use. No part of it may be reproduced, resold, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.