

J P MORGAN CHASE & CO

Form 10-K

February 24, 2010

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K**

**Annual report pursuant to section 13 or 15(d) of
The Securities Exchange Act of 1934**

**For the fiscal year ended
December 31, 2009**

**Commission file
number 1-5805**

**JPMorgan Chase & Co.
(Exact name of registrant as specified in its charter)**

**Delaware
(State or other jurisdiction of
incorporation or organization)**

**13-2624428
(I.R.S. employer
identification no.)**

**270 Park Avenue, New York, NY
(Address of principal executive offices)**

**10017
(Zip code)**

**Registrant's telephone number, including area code: (212) 270-6000
Securities registered pursuant to Section 12(b) of the Act:**

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common stock	The New York Stock Exchange The London Stock Exchange The Tokyo Stock Exchange
Warrants, each to purchase one share of Common Stock	The New York Stock Exchange
Depository Shares each representing a one-fourth interest in a share of 6.15% Cumulative Preferred Stock, Series E	The New York Stock Exchange
Depository Shares each representing a one-fourth interest in a share of 5.72% Cumulative Preferred Stock, Series F	The New York Stock Exchange
Depository Shares each representing a one-fourth interest in a share of 5.49% Cumulative Preferred Stock, Series G	The New York Stock Exchange
Depository Shares each representing a one-four hundredth interest in a share of 8.625% Non-Cumulative Preferred Stock, Series J	The New York Stock Exchange
Guarantee of 7.00% Capital Securities, Series J, of J.P. Morgan Chase Capital X	The New York Stock Exchange
Guarantee of 5 7/8% Capital Securities, Series K, of J.P. Morgan Chase Capital XI	The New York Stock Exchange
Guarantee of 6.25% Capital Securities, Series L, of J.P. Morgan Chase Capital XII	The New York Stock Exchange
Guarantee of 6.20% Capital Securities, Series N, of J.P. Morgan Chase Capital XIV	The New York Stock Exchange
Guarantee of 6.35% Capital Securities, Series P, of J.P. Morgan Chase Capital XVI	The New York Stock Exchange
Guarantee of 6.625% Capital Securities, Series S, of J.P. Morgan Chase Capital XIX	The New York Stock Exchange

Guarantee of 6.875% Capital Securities, Series X, of J.P.

Morgan Chase Capital XXIV

Guarantee of Fixed-to-Floating Rate Capital Securities, Series Z, The New York Stock Exchange of JPMorgan Chase Capital XXVI

Guarantee of Fixed-to-Floating Rate Capital Securities, Series BB, of JPMorgan Chase Capital XXVIII

Guarantee of 7.20% Preferred Securities of BANK ONE Capital VI

KEYnotes Exchange Traded Notes Linked to the First Trust

Enhanced 130/30 Large Cap Index

Alerian MLP Index ETNs due May 24, 2024

Buffer Notes Based Upon S&P 500® Index due November 24, 2010

Euro Floating Rate Global Notes due July 27, 2012

Principal Protected Notes Linked to S&P 500® Index due September 30, 2010

Principal Protected Notes Linked to the Dow Jones Industrial AverageSM due March 23, 2011

Medium Term Notes, Linked to a Basket of Three International Equity Indices due August 2, 2010

Securities registered pursuant to Section 12(g) of the Act: none

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒ Yes ☐ No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

☒ Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer (Do not check if a smaller reporting company) ☐ Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

The aggregate market value of JPMorgan Chase & Co. common stock held by non-affiliates of JPMorgan Chase & Co. on June 30, 2009 was approximately \$133,193,936,622.

Number of shares of common stock outstanding on January 31, 2010: 3,973,010,673

Documents incorporated by Reference: Portions of the Registrant's Proxy Statement for the annual meeting of

stockholders to be held on May 18, 2010, are incorporated by reference in this Form 10-K in response to Items 10, 11, 12, 13 and 14 of Part III.

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Part I

ITEM 1: BUSINESS

Overview

JPMorgan Chase & Co. (JPMorgan Chase or the Firm) is a financial holding company incorporated under Delaware law in 1968. JPMorgan Chase is one of the largest banking institutions in the United States of America (U.S.), with \$2.0 trillion in assets, \$165.4 billion in stockholders' equity and operations in more than 60 countries.

JPMorgan Chase's principal bank subsidiaries are JPMorgan Chase Bank, National Association (JPMorgan Chase Bank, N.A.), a national banking association with U.S. branches in 23 states, and Chase Bank USA, National Association (Chase Bank USA, N.A.), a national banking association that is the Firm's credit card issuing bank. JPMorgan Chase's principal nonbank subsidiary is J.P. Morgan Securities Inc. (JPMorgan Securities), the Firm's U.S. investment banking firm. The bank and nonbank subsidiaries of JPMorgan Chase operate nationally as well as through overseas branches and subsidiaries, representative offices and subsidiary foreign banks.

The Firm's website is www.jpmorganchase.com. JPMorgan Chase makes available free of charge, through its website, annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as soon as reasonably practicable after it electronically files such material with, or furnishes such material to, the U.S. Securities and Exchange Commission (the SEC). The Firm has adopted, and posted on its website, a Code of Ethics for its Chairman and Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and other senior financial officers.

Business segments

JPMorgan Chase's activities are organized, for management reporting purposes, into six business segments, as well as Corporate/Private Equity. The Firm's wholesale businesses comprise the Investment Bank, Commercial Banking, Treasury & Securities Services and Asset Management segments. The Firm's consumer businesses comprise the Retail Financial Services and Card Services segments.

A description of the Firm's business segments and the products and services they provide to their respective client bases is provided in the Business segment results section of Management's discussion and analysis of financial condition and results of operations (MD&A), beginning on page 53 and in Note 34 on page 237.

Competition

JPMorgan Chase and its subsidiaries and affiliates operate in a highly competitive environment. Competitors include other banks, brokerage firms, investment banking companies, merchant banks, hedge funds, insurance companies, mutual fund companies, credit card companies, mortgage banking companies, trust companies, securities processing companies, automobile financing companies, leasing companies, e-commerce and other Internet-based companies, and a variety of other financial services and advisory

companies. JPMorgan Chase's businesses generally compete on the basis of the quality and range of their products and services, transaction execution, innovation and price. Competition also varies based on the types of clients, customers, industries and geographies served. With respect to some of its geographies and products, JPMorgan Chase competes globally; with respect to others, the Firm competes on a regional basis. The Firm's ability to compete also depends on its ability to attract and retain its professional and other personnel, and on its reputation.

The financial services industry has experienced consolidation and convergence in recent years, as financial institutions involved in a broad range of financial products and services have merged and, in some cases, failed. This convergence trend is expected to continue. Consolidation could result in competitors of JPMorgan Chase gaining greater capital and other resources, such as a broader range of products and services and geographic diversity. It is likely that competition will become even more intense as the Firm's businesses continue to compete with other financial institutions that are or may become larger or better capitalized, or that may have a stronger local presence in certain geographies.

Supervision and regulation

The Firm is subject to regulation under state and federal laws in the U.S., as well as the applicable laws of each of the various jurisdictions outside the U.S. in which the Firm does business.

Recent Events affecting the Firm: Events since early 2008 affecting the financial services industry and, more generally, the financial markets and the economy as a whole, have led to various proposals for changes in the regulation of the financial services industry. In 2009, the House of Representatives passed the Wall Street Reform and Consumer Protection Act of 2009, which, among other things, calls for the establishment of a Consumer Financial Protection Agency having broad authority to regulate providers of credit, savings, payment and other consumer financial products and services; creates a new structure for resolving troubled or failed financial institutions; requires certain over-the-counter derivative transactions to be cleared in a central clearinghouse and/or effected on the exchange; revises the assessment base for the calculation of the Federal Deposit Insurance Corporation (FDIC) assessments; and creates a structure to regulate systemically important financial companies, including providing regulators with the power to require such companies to sell or transfer assets and terminate activities if they determine that the size or scope of activities of the company pose a threat to the safety and soundness of the company or the financial stability of the United States. Other proposals have been made both domestically and internationally, including additional capital and liquidity requirements and limitations on size or types of activity in which banks may engage. It is not clear at this time which of these proposals will be finally enacted into law, or what form they will take, or what new proposals may be made, as the debate over financial reform continues in 2010. The description below summarizes the current regulatory structure in which the Firm operates, could change significantly and, accordingly, the structure of the Firm and the products and services it offers could also change significantly as a result.

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Permissible business activities: JPMorgan Chase elected to become a financial holding company as of March 13, 2000, pursuant to the provisions of the Gramm-Leach-Bliley Act (GLBA). Under regulations implemented by the Board of Governors of the Federal Reserve System (the Federal Reserve Board), if any depository institution controlled by a financial holding company ceases to meet certain capital or management standards, the Federal Reserve Board may impose corrective capital and/or managerial requirements on the financial holding company and place limitations on its ability to conduct the broader financial activities permissible for financial holding companies. In addition, the Federal Reserve Board may require divestiture of the holding company's depository institutions if the deficiencies persist. The regulations also provide that if any depository institution controlled by a financial holding company fails to maintain a satisfactory rating under the Community Reinvestment Act (CRA), the Federal Reserve Board must prohibit the financial holding company and its subsidiaries from engaging in any additional activities other than those permissible for bank holding companies that are not financial holding companies. At December 31, 2009, the depository-institution subsidiaries of JPMorgan Chase met the capital, management and CRA requirements necessary to permit the Firm to conduct the broader activities permitted under GLBA.

Financial holding companies and bank holding companies are required to obtain the approval of the Federal Reserve Board before they may acquire more than five percent of the voting shares of an unaffiliated bank. Pursuant to the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the Riegle-Neal Act), the Federal Reserve Board may approve an application for such an acquisition without regard to whether the transaction is prohibited under the law of any state, provided that the acquiring bank holding company, before or after the acquisition, does not control more than 10% of the total amount of deposits of insured depository institutions in the U.S. or more than 30% (or such greater or lesser amounts as permitted under state law) of the total deposits of insured depository institutions in the state in which the acquired bank has its home office or a branch.

Regulation by Federal Reserve Board under GLBA: Under GLBA's system of functional regulation, the Federal Reserve Board acts as an umbrella regulator, and certain of JPMorgan Chase's subsidiaries are regulated directly by additional authorities based on the particular activities of those subsidiaries. JPMorgan Chase Bank, N.A., and Chase Bank USA, N.A., are regulated by the Office of the Comptroller of the Currency (OCC). See Other supervision and regulation below for a further description of the regulatory supervision to which the Firm's subsidiaries are subject.

Dividend restrictions: Federal law imposes limitations on the payment of dividends by national banks. Dividends payable by JPMorgan Chase Bank, N.A. and Chase Bank USA, N.A., as national bank subsidiaries of JPMorgan Chase, are limited to the lesser of the amounts calculated under a recent earnings test and an undivided profits test. Under the recent earnings test, a dividend may not be paid if the total of all dividends declared by a bank in any calendar year is in excess of the current year's net income combined with the retained net income of the two preceding years, unless the national bank obtains the approval of the OCC. Under the undivided profits test, a dividend may not be paid in excess of a bank's undivided profits. See Note 28 on page 228 for the amount of dividends that the Firm's principal bank subsidiaries could pay, at January 1, 2010 and 2009, to their respective bank holding companies without the approval of their banking regulators.

In addition to the dividend restrictions described above, the OCC, the Federal Reserve Board and the FDIC have authority to prohibit or limit the payment of dividends by the banking organizations they supervise, including JPMorgan Chase and its bank and bank holding company subsidiaries, if, in the banking regulator's opinion, payment of a dividend would constitute an unsafe or unsound practice in light of the financial condition of the banking organization.

For a discussion of additional dividend restrictions relating to the Capital Purchase Program, see Note 23 on pages 222-223.

Capital requirements: Federal banking regulators have adopted risk-based capital and leverage guidelines that require the Firm's capital-to-assets ratios to meet certain minimum standards.

The risk-based capital ratio is determined by allocating assets and specified off-balance sheet financial instruments into risk weighted categories, with higher levels of capital being required for the categories perceived as representing greater risk. Under the guidelines, capital is divided into two tiers: Tier 1 capital and Tier 2 capital. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital. Total capital is the sum of Tier 1 capital and Tier 2 capital.

Under the guidelines, banking organizations are required to maintain a total capital ratio (total capital to risk-weighted assets) of 8% and a Tier 1 capital ratio of 4%. For a further description of these guidelines, see Note 29 on pages 228-229.

The federal banking regulators also have established minimum leverage ratio guidelines. The leverage ratio is defined as Tier 1 capital divided by adjusted average total assets. The minimum leverage ratio is 3% for bank holding companies that are considered "strong" under Federal Reserve Board guidelines or which have implemented the Federal Reserve Board's risk-based capital measure for market risk. Other bank holding companies must have a minimum leverage ratio of 4%. Bank holding companies may be expected to maintain ratios well above the minimum levels, depending upon their particular condition, risk profile and growth plans.

The minimum risk-based capital requirements adopted by the federal banking agencies follow the Capital Accord of the Basel Committee on Banking Supervision. In 2004, the Basel Committee published a revision to the Accord ("Basel II"). U.S. banking regulators published a final Basel II rule in December 2007 which requires JPMorgan Chase to implement Basel II at the holding company level, as well as at certain of its key U.S. bank subsidiaries. For additional information regarding Basel II, see Regulatory capital on page 83.

Effective January 1, 2008, the SEC authorized JPMorgan Securities to use the alternative method of computing net capital for broker/dealers that are part of Consolidated Supervised Entities as defined by SEC rules. Accordingly, JPMorgan Securities may

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calculate deductions for market risk using its internal market risk models. For additional information regarding the Firm's regulatory capital, see Regulatory capital on pages 83-84.

Federal Deposit Insurance Corporation Improvement Act: The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) provides a framework for regulation of depository institutions and their affiliates, including parent holding companies, by their federal banking regulators. As part of that Framework, the FDICIA requires the relevant federal banking regulator to take prompt corrective action with respect to a depository institution if that institution does not meet certain capital adequacy standards.

Supervisory actions by the appropriate federal banking regulator under the prompt corrective action rules generally depend upon an institution's classification within five capital categories. The regulations apply only to banks and not to bank holding companies such as JPMorgan Chase; however, subject to limitations that may be imposed pursuant to GLBA, the Federal Reserve Board is authorized to take appropriate action at the holding company level, based on the undercapitalized status of the holding company's subsidiary banking institutions. In certain instances relating to an undercapitalized banking institution, the bank holding company would be required to guarantee the performance of the undercapitalized subsidiary's capital restoration plan and might be liable for civil money damages for failure to fulfill its commitments on that guarantee.

Deposit Insurance: Under current FDIC regulations, each depository institution is assigned to a risk category based on capital and supervisory measures. In 2009, the FDIC revised the method for calculating the assessment rate for depository institutions by introducing several adjustments to an institution's initial base assessment rate. A depository institution is assessed premiums by the FDIC based on its risk category as adjusted and the amount of deposits held. Higher levels of banks' failures over the past two years have dramatically increased resolution costs of the FDIC and depleted the deposit insurance fund. In addition, the amount of FDIC insurance coverage for insured deposits has been increased generally from \$100,000 per depositor to \$250,000 per depositor. In light of the increased stress on the deposit insurance fund caused by these developments, and in order to maintain a strong funding position and restore the reserve ratios of the deposit insurance fund, the FDIC imposed a special assessment in June, 2009, has increased assessment rates of insured institutions generally, and required them to prepay on December 30, 2009 the premiums that are expected to become due over the next three years.

Powers of the FDIC upon insolvency of an insured depository institution: If the FDIC is appointed the conservator or receiver of an insured depository institution upon its insolvency or in certain other events, the FDIC has the power: (1) to transfer any of the depository institution's assets and liabilities to a new obligor without the approval of the depository institution's creditors; (2) to enforce the terms of the depository institution's contracts pursuant to their terms; or (3) to repudiate or disaffirm any contract or lease to which the depository institution is a party, the performance of which

is determined by the FDIC to be burdensome and the disaffirmation or repudiation of which is determined by the FDIC to promote the orderly administration of the depository institution. The above provisions would be applicable to obligations and liabilities of JPMorgan Chase's subsidiaries that are insured depository institutions, such as JPMorgan Chase Bank, N.A., and Chase Bank USA, N.A., including, without limitation, obligations under senior or subordinated debt issued by those banks to investors (referred to below as public noteholders) in the public markets. Under federal law, the claims of a receiver of an insured depository institution for administrative expense and the claims of holders of U.S. deposit liabilities (including the FDIC, as subrogee of the depositors) have priority over the claims of other unsecured creditors of the institution, including public noteholders and depositors in non-U.S. offices, in the event of the liquidation or other resolution of the institution. As a result, whether or not the FDIC would ever seek to repudiate any obligations held by public noteholders or depositors in non-U.S. offices of any subsidiary of the Firm that is an insured depository institution, such as JPMorgan Chase Bank, N.A., or Chase Bank USA, N.A., such persons would be treated differently from, and could receive, if anything, substantially less than the depositors in U.S. offices of the depository.

An FDIC-insured depository institution can be held liable for any loss incurred or expected to be incurred by the FDIC in connection with another FDIC-insured institution under common control with such institution being in default or in danger of default (commonly referred to as cross-guarantee liability). An FDIC cross-guarantee claim against a depository institution is generally superior in right of payment to claims of the holding company and its affiliates

against such depository institution.

The Bank Secrecy Act: The Bank Secrecy Act (BSA) requires all financial institutions, including banks and securities broker-dealers, to, among other things, establish a risk-based system of internal controls reasonably designed to prevent money laundering and the financing of terrorism. The BSA includes a variety of recordkeeping and reporting requirements (such as cash and suspicious activity reporting), as well as due diligence/know-your-customer documentation requirements. The Firm has established a global anti-money laundering program in order to comply with BSA requirements.

Other supervision and regulation: Under current Federal Reserve Board policy, JPMorgan Chase is expected to act as a source of financial strength to its bank subsidiaries and to commit resources to support these subsidiaries in circumstances where it might not do so absent such policy. However, because GLBA provides for functional regulation of financial holding company activities by various regulators, GLBA prohibits the Federal Reserve Board from requiring payment by a holding company or subsidiary to a depository institution if the functional regulator of the payor objects to such payment. In such a case, the Federal Reserve Board could instead require the divestiture of the depository institution and impose operating restrictions pending the divestiture.

The bank subsidiaries of JPMorgan Chase are subject to certain restrictions imposed by federal law on extensions of credit to, and certain other transactions with, the Firm and certain other affiliates,

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and on investments in stock or securities of JPMorgan Chase and those affiliates. These restrictions prevent JPMorgan Chase and other affiliates from borrowing from a bank subsidiary unless the loans are secured in specified amounts and are subject to certain other limits. For more information, see Note 28 on page 230.

The Firm's banks and certain of its nonbank subsidiaries are subject to direct supervision and regulation by various other federal and state authorities (some of which are considered "functional regulators" under GLBA). JPMorgan Chase's national bank subsidiaries, such as JPMorgan Chase Bank, N.A., and Chase Bank USA, N.A., are subject to supervision and regulation by the OCC and, in certain matters, by the Federal Reserve Board and the FDIC.

Supervision and regulation by the responsible regulatory agency generally includes comprehensive annual reviews of all major aspects of the relevant bank's business and condition, and imposition of periodic reporting requirements and limitations on investments, among other powers.

The Firm conducts securities underwriting, dealing and brokerage activities in the U.S. through JPMorgan Securities and other broker-dealer subsidiaries, all of which are subject to regulations of the SEC, the Financial Industry Regulatory Authority and the New York Stock Exchange, among others. The Firm conducts similar securities activities outside the U.S. subject to local regulatory requirements. In the United Kingdom ("U.K."), those activities are conducted by J.P. Morgan Securities Ltd., which is regulated by the Financial Services Authority of the U.K. The operations of JPMorgan Chase mutual funds also are subject to regulation by the SEC.

The Firm has subsidiaries that are members of futures exchanges in the U.S. and abroad and are registered accordingly. In the U.S., three subsidiaries are registered as futures commission merchants, with other subsidiaries registered with the Commodity Futures Trading Commission (the "CFTC") as commodity pool operators and commodity trading advisors. These CFTC-registered subsidiaries are also members of the National Futures Association. The Firm's U.S. energy business is subject to regulation by the Federal Energy Regulatory Commission. It is also subject to other extensive and evolving energy, commodities, environmental and other governmental regulation both in the U.S. and other jurisdictions globally.

The types of activities in which the non-U.S. branches of JPMorgan Chase Bank, N.A., and the international subsidiaries of JPMorgan Chase may engage are subject to various restrictions imposed by the Federal Reserve Board. Those non-U.S. branches and international subsidiaries also are subject to the laws and regulatory authorities of the countries in which they operate.

The activities of JPMorgan Chase Bank, N.A. and Chase Bank USA, N.A. as consumer lenders also are subject to regulation under various U.S. federal laws, including the Truth-in-Lending, Equal Credit Opportunity, Fair Credit Reporting, Fair Debt Collection Practice and Electronic Funds Transfer acts, as well as various state laws. These statutes impose requirements on consumer loan origination and collection practices.

Under the requirements imposed by GLBA, JPMorgan Chase and its subsidiaries are required periodically to disclose to their retail customers the Firm's policies and practices with respect to the sharing of nonpublic customer information with JPMorgan Chase affiliates and others, and the confidentiality and security of that information. Under GLBA, retail customers also must be given the opportunity to "opt out" of information-sharing arrangements with nonaffiliates, subject to certain exceptions set forth in GLBA.

ITEM 1A: RISK FACTORS

The following discussion sets forth some of the more important risk factors that could materially affect our financial condition and operations. Other factors that could affect our financial condition and operations are discussed in the "Forward-looking statements" section on page 135. However, factors besides those discussed below, in MD&A or elsewhere in this or other reports that we filed or furnished with the SEC, also could adversely affect us. You should not consider any descriptions of such factors to be a complete set of all potential risks that could affect us.

Our results of operations have been, and may continue to be, adversely affected by U.S. and international financial market and economic conditions.

Our businesses have been, and in the future will continue to be, materially affected by economic and market conditions, including factors such as the liquidity of the global financial markets; the level and volatility of debt and equity prices, interest rates and currency and commodities prices; investor sentiment; corporate or other scandals that reduce confidence in the financial markets; inflation; the availability and cost of capital and credit; the occurrence of

natural disasters, acts of war or terrorism; and the degree to which U.S. or international economies are expanding or experiencing recessionary pressures. These factors can affect, among other things, the activity levels of clients with respect to the size, number and timing of transactions involving our investment and commercial banking businesses, including our underwriting and advisory businesses; the realization of cash returns from our private equity and principal investments businesses; the volume of transactions that we execute for our customers and, therefore, the revenue we receive from commissions and spreads; the number and size of underwritings we manage on behalf of clients; and the willingness of financial sponsors or other investors to participate in loan syndications or underwritings managed by us.

We generally maintain large trading portfolios in the fixed income, currency, commodity and equity markets and we may have from time to time significant positions, including positions in securities in markets that lack pricing transparency or liquidity. The revenue derived from mark-to-market values of our businesses are affected by many factors, including our credit standing; our success in effectively hedging our market and other risks; volatility in interest rates and equity, debt and commodities markets; credit spreads and availability of liquidity in the capital markets; and other economic and business factors. We anticipate that revenue relating to our trading and principal investment businesses will continue to experience volatility and there can be no assurance that such volatility relating to the above factors or other conditions that may affect pricing or our ability to realize returns from such investments could not materially adversely affect our earnings.

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The fees we earn for managing third-party assets are also dependent upon general economic conditions. For example, a higher level of U.S. or non-U.S. interest rates or a downturn in trading markets could affect the valuations of the third-party assets we manage or hold in custody, which, in turn, could affect our revenue. Moreover, even in the absence of a market downturn, below-market or sub-par performance by our investment management businesses could result in outflows of assets under management and supervision and, therefore, reduce the fees that we receive.

During 2008, U.S. and global financial markets were extremely volatile and were materially and adversely affected by a significant lack of liquidity, loss of confidence in the financial sector, disruptions in the credit markets, reduced business activity, rising unemployment, declining home prices, and erosion of consumer confidence. These factors contributed to adversely affecting our business, financial condition and results of operations in 2008 and into early 2009. While the business environment stabilized during the latter half of 2009, the current economic environment remains weak, which affects our businesses' profitability.

Our consumer businesses are particularly affected by domestic economic conditions. Such conditions include U.S. interest rates; the rate of unemployment; housing prices; the level of consumer confidence; changes in consumer spending; and the number of personal bankruptcies, among others. The deterioration of these conditions can diminish demand for the consumer businesses' products and services, or increase the cost to provide such products and services. In addition, adverse economic conditions, such as declines in home prices, could lead to an increase in mortgage and other loan delinquencies and higher net charge-offs, which can adversely affect our earnings.

During 2008 and continuing in 2009, higher levels of bank failures have dramatically increased resolution costs of the Federal Deposit Insurance Corporation and depleted the deposit insurance fund. In order to maintain a strong funding position and restore reserve ratios of the deposit insurance fund, the FDIC has increased assessment rates of insured institutions and adopted a rule in November 2009 requiring banks to prepay three years' worth of premiums to replenish the depleted insurance fund. If there are additional bank or financial institutions failures, we may be required to pay even higher FDIC premiums than the recently increased levels. Any future increases of FDIC insurance premiums may adversely impact our earnings.

In connection with the sale and securitization of loans (whether with or without recourse), the originator is generally required to make a variety of customary representations and warranties regarding both the originator and the loans being sold or securitized. We and certain of our subsidiaries, as well as entities acquired by us as part of the Bear Stearns merger, and the Washington Mutual and other transactions, have made such representations and warranties in connection with the sale and securitization of loans, and we will continue to do so in the ordinary course of our lending business.

If a loan does not comply with such representations or warranties is sold or securitized, we may be obligated to repurchase the loan and bear any associated loss directly, or we may be obligated to indemnify the purchaser against any such losses. In 2009, the costs of repurchasing mortgage loans that had been sold to government agencies such as Freddie Mac and Fannie Mae increased substantially, and could continue to increase substantially further.

Accordingly, repurchase and/or indemnity obligations to government-sponsored enterprises or to private third-party purchasers could materially and adversely affect our results of operations and earnings in the future.

We cannot provide assurance that any of the above-mentioned conditions, or further continued deterioration in economic, market or business conditions, will not have a material negative effect on the Firm in the future.

If we do not effectively manage our liquidity, our business could be negatively affected.

Our liquidity is critical to our ability to operate our businesses, grow and be profitable. Some potential conditions that could negatively affect our liquidity include illiquid or volatile markets, diminished access to capital markets, unforeseen cash or capital requirements (including, among others, commitments that may be triggered to special purpose entities (SPEs) or other entities), difficulty or inability to sell assets, unforeseen outflows of cash or collateral, and lack of market or customer confidence in us or our prospects. These conditions may be caused by events over which we have little or no control. For example, the liquidity crisis experienced in 2008 and into early 2009 increased our cost of funding and limited our access to some of our traditional sources of liquidity such as securitized debt offerings backed by mortgages, loans, credit card receivables and other assets. These or other conditions detrimental to our liquidity may occur in the future.

The credit ratings of JPMorgan Chase & Co., JPMorgan Chase Bank, N.A. and Chase Bank USA, N.A. are important in order to maintain our liquidity. A reduction in their credit ratings could have an adverse effect on our access to liquidity sources, increase our cost of funds, trigger additional collateral or funding requirements, and decrease the number of investors and counterparties willing to lend to us, thereby curtailing our business operations and reducing our profitability. Reduction in the ratings of certain SPEs or other entities to which we have a funding or other commitment could also negatively affect our liquidity where such ratings changes lead, directly or indirectly, to us being required to purchase assets or otherwise provide funding. Critical factors in maintaining high credit ratings include a stable and diverse earnings stream, strong capital ratios, strong credit quality and risk management controls, diverse funding sources, and disciplined liquidity monitoring procedures.

Our cost of obtaining long-term unsecured funding is directly related to our credit spreads (the amount in excess of the interest rate of U.S. Treasury securities (or other benchmark securities) of the same maturity that we need to pay to our debt investors). Increases in our credit spreads can significantly increase the cost of this funding. Changes in credit spreads are continuous and market-driven, and influenced by market perceptions of our creditworthiness. As such, our credit spreads may be unpredictable and highly volatile.

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As a holding company, we rely on the earnings of our subsidiaries for our cash flow and consequent ability to pay dividends and satisfy our obligations. These payments by subsidiaries may take the form of dividends, loans or other payments. Several of our principal subsidiaries are subject to capital adequacy requirements or other regulatory or contractual restrictions on their ability to provide such payments. Limitations in the payments we receive from our subsidiaries could negatively affect our liquidity position.

The financial condition of our customers, clients and counterparties, including other financial institutions, could adversely affect us.

A number of our products expose us to credit risk, including loans, leases and lending commitments, derivatives, trading account assets and assets held-for-sale. As one of the nation's largest lenders, we have exposures to many different products and counterparties, and the credit quality of our exposures can have a significant impact on our earnings. We estimate and establish reserves for credit risks and potential credit losses inherent in our credit exposure (including unfunded lending commitments). This process, which is critical to our financial results and condition, requires difficult, subjective and complex judgments, including forecasts of how economic conditions might impair the ability of our borrowers to repay their loans. As is the case with any such assessments, there is always the chance that we will fail to identify the proper factors or that we will fail to accurately estimate the impact of factors that we identify. Any such failure could result in increases in delinquencies and default rates.

Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. We routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Many of these transactions expose us to credit risk in the event of default by the counterparty or client, which can be exacerbated during periods of market illiquidity, such as experienced in 2008 and early 2009. During such periods, our credit risk also may be further increased when the collateral held by us cannot be realized upon or is liquidated at prices that are not sufficient to recover the full amount of the loan or derivative exposure due us. In addition, disputes with counterparties as to the valuation of collateral significantly increases in times of market stress and illiquidity. We cannot provide assurance that any such losses would not materially and adversely affect our results of operations or earnings.

An example of the risks associated with our relationships with other financial institutions is the collapse of Lehman Brothers Holdings Inc. (LBHI). On September 15, 2008, LBHI filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code (the Bankruptcy Code) in the United States Bankruptcy Court for the Southern District of New York, and thereafter several of its subsidiaries also filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code (LBHI and such subsidiaries collectively, Lehman). On September 19, 2008, a liquidation case under the Securities Investor Protection Act (SIPA) was commenced in the United States District Court for the Southern District of New York for Lehman Brothers Inc. (LBI), LBHI's U.S. broker-dealer subsidiary, and that court now presides over the LBI SIPA liquidation case. We were LBI's clearing bank and, among other actions, made collateral calls totaling approximately \$8 billion in September 2008 and liquidated approximately \$18 billion of securities subsequent to Lehman's bankruptcy filing. We are the largest secured creditor in the Lehman and LBI cases, according to Lehman's schedules. It is possible that claims may be asserted against us and/or our security interests, including by the LBHI Creditors Committee, the SIPA Trustee appointed in the LBI liquidation case, the principal acquirer of LBI's assets, and others in connection with Lehman and LBI cases. We intend to defend ourselves against any such claims. The LBHI examiner has filed a report with the Bankruptcy Court regarding his investigation into the collapse of Lehman. The report remains under seal.

If the current weak economic environment continues for an extended period of time, or deteriorates further, there is a greater likelihood that more of our customers or counterparties could become delinquent on their loans or other obligations to us which, in turn, could result in a higher level of charge-offs and provision for credit losses, or requirements that we purchase assets or provide other funding, any of which could adversely affect our financial condition. Moreover, a significant deterioration in the credit quality of one of our counterparties could lead to concerns about the credit quality of other counterparties in the same industry, thereby exacerbating our credit risk exposure, and increasing the losses, including mark-to-market losses, we could incur in our trading and clearing

businesses.

Concentration of credit and market risk could increase the potential for significant losses.

We have exposure to increased levels of risk when a number of customers are engaged in similar business activities or activities in the same geographic region, or when they have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic conditions. We regularly monitor various segments of our portfolio exposures to assess potential concentration risks. Our efforts to diversify or hedge our credit portfolio against concentration risks may not be successful and any concentration of credit risk could increase the potential for significant losses in our credit portfolio. In addition, disruptions in the liquidity or transparency of the financial markets may result in our inability to sell, syndicate or realize upon securities, loans or other instruments or positions held by us, thereby leading to increased concentrations of such positions. These concentrations could expose us to losses if the mark-to-market value of the securities, loans or other instruments or positions decline causing us to take write downs. Moreover, the inability to reduce our positions not only increases the market and credit risks associated with such positions, but also increases the level of risk-weighted assets on our balance sheet, thereby increasing our capital requirements and funding costs, all of which could adversely affect our businesses' operations and profitability.

Our framework for managing risks may not be effective in mitigating risk and loss to us.

Our risk management framework seeks to mitigate risk and loss to us. We have established processes and procedures intended to identify, measure, monitor, report and analyze the types of risk to which we are subject, including liquidity risk, credit risk, market

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risk, interest rate risk, operational risk, legal and fiduciary risk, reputational risks and private equity risk, among others. However, as with any risk management framework, there are inherent limitations to our risk management strategies as there may exist, or develop in the future, risks that we have not appropriately anticipated or identified. If our risk management framework proves ineffective, we could suffer unexpected losses and could be materially adversely affected.

Our risk management strategies may not be effective because in a difficult or less liquid market environment other market participants may be attempting to use the same or similar strategies to deal with the difficult market conditions. In such circumstances, it may be difficult for us to reduce our risk positions due to the activity of such other market participants.

Our derivatives businesses may expose us to unexpected market, credit and operational risks that could cause us to suffer unexpected losses. Severe declines in asset values, unanticipated credit events, or unforeseen circumstances that may cause previously uncorrelated factors to become correlated (and vice versa) may create losses resulting from risks not appropriately taken into account in the development, structuring or pricing of a derivative instrument. In addition, certain of our derivative transactions require the physical settlement by delivery of securities, commodities or obligations that we do not own; if we are not able to obtain such securities, commodities or obligations within the required timeframe for delivery, this could cause us to forfeit payments otherwise due to us and could result in settlement delays, which could damage our reputation and ability to transact future business. In addition, in situations where derivatives transactions are not settled or confirmed on a timely basis, we may be subject to heightened credit and operational risk, and in the event of a default, we may find the contract more difficult to enforce. Further, as new and more complex derivative products are created, disputes regarding the terms or the settlement procedures of the contracts could arise, which could force us to incur unexpected costs, including transaction and legal costs, and impair our ability to manage effectively our risk exposure from these products.

Many of our hedging strategies and other risk management techniques have a basis in historic market behavior, and all such strategies and techniques are based to some degree on management's subjective judgment. For example, many models used by us are based on assumptions regarding correlations among prices of various asset classes or other market indicators. In times of market stress, such as occurred during 2008, or in the event of other unforeseen circumstances, previously uncorrelated indicators may become correlated, or conversely, previously correlated indicators may make unrelated movements. These sudden market movements or unanticipated or unidentified market or economic movements have in some circumstances limited the effectiveness of our risk management strategies, causing us to incur losses. In addition, as our businesses change and grow and the markets in which they operate continue to evolve, our risk management framework may not always keep sufficient pace with those changes. For example, there is the risk that the credit and market risks associated with new products or new business strategies may not be appropriately identified, monitored or managed. We cannot provide assurance that our risk management framework, including our underlying assumptions or strategies, will at all times be accurate and effective.

Our operations are subject to risk of loss from unfavorable economic, monetary, political, legal and other developments in the United States and around the world.

Our businesses and earnings are affected by the fiscal and other policies that are adopted by various regulatory authorities of the United States, non-U.S. governments and international agencies.

The Board of Governors of the Federal Reserve System regulates the supply of money and credit in the United States. Its policies determine in large part the cost of funds for lending and investing and the return earned on those loans and investments. The market impact from such policies can also materially decrease the value of financial assets that we hold, such as debt securities and mortgage servicing rights (MSRs). Its policies also can adversely affect borrowers, potentially increasing the risk that they may fail to repay their loans or satisfy their obligations to us. Changes in Federal Reserve Board policies are beyond our control and, consequently, the impact of these changes on our activities and results of operations is difficult to predict.

Our businesses and revenue are also subject to the risks inherent in maintaining international operations and in investing and trading in securities of companies worldwide. These risks include, among others, risk of loss from the outbreak of hostilities or acts of terrorism and various unfavorable political, economic, legal or other developments,

including social or political instability, changes in governmental policies or policies of central banks, expropriation, nationalization, confiscation of assets, price controls, capital controls, exchange controls, and changes in laws and regulations. Further, various countries in which we operate or invest, or in which we may do so in the future, have in the past experienced severe economic disruptions particular to that country or region, including extreme currency fluctuations, high inflation, or low or negative growth, among other negative conditions. Crime, corruption, war or military actions, acts of terrorism and a lack of an established legal and regulatory framework are additional challenges in some of these countries, particularly in certain emerging markets. Revenue from international operations and trading in non-U.S. securities may be subject to negative fluctuations as a result of the above considerations. The impact of these fluctuations could be accentuated as some trading markets are smaller, less liquid and more volatile than larger markets. Also, any of the above-mentioned events or circumstances in one country can, and has in the past, affected our operations and investments in another country or countries, including our operations in the U.S. Any such unfavorable conditions or developments could have an adverse impact on our business and results of operations.

Our power generation and commodities activities are subject to extensive regulation, potential catastrophic events and environmental risks and regulation that may expose us to significant cost and liability.

We engage in power generation, and in connection with the commodities activities of our Investment Bank, we engage in the storage, transportation, marketing or trading of several

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commodities, including metals, agricultural products, crude oil, oil products, natural gas, electric power, emission credits, coal, freight, and related products and indices. We have also invested in companies engaged in wind energy and in sourcing, developing and trading emission reduction credits. As a result of these activities, we are subject to extensive and evolving energy, commodities, environmental, and other governmental laws and regulations. We expect laws and regulations affecting our power generation and commodities activities to expand in scope and complexity. We may incur substantial costs in complying with current or future laws and regulations and the failure to comply with these laws and regulations may result in substantial civil and criminal fines and penalties. In addition, liability may be incurred without regard to fault under certain environmental laws and regulations for remediation of contaminations. Our power generation and commodities activities also further exposes us to the risk of unforeseen and catastrophic events, including natural disasters, leaks, spills, explosions, release of toxic substances, fires, accidents on land and at sea, wars, and terrorist attacks that could result in personal injuries, loss of life, property damage, damage to our reputation and suspension of operations. In addition, our power generation activities are subject to disruptions, many of which are outside of our control, from the breakdown or failure of power generation equipment, transmission lines or other equipment or processes, and the contractual failure of performance by third-party suppliers or service providers, including the failure to obtain and deliver raw materials necessary for the operation of power generation facilities. Our actions to mitigate our risks related to the abovementioned considerations may not prove adequate to address every contingency. In addition, insurance covering some of these risks may not be available, and the proceeds, if any, from insurance recovery may not be adequate to cover liabilities with respect to particular incidents. As a result, our financial condition and results of operations may be adversely affected by such events.

We rely on our systems, employees and certain counterparties, and certain failures could materially adversely affect our operations.

Our businesses are dependent on our ability to process, record and monitor a large number of increasingly complex transactions. If any of our financial, accounting, or other data processing systems fail or have other significant shortcomings, we could be materially adversely affected. We are similarly dependent on our employees. We could be materially adversely affected if one of our employees causes a significant operational break-down or failure, either as a result of human error or where an individual purposefully sabotages or fraudulently manipulates our operations or systems. Third parties with which we do business could also be sources of operational risk to us, including relating to breakdowns or failures of such parties' own systems or employees. Any of these occurrences could diminish our ability to operate one or more of our businesses, or result in potential liability to clients, reputational damage and regulatory intervention, any of which could materially adversely affect us.

If personal, confidential or proprietary information of customers or clients in our possession were to be mishandled or misused, we could suffer significant regulatory consequences, reputational damage and financial loss. Such mishandling or misuse could include circumstances where, for example, such information was erroneously provided to

parties who are not permitted to have the information, either by fault of our systems, employees, or counterparties, or such information was intercepted or otherwise inappropriately taken by third parties.

We may be subject to disruptions of our operating systems arising from events that are wholly or partially beyond our control, which may include, for example, computer viruses, electrical or telecommunications outages, or other damage to our property or assets; natural disasters; health emergencies or pandemics; or events arising from local or larger scale political events, including terrorist acts. Such disruptions may give rise to losses in service to customers and loss or liability to us.

In a firm as large and complex as ours, lapses or deficiencies in internal control over financial reporting may occur from time to time, and there is no assurance that significant deficiencies or material weaknesses in internal controls may not occur in the future. In addition, there is the risk that our controls and procedures as well as business continuity and data security systems could prove to be inadequate. Any such failure could adversely affect our operations and results of operations by requiring us to expend significant resources to correct the defect, as well as by exposing us to litigation, regulatory fines or penalties or losses not covered by insurance.

We operate within a highly regulated industry and our business and results are significantly affected by the laws and regulations to which we are subject.

We are subject to regulation under state and federal laws in the U.S., as well as the applicable laws of each of the various other jurisdictions outside the U.S. in which we do business. These laws and regulations affect the type and manner in which we do business and may limit our ability to expand our product offerings, pursue acquisitions, or restrict the scope of operations and services provided.

Recent market and economic conditions have led to new legislation and numerous proposals for changes in the regulation of the financial services industry, including significant additional legislation and regulation in the United States. For example, new legislation and regulation affecting the credit card industry is expected to adversely affect our Card Services business by reducing revenue and increasing compliance costs.

Recent proposals for further regulation of financial institutions, both domestically and internationally, include calls to increase their capital and liquidity requirements; limit the size and types of the activities permitted; and increase taxes on some institutions. For example, the Wall Street Reform and Consumer Protection Act of 2009 recently passed by the U.S. House of Representatives would, among other things, establish a Consumer Financial Protection Agency having broad authority to regulate providers of credit, savings, payment and other consumer financial products and services, as well as create a structure to regulate systemically important financial companies, and provide regulators with the power to require such companies to sell or transfer assets and terminate activities if the regulators determine that the size or scope of activities of the company pose a threat to the safety and soundness of the company or the financial stability of the United States. Also proposed is more comprehensive regulation of the over-the-counter derivatives market, including providing for

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more strict capital and margin requirements, the central clearing of standardized over-the-counter derivatives, and heightened supervision of all over-the-counter derivatives dealers and major market participants, including the Firm. These new (and other) legislative and regulatory changes could result in significant loss of revenue, limit our ability to pursue business opportunities we might otherwise consider engaging in, impact the value of assets that we hold, require us to change certain of our business practices, impose additional costs on us, or otherwise adversely affect our businesses. Accordingly, we cannot provide assurance that any such new legislation or regulation would not have an adverse effect on our business, results of operations or financial condition.

If we do not comply with current or future legislation and regulations that apply to our operations, we may be subject to fines, penalties or material restrictions on our businesses in the jurisdiction where the violation occurred. In recent years, regulatory oversight and enforcement have increased substantially, imposing additional costs and increasing the potential risks associated with our operations. As this regulatory trend continues, it could adversely affect our operations and, in turn, our financial results.

We face significant legal risks, both from regulatory investigations and proceedings and from private actions brought against us.

We are named as a defendant or are otherwise involved in various legal proceedings, including class actions and other litigation or disputes with third parties, as well as investigations or proceedings brought by regulatory agencies. Actions brought against us may result in judgments, settlements, fines, penalties or other results adverse to us, which could materially adversely affect our business, financial condition or results of operation, or cause us serious reputational harm. As a participant in the financial services industry, it is likely we will continue to experience a high level of litigation and regulatory scrutiny and investigations related to our businesses and operations.

There is increasing competition in the financial services industry which may adversely affect our results of operations.

We operate in a highly competitive environment and we expect competitive conditions to continue to intensify as continued merger activity in the financial services industry produces larger, better-capitalized and more geographically diverse companies that are capable of offering a wider array of financial products and services at more competitive prices.

We also face an increasing array of competitors. Competitors include other banks, brokerage firms, investment banking companies, merchant banks, hedge funds, private equity firms, insurance companies, mutual fund companies, credit card companies, mortgage banking companies, trust companies, securities processing companies, automobile financing companies, leasing companies, e-commerce and other Internet-based companies, and a variety of other financial services and advisory companies. Technological advances and the growth of e-commerce have made it possible for non-depository institutions to offer products and services that traditionally were banking products, and for financial institutions and other companies to provide electronic and Internet-based financial solutions, including electronic securities trading. Our businesses generally compete on the basis of the quality and variety of our products and services, transaction execution, innovation, reputation and price. Ongoing or increased competition in any one or all of these areas may put downward pressure on prices for our products and services or may cause us to lose market share. Increased competition also may require us to make additional capital investment in our businesses in order to remain competitive. These investments may increase expense or may require us to extend more of our capital on behalf of clients in order to execute larger, more competitive transactions. We cannot provide assurance that the significant and increasing competition in the financial services industry will not materially adversely affect our future results of operations.

Our acquisitions and the integration of acquired businesses may not result in all of the benefits anticipated.

We have in the past and may in the future seek to grow our business by acquiring other businesses. There can be no assurance that our acquisitions will have the anticipated positive results, including results relating to: the total cost of integration; the time required to complete the integration; the amount of longer-term cost savings; the overall performance of the combined entity; or an improved price for our common stock. Integration of an acquired business can be complex and costly, sometimes including combining relevant accounting and data processing systems and management controls, as well as managing relevant relationships with employees, clients, suppliers and other business partners. Integration efforts could divert management attention and resources, which could adversely affect our

operations or results. We cannot provide assurance that any integration efforts of acquisitions already consummated or any new acquisitions would not result in the occurrence of unanticipated costs or losses.

We may continue to experience increased credit costs or need to take additional markdowns and allowances for loan losses on the assets and loans acquired in the merger (the Bear Stearns merger) by JPMorgan Chase and The Bear Stearns Companies Inc. (Bear Stearns) and in connection with the acquisition of Washington Mutual Bank's (Washington Mutual) banking operations (the Washington Mutual transaction). We cannot assure you that as our integration efforts continue in connection with these transactions, other unanticipated costs or losses will not be incurred.

Acquisitions may also result in business disruptions that cause us to lose customers or cause customers to remove their accounts from us and move their business to competing financial institutions. It is possible that the integration process related to acquisitions could result in the disruption of our ongoing businesses or inconsistencies in standards, controls, procedures and policies that could adversely affect our ability to maintain relationships with clients, customers, depositors and employees. The loss of key employees in connection with an acquisition could adversely affect our ability to successfully conduct our business.

Damage to our reputation could damage our businesses.

Maintaining a positive reputation is critical to our attracting and maintaining customers, investors and employees. Damage to our

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reputation can therefore cause significant harm to our business and prospects. Harm to our reputation can arise from numerous sources, including, among others, employee misconduct, litigation or regulatory outcomes, failing to deliver minimum standards of service and quality, compliance failures, unethical behavior, and the activities of customers and counterparties. Further, negative publicity regarding us, whether or not true, may result in harm to our prospects. Actions by the financial services industry generally or by certain members of or individuals in the industry can also affect our reputation. For example, the role played by financial services firms in the financial crisis has damaged the reputation of the industry as a whole.

We could suffer significant reputational harm if we fail to properly identify and manage potential conflicts of interest. Management of potential conflicts of interests has become increasingly complex as we expand our business activities through more numerous transactions, obligations and interests with and among our clients. The failure to adequately address, or the perceived failure to adequately address, conflicts of interest could affect the willingness of clients to deal with us, or give rise to litigation or enforcement actions. Therefore, there can be no assurance that conflicts of interest will not arise in the future that could cause material harm to us.

Our ability to attract and retain qualified employees is critical to the success of our business and failure to do so may materially adversely affect our performance.

Our employees are our most important resource and, in many areas of the financial services industry, competition for qualified personnel is intense. The imposition on us or on our employees of certain of the currently proposed restrictions or taxes on executive compensation may adversely affect our ability to attract and retain qualified senior management and employees. If we are unable to continue to retain and attract qualified employees, our performance, including our competitive position, could be materially adversely affected.

Our financial statements are based in part on assumptions and estimates which, if wrong, could cause unexpected losses in the future.

Pursuant to accounting principles generally accepted in the United States of America, we are required to use certain assumptions and estimates in preparing our financial statements, including in determining credit loss reserves, reserves related to litigations and the fair value of certain assets and liabilities, among other items. If assumptions or estimates underlying our financial statements are incorrect, we may experience material losses.

Certain of our financial instruments, including trading assets and liabilities, available-for-sale securities, certain loans, MSRs, private equity investments, structured notes and certain repurchase and resale agreements, among other items, require a determination of their fair value in order to prepare our financial statements. Where quoted market prices are not available, we may make fair value determinations based on internally developed models or other means which ultimately rely to some degree on management judgment. Some of these and other assets and liabilities may have no direct observable price levels, making their valuation particularly subjective, being based on significant estimation and judgment. In addition, sudden illiquidity in markets or declines in prices of certain loans and securities may make it more difficult to value certain balance sheet items, which may lead to the possibility that such valuations will be subject to further change or adjustment and could lead to declines in our earnings.

ITEM 1B: UNRESOLVED SEC STAFF COMMENTS

None.

ITEM 2: PROPERTIES

JPMorgan Chase's headquarters is located in New York City at 270 Park Avenue, which is a 50-story office building owned by JPMorgan Chase. This location contains approximately 1.3 million square feet of space. The building is currently undergoing a major renovation in five stages. The design seeks to attain the highest sustainability rating for renovations of existing buildings under the Leadership in Energy and Environmental Design (LEED) Green Building Rating System. The renovations of floors 15-50 are complete. The renovation of the exterior Plaza and the lobby began in the fourth quarter 2009. The total renovation is expected to be substantially completed by mid-year 2011. In connection with the Bear Stearns merger in 2008, JPMorgan Chase acquired 383 Madison Avenue in New York City, a 45-story, 1.1 million square-foot office building on land which is subject to a ground lease through 2096. This building serves as the U.S. headquarters of JPMorgan Chase's Investment Bank.

In total, JPMorgan Chase owned or leased approximately 12.9 million square feet of commercial office and retail space in New York City at December 31, 2009. JPMorgan Chase and its subsidiaries also own or lease significant administrative and operational facilities in Houston and Dallas, Texas (4.4 million square feet); Chicago, Illinois (3.9 million square feet); Columbus, Ohio (2.7 million square feet); Phoenix, Arizona (1.4 million square feet); Jersey City, New Jersey (1.2 million square feet); San Francisco, California (1.0 million square feet); Seattle, Washington (1.0 million square feet); Wilmington, Delaware (1.0 million square feet); and 5,154 retail branches in 23 states. At December 31, 2009, the Firm occupied approximately 72.5 million total square feet of space in the United States. At December 31, 2009, the Firm managed and occupied approximately 3.7 million total square feet of space in Europe, Middle East and Africa.

In the United Kingdom, JPMorgan Chase leased approximately 2.6 million square feet of office space and owned a 360,000 square-foot operations center at December 31, 2009. In 2008, JPMorgan Chase acquired a 999-year leasehold interest in land at Canary Wharf, London, as the possible future site for construction of a new European headquarters building. Initially, the design was for a building area of 1.9 million square feet and up to five trading floors; it is now modified to 1.7 million square feet and up to four trading floors. JPMorgan Chase is currently in the design development stage and continues to identify and evaluate further opportunities to modify the design. JPMorgan Chase, by agreement with the developer (as renegotiated in 2009), has the ability to defer commencement of the main construction through at least October 2011. JPMorgan Chase

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is reconsidering its occupancy options in London during this deferral period. The building design will strive to achieve the highest possible environmental efficiency rating.

In addition, JPMorgan Chase and its subsidiaries occupy offices and other administrative and operational facilities in the Asia Pacific region, Latin America and Canada under various types of ownership and leasehold agreements, aggregating approximately 4.4 million total square feet of space at December 31, 2009.

The properties occupied by JPMorgan Chase are used across all of the Firm's business segments and for corporate purposes. JPMorgan Chase continues to evaluate its current and projected space requirements and may determine from time to time that certain of its premises and facilities are no longer necessary for its operations. There is no assurance that the Firm will be able to dispose of any such excess premises or that it will not incur charges in connection with such dispositions. Such disposition costs may be material to the Firm's results of operations in a given period.

ITEM 3: LEGAL PROCEEDINGS

Bear Stearns Shareholder Litigation and Related Matters. Various shareholders of Bear Stearns have commenced purported class actions against Bear Stearns and certain of its former officers and/or directors on behalf of all persons who purchased or otherwise acquired common stock of Bear Stearns between December 14, 2006 and March 14, 2008 (the "Class Period"). The actions, originally commenced in several federal courts, allege that the defendants issued materially false and misleading statements regarding Bear Stearns' business and financial results and that, as a result of those false statements, Bear Stearns' common stock traded at artificially inflated prices during the Class Period. In connection with these allegations, the complaints assert claims for violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. Separately, several individual shareholders of Bear Stearns have commenced or threatened to commence arbitration proceedings and lawsuits asserting claims similar to those in the putative class actions.

In addition, Bear Stearns and certain of its former officers and/or directors have also been named as defendants in a number of purported class actions commenced in the United States District Court for the Southern District of New York seeking to represent the interests of participants in the Bear Stearns Employee Stock Ownership Plan ("ESOP") during the time period of December 2006 to March 2008. These actions allege that defendants breached their fiduciary duties to plaintiffs and to the other participants and beneficiaries of the ESOP by (a) failing to manage prudently the ESOP's investment in Bear Stearns securities; (b) failing to communicate fully and accurately about the risks of the ESOP's investment in Bear Stearns stock; (c) failing to avoid or address alleged conflicts of interest; and (d) failing to monitor those who managed and administered the ESOP. In connection with these allegations, each plaintiff asserts claims for violations under various sections of the Employee Retirement Income Security Act ("ERISA") and seeks reimbursement to the ESOP for all losses, an unspecified amount of monetary damages and imposition of a constructive trust.

Bear Stearns, former members of Bear Stearns' Board of Directors and certain of Bear Stearns' former executive officers have also been named as defendants in two purported shareholder derivative suits, subsequently consolidated into one action, pending in the United States District Court for the Southern District of New York. Plaintiffs are asserting claims for breach of fiduciary duty, violations of federal securities laws, waste of corporate assets and gross mismanagement, unjust enrichment, abuse of control and indemnification and contribution in connection with the losses sustained by Bear Stearns as a result of its purchases of subprime loans and certain repurchases of its own common stock. Certain individual defendants are also alleged to have sold their holdings of Bear Stearns common stock while in possession of material nonpublic information. Plaintiffs seek compensatory damages in an unspecified amount and an order directing Bear Stearns to improve its corporate governance procedures. Plaintiffs later filed a second amended complaint asserting, for the first time, purported class action claims for violation of Section 10(b) of the Securities Exchange Act of 1934, as well as new allegations concerning events that took place in March 2008. All of the above-described actions filed in federal courts were ordered transferred and joined for pre-trial purposes before the United States District Court for the Southern District of New York. Motions to dismiss have been filed in the purported securities class action, the shareholders' derivative action and the ERISA action.

Bear Stearns Merger Litigation. Seven putative class actions (five that were commenced in New York and two that were commenced in Delaware) were consolidated in New York State Court in Manhattan under the caption *In re Bear*

Stearns Litigation. Bear Stearns, as well as its former directors and certain of its former executive officers, were named as defendants. JPMorgan Chase was also named as a defendant. The actions allege, among other things, that the individual defendants breached their fiduciary duties and obligations to Bear Stearns shareholders by agreeing to the proposed merger. The Firm was alleged to have aided and abetted the alleged breaches of fiduciary duty; breached its fiduciary duty as controlling shareholder/controlling entity; tortiously interfered with the Bear Stearns shareholders voting rights; and to have been unjustly enriched. Plaintiffs initially sought to enjoin the proposed merger and enjoin the Firm from voting certain shares acquired by the Firm in connection with the proposed merger. The plaintiffs subsequently informed the Court that they were withdrawing that motion, but amended the consolidated complaint to pursue claims, which included a claim for an unspecified amount of compensatory damages. In December 2008, the court granted summary judgment in favor of all the defendants. Plaintiffs have filed a notice of appeal.

Bear Stearns Hedge Fund Matters. Bear Stearns, certain current or former subsidiaries of Bear Stearns, including Bear Stearns Asset Management, Inc. (BSAM) and Bear Stearns & Co. Inc., and certain current or former Bear Stearns employees are named defendants (collectively the Bear Stearns defendants) in multiple civil actions and arbitrations relating to the failure of the Bear Stearns High Grade Structured Credit Strategies Master Fund, Ltd. (the High Grade Fund) and the Bear Stearns High Grade Structured Credit Strategies Enhanced Leverage Master Fund, Ltd.

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(the Enhanced Leverage Fund) (collectively, the Funds). BSAM served as investment manager for both of the Funds, which were organized such that there were U.S. and Cayman Islands feeder funds that invested substantially all their assets, directly or indirectly, in the Funds. The Funds are in liquidation.

There are five civil actions pending in the United States District Court for the Southern District of New York relating to the Funds. Three of these actions involve derivative lawsuits brought on behalf of purchasers of partnership interests in the two U.S. feeder funds. Plaintiffs in these actions allege that the Bear Stearns defendants mismanaged the Funds and made material misrepresentations to and/or withheld information from investors in the funds. These actions seek, among other things, unspecified compensatory damages based on alleged investor losses. A fourth action, brought by the Joint Voluntary Liquidators of the Cayman Islands feeder funds, makes allegations similar to those asserted in the derivative lawsuits related to the U.S. feeder funds, and seeks compensatory and punitive damages. A motion to dismiss or alternatively to stay is pending in one of the derivative suits relating to one of the U.S. feeder funds. In the remaining three cases, motions to dismiss have been granted in part and denied in part, and discovery is ongoing. The fifth action was brought by Bank of America and Banc of America Securities LLC (together

BofA) alleging breach of contract and fraud in connection with a May 2007 \$4 billion securitization, known as a CDO-squared, for which BSAM served as collateral manager. This securitization was composed of certain collateralized debt obligation (CDO) holdings that were purchased by BofA from the High Grade Fund and the Enhanced Leverage Fund. Defendants' motion to dismiss in this action was largely denied; an amended complaint was filed; and discovery is ongoing in this case as well.

Ralph Cioffi and Matthew Tannin, the portfolio managers for the Funds, were tried on criminal charges of securities fraud and conspiracy to commit securities and wire fraud brought by the United States Attorney's Office for the Eastern District of New York. The U.S. Attorney's Office contended, among other things, that Cioffi and Tannin made misrepresentations concerning the Funds' performance, prospects and liquidity, as well as their personal investments in the Funds. On November 10, 2009, after a five-week trial, the jury found Cioffi and Tannin not guilty of all charges submitted to the jury. The United States Securities and Exchange Commission is proceeding with its action against Cioffi and Tannin.

Municipal Derivatives Investigations and Antitrust Litigation. The Department of Justice's Antitrust Division and the Securities and Exchange Commission have been investigating JPMorgan Chase and Bear Stearns for possible antitrust and securities violations in connection with the bidding or sale of guaranteed investment contracts and derivatives to municipal issuers. Although the principal focus of the investigations to date has been the period 2001 to 2005, the investigations may also include transactions beyond that period. A group of state attorneys general and the Office of the Comptroller of the Currency (OCC) have opened investigations into the same underlying conduct. JPMorgan Chase has been cooperating with all of these investigations. The Philadelphia Office of the SEC provided notice to JPMorgan Securities Inc. (JPMSI)

that it intends to recommend that the SEC bring civil charges in connection with its investigations. JPMSI has responded to that notice, as well as to a separate notice that that Philadelphia Office provided to Bear, Stearns & Co. Inc.

Purported class action lawsuits and individual actions (the Municipal Derivatives Actions) have been filed against JPMorgan Chase and Bear Stearns, as well as numerous other providers and brokers, alleging antitrust violations in the markets for financial instruments related to municipal bond offerings referred to collectively as municipal derivatives. The Municipal Derivatives Actions have been consolidated in the United States District Court for the Southern District of New York, and defendants have moved to dismiss the consolidated class action complaint. The court has stayed discovery pending disposition of the motion to dismiss. Certain plaintiffs asserting class and individual claims under federal and California state law declined to join in the consolidated class action complaints and have filed separate complaints, which defendants have also moved to dismiss.

On November 4, 2009, JPMSI consented to the entry of an SEC administrative order finding that JPMSI violated Sections 17(a)(2) and (3) of the Securities Act of 1933, Section 15B(c)(1) of the Securities Exchange Act of 1934, and Municipal Securities Rulemaking Board Rule G-17 in connection with certain Jefferson County, Alabama (the County) bond underwritings and related swap transactions in 2002 and 2003 by failing to disclose in confirmations

and official deal documents descriptions of payments that had been made to mostly local Alabama businesses at the direction of representatives of the Jefferson County Commission. JPMSI entered into the settlement with the SEC without admitting or denying the SEC's findings. Shortly thereafter, the County filed a complaint against the Firm and several other defendants in the Circuit Court of Jefferson County, Alabama. The suit alleges that the Firm made payments to certain third parties in exchange for which it was chosen to underwrite warrants issued by the County and chosen as the counterparty for certain swaps executed by the County. In its complaint, Jefferson County alleges that JPMSI concealed these third party payments and that, but for this concealment, the County would not have entered into the transactions. The County further alleges that the transactions increased the risks of its capital structure and that, following the downgrade of certain insurers that insured the warrants, the County's interest obligations increased and the principal due on a portion of its outstanding warrants was accelerated. The Firm has moved to dismiss the County's complaint.

A putative class action was filed on behalf of sewer ratepayers against the Firm and numerous other defendants, based on substantially the same conduct described above (the "Wilson Action"). The Firm moved to dismiss the claims for lack of standing. The plaintiff in the Wilson Action recently filed a fifth amended complaint, which the Firm also moved to dismiss for lack of standing. Both motions remain pending.

The Alabama Public Schools and College Authority ("APSCA") brought a declaratory judgment action in the United States District Court for the Northern District of Alabama claiming that certain interest rate swaption transactions entered into with JPMorgan

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Chase Bank, N.A. (Chase) are void on the grounds that the APSCA purportedly did not have the authority to enter into transactions or, alternatively, are voidable at the APSCA's option because of its alleged inability to issue refunding bonds in relation to the swaption. Following the denial of its motion to dismiss the action, Chase answered the complaint and filed a counterclaim seeking the amounts due under the swaption transactions. Discovery is under way.

Interchange Litigation. A group of merchants have filed a series of putative class action complaints in several federal courts. The complaints allege that VISA and MasterCard, as well as certain other banks and their respective bank holding companies, including Chase Bank USA, N.A., and JPMorgan Chase, conspired to set the price of credit card interchange fees and enacted respective association rules in violation of Section 1 of the Sherman Act, and engaged in tying/bundling and exclusive dealing. All cases have been consolidated in the United States District Court for the Eastern District of New York for pretrial proceedings. The amended consolidated class action complaint extended the claims beyond credit to debit cards. Defendants filed a motion to dismiss all claims that predated January 1, 2004. The Court granted the motion to dismiss these claims. Plaintiffs then filed a second amended consolidated class action complaint. The basic theories of the complaint remain the same, and defendants again filed motions to dismiss. The Court has not yet ruled on the motions. Fact discovery has closed, and expert discovery in the case is ongoing. The plaintiffs have filed a motion seeking class certification, and the defendants have opposed that motion. The Court has not yet ruled on the class certification motion.

In addition to the consolidated class action complaint, plaintiffs filed supplemental complaints challenging the MasterCard and Visa IPOs (the IPO Complaints). With respect to MasterCard, plaintiffs allege that the offering violated Section 7 of the Clayton Act and Section 1 of the Sherman Act and that the offering was a fraudulent conveyance. With respect to the Visa IPO, plaintiffs are challenging the Visa IPO on antitrust theories parallel to those articulated in the MasterCard IPO pleading. Defendants have filed motions to dismiss the IPO Complaints. The Court has not yet ruled on the motions.

Mortgage-Backed Securities Litigation. JPMC and affiliates, heritage-Bear and affiliates and heritage WaMu affiliates have been named as defendants in a number of cases relating to various roles they played in mortgage-backed securities (MBS) offerings. These cases are generally purported class action suits, actions by individual purchasers of securities, or actions by insurance companies that guaranteed payments of principal and interest for particular tranches. Although the allegations vary by lawsuit, these cases generally allege that the offering documents for the securitization trusts contained material misrepresentations and omissions, including statements regarding the underwriting standards pursuant to which the underlying mortgage loans were issued, the ratings given to the tranches by rating agencies, and the appraisal standards that were used.

Purported class actions are pending against JPMorgan Chase, heritage Bear Stearns, and certain of their current and former employees in the United States District Courts for the Eastern and Southern Districts of New York. Heritage Washington Mutual affiliates, WaMu Asset Acceptance Corp. and WaMu Capital Corp.; are defendants in two purported class action cases, pending in the Western District of Washington. In addition to allegations as to mortgage underwriting standards and ratings, plaintiffs in these cases also allege that defendants failed to disclose Washington Mutual Bank's alleged coercion of or collusion with appraisal vendors to inflate appraisal valuations of the loans in the pools. Motions to dismiss have been filed in one of the cases. In addition to the purported class actions, JPMC affiliates and several heritage Bear Stearns entities are defendants in actions in state court in Pennsylvania and in state court in Washington brought by the Federal Home Loan Banks of Pittsburgh and Seattle, respectively. These actions relate to each Federal Home Loan Bank's purchases of certificates in MBS offerings. Defendants' responses to the complaint brought by the FHLB of Pittsburgh are due on February 26, 2010. Defendants have removed the action brought by the FHLB of Seattle to federal court.

EMC Mortgage Corporation (EMC), a subsidiary of JPMC, is a defendant in four pending actions commenced by bond insurers that guaranteed payment on certain classes of MBS offerings sponsored by EMC. Two of the actions, commenced respectively by Ambac Assurance Corporation and Syncora Guarantee, Inc., (Syncora) are pending in the United States District Court for the Southern District of New York and involve five securitizations sponsored by EMC. The third action was commenced by Syncora, seeking access to certain loan files. The fourth was filed by CIFG Assurance North America, Inc. in state court in Texas, and involves one securitization sponsored by EMC. In each action, Plaintiffs claim the underlying mortgage loans had origination defects that purportedly violate certain

representations and warranties given by EMC to plaintiffs and that EMC has breached the relevant agreements between the parties by failing to repurchase allegedly defective mortgage loans. Each action seeks unspecified damages and an order compelling EMC to repurchase those loans.

An action is pending in the United States District Court for the Southern District of New York brought on behalf of purchasers of certificates issued by various MBS securitizations sponsored by affiliates of IndyMac Bancorp (IndyMac Trusts). JPMSI, along with numerous other underwriters and individuals, is named as a defendant, both in its own capacity and as successor to Bear Stearns & Co. The defendants have moved to dismiss. JPMC and JPMSI are defendants in an action pending in state court in Pennsylvania brought by FHLB-Pittsburgh, relating to its purchase of a certificate issued by one IndyMac Trust. Defendants' responses to the complaint are due on February 26, 2010. JPMC, as successor to Bear Stearns, and other underwriters, along with certain individuals, are defendants in an action pending in state court in California brought by MBIA Insurance Corp. (MBIA) relating to certain certificates issued by three IndyMac trusts, as to two of which Bear Stearns was an underwriter, and as to which MBIA provided guaranty insurance policies. MBIA purports to be subrogated to the rights of the certificate holders, and seeks recovery of sums it has paid and will pay pursuant to those policies.

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A heritage Bear Stearns subsidiary is a defendant in a purported class action that is pending in federal court in New Mexico against a number of financial institutions that served as depositors and/or underwriters for 10 MBS offerings issued by Thornburg Mortgage, a bankrupt mortgage originator.

The Firm and certain other heritage entities have been sued in other purported class actions for their roles as underwriter or depositor of third party MBS offerings but, other than the matters described in the above two paragraphs, the Firm is indemnified in these other litigations.

Auction-Rate Securities Investigations and Litigation. Beginning in March 2008, several regulatory authorities initiated investigations of a number of industry participants, including the Firm, concerning possible state and federal securities law violations in connection with the sale of auction-rate securities. The market for many such securities had frozen and a significant number of auctions for those securities began to fail in February 2008.

The Firm, on behalf of itself and affiliates, agreed to a settlement in principle with the New York Attorney General's Office which provided, among other things, that the Firm would offer to purchase at par certain auction-rate securities purchased from J.P. Morgan Securities Inc., Chase Investment Services Corp. and Bear, Stearns & Co. Inc. by individual investors, charities, and small- to medium-sized businesses. The Firm also agreed to a substantively similar settlement in principle with the Office of Financial Regulation for the State of Florida and the North American Securities Administrator Association (NASAA) Task Force, which agreed to recommend approval of the settlement to all remaining states, Puerto Rico and the U.S. Virgin Islands. The Firm finalized the settlement agreements with the New York Attorney General's Office and the Office of Financial Regulation for the State of Florida. The settlement agreements provide for the payment of penalties totaling \$25 million to all states. The Firm is currently in the process of finalizing consent agreements with NASAA's member states. Approximately half of these consent agreements have been finalized to date.

The Firm is also the subject of a putative securities class action in the United States District Court for the Southern District of New York and a number of individual arbitrations and lawsuits in various forums, brought by institutional and individual investors, relating to the Firm's sales of auction-rate securities. One action is brought by an issuer of auction-rate securities. The actions generally allege that the Firm and other firms manipulated the market for auction-rate securities by placing bids at auctions that affected these securities' clearing rates or otherwise supported the auctions without properly disclosing these activities. Some actions also allege that the Firm misrepresented that auction-rate securities were short-term instruments. Plaintiffs filed an amended consolidated complaint, and defendants' responses to the complaint are due on March 3, 2010.

Additionally, the Firm was named in two putative antitrust class actions in the United States District Court for the Southern District of New York, which actions allege that the Firm, in collusion with numerous other financial institution defendants, entered into an unlawful conspiracy in violation of Section 1 of the Sherman Act.

Specifically, the complaints allege that defendants acted collusively to maintain and stabilize the auction-rate securities market and similarly acted collusively in withdrawing their support for the auction-rate securities market in February 2008. On January 26, 2010, the District Court dismissed both actions. The time to file an appeal has not yet expired.

City of Milan Litigation and Criminal Investigation. In January 2009, the City of Milan, Italy (the City) issued civil proceedings against (among others) JPMorgan Chase Bank, National Association (JPMCB) and J.P. Morgan Securities Ltd. (JPMSL) (together, JPM) in the District Court of Milan. The proceedings relate to a (a) a bond issue by the City in June 2005 (the Bond) and (b) an associated swap transaction, which was subsequently restructured on a number of occasions between 2005 and 2007 (the Swap). The City seeks damages and/or other remedies against JPM (among others) on the grounds of alleged fraudulent and deceitful acts and alleged breach of advisory obligations by JPM (among others) in connection with the Swap and the Bond, together with related swap transactions with other counterparties. The civil proceedings continue. No trial date has been set. In January 2009, JPMCB also received a notice from the Prosecutor at the Court of Milan placing it and certain current and former JPM personnel under investigation in connection with the above transactions. Since April 2009, JPMCB has been contesting an attachment order obtained by the Prosecutor, purportedly to freeze assets potentially subject to confiscation in the event of a conviction. The original Euro 92 million attachment has been reduced to Euro 44.9 million, and JPMCB's application

for a further reduction remains pending. In November 2009, the Prosecutor filed a request to proceed to trial in respect of the above transactions against (a) four current and former JPM personnel and (b) JPMCB for administrative liability under Italian Law 231/2001 in respect of alleged crimes committed by those personnel. The preliminary hearing at which these requests will be determined began in January 2010 and continues, with further hearing dates scheduled. The sanctions that potentially could be imposed under Italian law 231/2001 include monetary penalties and restrictions on conduct of JPMCB's business in the jurisdiction.

Washington Mutual Litigations. Subsequent to JPMorgan Chase's acquisition from the Federal Deposit Insurance Corporation (FDIC) of substantially all of the assets and certain specified liabilities of Washington Mutual Bank, Henderson Nevada (Washington Mutual Bank), on September 26, 2008, Washington Mutual Bank's parent holding company, Washington Mutual, Inc. (WMI) and its wholly-owned subsidiary, WMI Investment Corp. (together, the Debtors) both commenced voluntary cases under Chapter 11 of Title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware (the Bankruptcy Case). In the Bankruptcy Case, the Debtors have asserted rights and interests in certain assets. The assets in dispute include principally the following: (a) approximately \$4 billion in securities contributed by WMI to Washington Mutual Bank; (b) the right to tax refunds arising from overpayments attributable to operations of Washington Mutual Bank and its subsidiaries; (c) ownership of and other rights in approximately \$4 billion that WMI contends are deposit accounts at Washington

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Mutual Bank and one of its subsidiaries; and (d) ownership of and rights in various other contracts and other assets (collectively, the Disputed Assets).

JPMorgan Chase commenced an adversary proceeding in the Bankruptcy Case against the Debtors and (for interpleader purposes only) the FDIC seeking a declaratory judgment and other relief determining JPMorgan Chase's legal title to and beneficial interest in the Disputed Assets. Discovery is underway in the JPMorgan Chase adversary proceeding.

The Debtors commenced a separate adversary proceeding in the Bankruptcy Case against JPMorgan Chase, seeking turnover of the same \$4 billion in purported deposit funds and recovery for alleged unjust enrichment for failure to turn over the funds. The Debtors have moved for summary judgment in the turnover proceeding. Discovery is under way in the turnover proceeding.

In both JPMorgan Chase's adversary proceeding and the Debtors' turnover proceeding, JPMorgan Chase and the FDIC have argued that the Bankruptcy Court lacks jurisdiction to adjudicate certain claims. JPMorgan Chase moved to have the adversary proceedings transferred to United States District Court for the District of Columbia and to withdraw jurisdiction from the Bankruptcy Court to the District Court. That motion is fully briefed. In addition, JPMorgan Chase and the FDIC filed papers with the United States District Court for the District of Delaware appealing the Bankruptcy Court's rulings rejecting the jurisdictional arguments, and that appeal is fully briefed. JPMorgan Chase is also appealing a separate Bankruptcy Court decision holding, in part, that the Bankruptcy Court could proceed with certain matters while the first appeal is pending. Briefing on that appeal is under way.

The Debtors submitted claims substantially similar to those submitted in the Bankruptcy Court in the FDIC receivership for, among other things, ownership of certain Disputed Assets, as well as claims challenging the terms of the agreement pursuant to which substantially all of the assets of Washington Mutual Bank were sold by the FDIC to JPMorgan Chase. The FDIC, as receiver, disallowed the Debtors' claims and the Debtors filed an action against the FDIC in the United States District Court for the District of Columbia challenging the FDIC's disallowance of the Debtors' claims, claiming ownership of the Disputed Assets, and seeking money damages from the FDIC. JPMorgan Chase has intervened in the action. On January 7, 2010, the District Court stayed the action pending developments in the Bankruptcy Court and ordered the parties to submit a joint status report every 120 days. In connection with the stay, the District Court denied WMI's and the FDIC's motions to dismiss without prejudice.

In addition, the Debtors moved in the Bankruptcy Court to take discovery from JPMorgan Chase purportedly related to a litigation originally filed in the 122nd State District Court of Galveston County, Texas (the Texas Action). JPMorgan Chase opposed the motion, but the Bankruptcy Court ordered that the discovery proceed. Debtors are also seeking related discovery from various third parties, including several government agencies. Plaintiffs in the Texas Action are certain holders of WMI common stock and the debt of WMI and Washington Mutual Bank who have sued JPMorgan Chase for unspecified damages alleging that JPMorgan

Chase acquired substantially all of the assets of Washington Mutual Bank from the FDIC at an allegedly too low price. The FDIC intervened in the Texas Action, had it removed to the United States District Court for the Southern District of Texas, and then the FDIC and JPMorgan Chase moved to have the Texas Action dismissed or transferred. The Court transferred the Texas Action to the District of Columbia. Plaintiffs have moved to have the FDIC dismissed as a party and to remand the action to the state court, or, in the alternative, dismissed for lack of subject matter jurisdiction. JPMorgan Chase and the FDIC have moved to have the entire action dismissed. The motions to dismiss are fully briefed.

Other proceedings related to Washington Mutual's failure also pending before the United States District Court for the District of Columbia include a lawsuit brought by Deutsche Bank National Trust Company against the FDIC alleging breach of various mortgage securitization agreements and alleged violation of certain representations and warranties given by certain WMI subsidiaries in connection with those securitization agreements. JPMorgan Chase has not been named a party to the Deutsche Bank litigation, but the complaint includes assertions that JPMorgan Chase may have assumed certain liabilities.

Securities Lending Litigation. JPMorgan Chase Bank N.A. (JPMorgan) has been named as a defendant in four putative class actions asserting ERISA and non-ERISA claims pending in the United States District Court for the Southern District of New York related to the Firm's securities lending business. Three of the pending actions relate to

losses of plaintiffs' money (i.e., cash collateral for securities loan transactions) in medium-term notes of a structured investment vehicle known as Sigma Finance Inc. ("Sigma"). The fourth action concerns losses of money invested in Lehman Brothers medium-term notes, as well as asset-backed securities offered by nine other issuers.

Investment Management Litigation. Four cases have been filed claiming that investment portfolios managed by JPMorgan Investment Management Inc. ("JPMIM") were inappropriately invested in securities backed by subprime residential real estate collateral. Plaintiffs claim that JPMIM and related defendants are liable for the loss in market value of these securities. The first case was filed by NM Homes One, Inc. in federal court in New York. The second case, filed by Assured Guaranty (U.K.) in New York state court, was dismissed and Assured has appealed the court's decision. The third case was filed by Ambac Assurance UK Limited in New York state court and JPMIM's motion to dismiss the complaint is pending. The fourth case was filed by CMMF LLP in New York state court in December 2009; the Court granted JPMIM's motion to dismiss the claims, other than claims for breach of contract and misrepresentation. Both CMMF and JPMIM have filed notices of appeal.

Enron Litigation. JPMorgan Chase and certain of its officers and directors are involved in several lawsuits arising out of its banking relationships with Enron Corp. and its subsidiaries ("Enron"). A number of actions and other proceedings against the Firm have been resolved, including a class action lawsuit captioned *Newby v. Enron Corp.* and adversary proceedings brought by Enron's bankruptcy estate. The remaining Enron-related actions include individual actions by Enron investors, creditors and counterparties.

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The remaining litigation also includes a suit against JPMorgan Chase alleging, in relevant part, breach of contract and breach of fiduciary duty based upon the Firm's role as Indenture Trustee in connection with an indenture agreement between JPMorgan Chase and Enron. The case has been dismissed, but plaintiffs have appealed the dismissal and their appeal is pending before the New York State Court of Appeals.

A putative class action on behalf of JPMorgan Chase employees who participated in the Firm's 401(k) plan asserted claims under the Employee Retirement Income Security Act (ERISA) for alleged breaches of fiduciary duties and negligence by JPMorgan Chase, its directors and named officers. Plaintiffs' motion for class certification and the Firm's motion for judgment on the pleadings are both fully briefed.

IPO Allocation Litigation. JPMorgan Chase and certain of its securities subsidiaries were named, along with numerous other firms in the securities industry, as defendants in a large number of putative class action lawsuits filed in the United States District Court for the Southern District of New York alleging improprieties in connection with the allocation of securities in various public offerings, including some offerings for which a JPMorgan Chase entity served as an underwriter. They also claim violations of securities laws arising from alleged material misstatements and omissions in registration statements and prospectuses for the initial public offerings (IPOs) and alleged market manipulation with respect to aftermarket transactions in the offered securities. Bear, Stearns & Co., Inc. is named as a defendant in a little less than a third of the pending IPO securities cases. Antitrust lawsuits based on similar allegations have been dismissed with prejudice. A settlement was reached in the securities cases, which the District Court approved; the Firm's share of the settlement is approximately \$62 million. Appeals and a petition for leave to appeal have been filed in the United States Court of Appeals for the Second Circuit seeking reversal of the decision approving the settlement.

In addition to the various cases, proceedings and investigations discussed above, JPMorgan Chase and its subsidiaries are named as defendants or otherwise involved in a number of other legal actions and governmental proceedings arising in connection with their businesses. Additional actions, investigations or proceedings may be initiated from time to time in the future. In view of the inherent difficulty of predicting the outcome of legal matters, particularly where the claimants seek very large or indeterminate damages, or where the cases present novel legal theories, involve a large number of parties or are in early stages of discovery, the Firm cannot state with confidence what the eventual outcome of these pending matters will be, what the timing of the ultimate resolution of these matters will be or what the eventual loss, fines, penalties or impact related to each pending matter may be. JPMorgan Chase believes, based upon its current knowledge, after consultation with counsel and after taking into account its current litigation reserves, that the outcome of the legal actions, proceedings and investigations currently pending against it should not have a material adverse effect on the Firm's consolidated financial condition. However, in light of the uncertainties involved in such proceedings, actions and investigations, there is no assurance that the ultimate resolution of these matters will not significantly exceed the reserves currently accrued by the Firm; as a result, the outcome of a particular matter may be material to JPMorgan Chase's operating results for a particular period, depending on, among other factors, the size of the loss or liability imposed and the level of JPMorgan Chase's income for that period.

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ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

Executive officers of the registrant

Name	Age (at December 31, 2009)	Positions and offices
James Dimon	53	Chairman of the Board since December 31, 2006, and President and Chief Executive Officer since December 31, 2005. He had been President and Chief Operating Officer from July 1, 2004, until December 31, 2005.
Frank J. Bisignano	50	Chief Administrative Officer since December 2005. Prior to joining JPMorgan Chase, he had been Chief Executive Officer of Citigroup Inc.'s Global Transaction Services.
Steven D. Black	57	Vice Chairman since January 2010. He had been Executive Chairman of the Investment Bank since September 2009, prior to which he had been Co-Chief Executive Officer of the Investment Bank from March 2004 until September 2009.
Michael J. Cavanagh	43	Chief Financial Officer.
Stephen M. Cutler	48	General Counsel since February 2007. Prior to joining JPMorgan Chase, he was a partner and co-chair of the Securities Department at the law firm of WilmerHale since October 2005. Prior to joining WilmerHale, he had been Director of the Division of Enforcement at the U.S. Securities and Exchange Commission since October 2001.
William M. Daley	61	Head of Corporate Responsibility since June 2007, and Chairman of the Midwest Region since May 2004.
John L. Donnelly	53	Director of Human Resources since January 2009. Prior to joining JPMorgan Chase, he had been Global Head of Human Resources at Citigroup, Inc. since July 2007 and Head of Human Resources and Corporate Affairs for Citi Markets and Banking business from 1998 until 2007.
Ina R. Drew	53	Chief Investment Officer since February 2005.
Mary Callahan Erdoes	42	Chief Executive Officer of Asset Management since September 2009. From March 2005 to September 2009, she was Chief Executive Officer of Private Banking. Prior to 2005, she was responsible for investment solutions and strategy for private banking clients worldwide.
Samuel Todd Maclin	53	Chief Executive Officer of Commercial Banking.

Jay Mandelbaum	47	Head of Strategy and Business Development.
Heidi Miller	56	Chief Executive Officer of Treasury & Securities Services.
Charles W. Scharf	44	Chief Executive Officer of Retail Financial Services.
Gordon A. Smith	51	Chief Executive Officer of Card Services since June 2007. Prior to joining JPMorgan Chase, he was with American Express Company for more than 25 years. From August 2005 until June 2007, he was president of American Express' global commercial card business. Prior to that, he was president of the consumer card services group and was responsible for all consumer card products in the U.S.
James E. Staley	53	Chief Executive Officer of the Investment Bank since September 2009, prior to which he had been Chief Executive Officer of Asset Management.
Barry L. Zubrow	56	Chief Risk Officer since November 2007. Prior to joining JPMorgan Chase, he was a private investor and has been Chairman of the New Jersey Schools Development Authority since March 2006.

Unless otherwise noted, during the five fiscal years ended December 31, 2009, all of JPMorgan Chase's above-named executive officers have continuously held senior-level positions with JPMorgan Chase. There are no family relationships among the foregoing executive officers.

Table of Contents**Part II****ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

The outstanding shares of JPMorgan Chase common stock are listed and traded on the New York Stock Exchange, the London Stock Exchange and the Tokyo Stock Exchange. For the quarterly high and low prices of JPMorgan Chase's common stock for the last two years, see the section entitled "Supplementary information" Selected quarterly financial data (unaudited) on page 241. For a comparison of the cumulative total return for JPMorgan Chase common stock with the comparable total return of the S&P 500 Index and the S&P Financial Index over the five-year period ended December 31, 2009, see "Five-year stock performance," on page 39.

On February 23, 2009, the Board of Directors reduced the Firm's quarterly common stock dividend from \$0.38 to \$0.05 per share, effective with the dividend paid on April 30, 2009, to shareholders of record on April 6, 2009. The action enabled the Firm to retain approximately \$5 billion in common equity during 2009, and was taken to ensure the Firm had sufficient capital strength in the event the very weak economic conditions that existed at the beginning of the year further deteriorated. JPMorgan Chase declared quarterly cash dividends on its common stock in the amount of \$0.05 per share for each quarter of 2009 and \$0.38 per share for each quarter of 2008.

The common dividend payout ratio, based on reported net income, was 9% for 2009, 114% for 2008, and 34% for 2007. For a discussion of restrictions on dividend payments, see Note 23 on pages 222-223. At January 31, 2010, there were 231,559 holders of record of JPMorgan Chase common stock. For information regarding securities authorized for issuance under the Firm's employee stock-based compensation plans, see Item 12 on page 20.

In April 2007, the Board of Directors approved a stock repurchase program that authorizes the repurchase of up to \$10.0 billion of the Firm's common shares. In connection with the U.S. Treasury's sale of the warrants it received as part of the Capital Purchase Program, the Board of Directors amended the Firm's securities repurchase program to authorize the repurchase of warrants for its stock. During the years ended December 31, 2009 and 2008, the Firm did not repurchase any shares of its common stock. As of December 31, 2009, \$6.2 billion of authorized repurchase capacity remained under the repurchase program with

respect to repurchases of common stock, and all the authorized repurchase capacity remained with respect to the warrants. For further information regarding the Capital Purchase Program, see Capital Management "Capital Purchase Program" on page 83.

The authorization to repurchase common stock and warrants will be utilized at management's discretion, and the timing of purchases and the exact number of shares and warrants purchased is subject to various factors, including market conditions; legal considerations affecting the amount and timing of repurchase activity; the Firm's capital position (taking into account goodwill and intangibles); internal capital generation; and alternative potential investment opportunities. The repurchase program does not include specific price targets or timetables, may be executed through open market purchases or privately negotiated transactions, or utilizing Rule 10b5-1 programs; and may be suspended at any time. A Rule 10b5-1 repurchase plan allows the Firm to repurchase its equity during periods when it would not otherwise be repurchasing common stock—for example, during internal trading "black-out" periods. All purchases under a Rule 10b5-1 plan must be made according to a predefined plan that is established when the Firm is not aware of material nonpublic information.

For a discussion of restrictions on stock repurchases, see Note 23 on pages 222-223.

Stock repurchases under the stock-based incentive plans

Participants in the Firm's stock-based incentive plans may have shares withheld to cover income taxes. Shares withheld to pay income taxes are repurchased pursuant to the terms of the applicable plan and not under the Firm's share repurchase program. Shares repurchased between October 28, 2008, and June 17, 2009, (the date the Series K Preferred Stock issued to the U.S. Treasury was redeemed) were repurchased in accordance with an exemption from the Capital Purchase Program's stock repurchase restrictions. Shares repurchased pursuant to these plans during 2009 were as follows:

Year ended	Total shares	Average price
------------	--------------	---------------

December 31, 2009	repurchased	paid per share
First quarter	986,407	\$ 19.53
Second quarter	659	32.43
Third quarter	253	38.44
October	13	45.42
November		
December	155,290	41.96
Fourth quarter	155,303	41.96
Total for 2009	1,142,622	\$ 22.59

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Parts II and III

ITEM 6: SELECTED FINANCIAL DATA

For five-year selected financial data, see Five-year summary of consolidated financial highlights (unaudited) on page 38 and Selected annual financial data (unaudited) on page 242.

ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis of financial condition and results of operations, entitled Management's discussion and analysis, appears on pages 39-134. Such information should be read in conjunction with the Consolidated Financial Statements and Notes thereto, which appear on pages 138-240.

ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For information related to market risk, see the Market Risk Management section on pages 118-124.

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements, together with the Notes thereto and the report of PricewaterhouseCoopers LLP dated February 24, 2010, thereon, appear on pages 137-240.

Supplementary financial data for each full quarter within the two years ended December 31, 2009, are included on page 241 in the table entitled Supplementary information Selected quarterly financial data (unaudited). Also included is a Glossary of terms on pages 243-245.

ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A: CONTROLS AND PROCEDURES

As of the end of the period covered by this report, an evaluation was carried out under the supervision and with the participation of the Firm's management, including its Chairman and Chief Executive Officer and its Chief Financial Officer, of the effectiveness of its disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based on that evaluation, the Chairman and Chief Executive Officer and the Chief Financial Officer concluded that these disclosure controls and procedures were effective. See Exhibits 31.1 and 31.2 for the Certification statements issued by the Chairman and Chief Executive Officer and Chief Financial Officer. The Firm is committed to maintaining high standards of internal control over financial reporting. Nevertheless, because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, in a firm as large and complex as JPMorgan Chase, lapses or deficiencies in internal controls may occur from time to time, and there can be no assurance that any such deficiencies will not result in significant deficiencies or even material weaknesses in internal controls in the future. See page 136 for Management's report on internal control over financial reporting. There was no change in the Firm's internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) that occurred during the fourth quarter of 2009 that has materially affected, or is reasonably likely to materially affect, the Firm's internal control over financial reporting.

ITEM 9B: OTHER INFORMATION

None.

Part III

ITEM 10: DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

See Item 13 below.

ITEM 11: EXECUTIVE COMPENSATION

See Item 13 below.

Table of Contents**Parts III and IV****ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

For security ownership of certain beneficial owners and management, see Item 13 below.

The following table details the total number of shares available for issuance under JPMorgan Chase's employee stock-based incentive plans (including shares available for issuance to nonemployee directors). The Firm is not authorized to grant stock-based incentive awards to nonemployees, other than to nonemployee directors.

	Number of shares to be issued upon exercise of outstanding options/SARs	Weighted-average exercise price of outstanding options/SARs	Number of shares remaining available for future issuance under stock compensation plans
December 31, 2009			
(Shares in thousands)			
Plan category			
Employee stock-based incentive plans approved by shareholders	179,160	\$ 45.81	199,194^(a)
Employee stock-based incentive plans not approved by shareholders	86,475	45.83	
Total	265,635	\$ 45.82	199,194

(a) Represents future shares available under the shareholder-approved 2005 Long-Term Incentive Plan, as amended and restated effective May 20, 2008.

All future shares will be issued under the shareholder-approved 2005 Long-Term Incentive Plan, as amended and restated effective May 20, 2008. For further information, see Note 9 on pages 184–186.

ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE
Information to be provided in Items 10, 11, 12, 13 and 14 of Form 10-K and not otherwise included herein is incorporated by reference to the Firm's definitive proxy statement for its 2010 Annual Meeting of Stockholders to be held on May 18, 2010, which will be filed with the SEC within 120 days of the end of the Firm's fiscal year ended December 31, 2009.

ITEM 14: PRINCIPAL ACCOUNTING FEES AND SERVICES

See Item 13.

Part IV**ITEM 15: EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

Exhibits, financial statement schedules

1. Financial statements

The Consolidated Financial Statements, the Notes thereto and the report thereon listed in Item 8 are set forth commencing on page 137.

2. Financial statement schedules

3. Exhibits

- 3.1 Restated Certificate of Incorporation of JPMorgan Chase & Co., effective April 5, 2006 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of JPMorgan Chase & Co. (File No. 1-5805) filed April 7, 2006).
- 3.2 Certificate of Designations of Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series I (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of JPMorgan Chase & Co. (File No. 1-5805) filed April 24, 2008).
- 3.3 Certificate of Designations of 6.15% Cumulative Preferred Stock, Series E (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of JPMorgan Chase & Co. (File No. 1-5805) filed July 16, 2008).
- 3.4 Certificate of Designations of 5.72% Cumulative Preferred Stock, Series F (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K of JPMorgan Chase & Co. (File No. 1-5805) filed July 16, 2008).
- 3.5 Certificate of Designations of 5.49% Cumulative Preferred Stock, Series G (incorporated by reference to Exhibit 3.3 to the Current Report on Form 8-K of JPMorgan Chase & Co. (File No. 1-5805) filed July 16, 2008).
- 3.6 Certificate of Designations of 8.625% Non-Cumulative Preferred Stock, Series J (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K/A of JPMorgan Chase & Co. (File No. 1-5805) filed September 17, 2008).

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- 3.7 By-laws of JPMorgan Chase & Co., effective January 19, 2010 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of JPMorgan Chase & Co. (File No. 1-5805) filed January 25, 2010).

- 4.1(a) Indenture, dated as of December 1, 1989, between Chemical Banking Corporation (now known as JPMorgan Chase & Co.) and The Chase Manhattan Bank (National Association) (succeeded by Deutsche Bank Trust Company Americas), as Trustee (incorporated by reference to Exhibit 4.1(a) to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2008).

- 4.1(b) First Supplemental Indenture, dated as of November 1, 2007, between JPMorgan Chase & Co. and Deutsche Bank Trust Company Americas, as Trustee, to the Indenture, dated as of December 1, 1989 (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of JPMorgan Chase & Co. (File No. 1-5805) filed November 7, 2007).

- 4.1(c) Fifth Supplemental Indenture, dated as of December 22, 2008, between JPMorgan Chase & Co. and Deutsche Bank Trust Company Americas, as Trustee, to the Indenture, dated as of December 1, 1989 (incorporated by reference to Exhibit 4.1(c) to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2008).

- 4.2(a) Indenture, dated as of April 1, 1987, as amended and restated as of December 15, 1992, between Chemical Banking Corporation (now known as JPMorgan Chase & Co.) and Morgan Guaranty Trust Company of New York (succeeded by U.S. Bank Trust National Association), as Trustee (incorporated by reference to Exhibit 4.3(a) to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2005).

- 4.2(b) Third Supplemental Indenture, dated as of December 29, 2000, between The Chase Manhattan Corporation (now known as JPMorgan Chase & Co.) and U.S. Bank Trust National Association, as Trustee, to the Indenture, dated as of April 1, 1987, as amended and restated as of December 15, 1992 (incorporated by reference to Exhibit 4.3(c) to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2005).

- 4.3(a) Indenture, dated as of May 25, 2001, between JPMorgan Chase & Co. and Bankers Trust Company (succeeded by Deutsche Bank Trust Company Americas), as Trustee (incorporated by reference to Exhibit 4(a)(1) to the Registration Statement on Form S-3 of JPMorgan Chase & Co. (File No. 333-52826) filed June 13, 2001).

- 4.3(b) First Supplemental Indenture, dated as of April 9, 2008, between JPMorgan Chase & Co. and Deutsche Bank Trust Company Americas, as Trustee to the Indenture, dated as of May 25, 2001 (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of JPMorgan Chase & Co. (File no. 1-5805) filed October 31, 2008).

- 4.4(a) Junior Subordinated Indenture, dated as of December 1, 1996, between The Chase Manhattan Corporation (now known as JPMorgan Chase & Co.) and The Bank of New York (succeeded by The Bank of New York Mellon), as Trustee (incorporated by reference to Exhibit 4.4(a) to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2008).

- 4.4(b) Supplemental Indenture (First), dated as of September 23, 2004, between JPMorgan Chase & Co. and The Bank of New York (succeeded by The Bank of New York Mellon), as Debenture Trustee, to the Junior Subordinated Indenture, dated as of December 1, 1996 (incorporated by reference to Exhibit 4.2 to the Registration Statement on Form S-3 of JPMorgan Chase & Co. (File No. 333-126750) filed September 23, 2004).

- 4.4(c) Supplemental Indenture (Second), dated as of May 19, 2005, between JPMorgan Chase & Co. and The Bank of New York (succeeded by The Bank of New York Mellon), as Debenture Trustee, to the Junior Subordinated Indenture, dated as of December 1, 1996 (incorporated by reference to Exhibit 4.3 to the Registration Statement on Form S-3 of JPMorgan Chase & Co. (File No. 333-126750) filed July 21, 2005).
- 4.5 Form of Deposit Agreement (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of JPMorgan Chase & Co. (File No. 1-5805) filed April 24, 2008).
- 4.6 Form of Deposit Agreement (incorporated by reference to Exhibit 4(d) to the Registration Statement on Form S-4 of JPMorgan Chase & Co. (File No. 333-152214) filed July 9, 2007).
- 4.7 Form of Deposit Agreement (incorporated by reference to Exhibit 4(e) to the Registration Statement on Form S-4 of JPMorgan Chase & Co. (File No. 333-152214) filed July 9, 2007).
- 4.8 Form of Deposit Agreement (incorporated by reference to Exhibit 4(f) to the Registration Statement on Form S-4 of JPMorgan Chase & Co. (File No. 333-152214) filed July 9, 2007).
- 4.9 Form of Deposit Agreement (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of JPMorgan Chase & Co. (File No. 1-5805) filed August 21, 2008).

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Part IV

Other instruments defining the rights of holders of long-term debt securities of JPMorgan Chase & Co. and its subsidiaries are omitted pursuant to Section (b)(4)(iii)(A) of Item 601 of Regulation S-K. JPMorgan Chase & Co. agrees to furnish copies of these instruments to the SEC upon request.

- 10.1 Deferred Compensation Plan for Non-Employee Directors of JPMorgan Chase & Co., as amended and restated July 2001 and as of December 31, 2004 (incorporated by reference to Exhibit 10.1 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2007).*
- 10.2 2005 Deferred Compensation Plan for Non-Employee Directors of JPMorgan Chase & Co., effective as of January 1, 2005 (incorporated by reference to Exhibit 10.2 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2007).*
- 10.3 Post-Retirement Compensation Plan for Non-Employee Directors of The Chase Manhattan Corporation, as amended and restated, effective May 21, 1996 (incorporated by reference to Exhibit 10.3 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2008).*
- 10.4 2005 Deferred Compensation Program of JPMorgan Chase & Co., restated effective as of December 31, 2008 (incorporated by reference to Exhibit 10.4 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2008).*
- 10.5 JPMorgan Chase & Co. 2005 Long-Term Incentive Plan as amended and restated effective May 20, 2008 (incorporated by reference to Appendix B of Schedule 14A of JPMorgan Chase & Co. (File No. 1-5805) filed March 31, 2008).*
- 10.6 Key Executive Performance Plan of JPMorgan Chase & Co., restated as of January 1, 2005 (incorporated by reference to Exhibit 10.7 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2005).*
- 10.7 Excess Retirement Plan of JPMorgan Chase & Co., restated and amended as of December 31, 2008, as amended.*
- 10.8 1995 Stock Incentive Plan of J.P. Morgan & Co. Incorporated and Affiliated Companies, as amended, dated December 11, 1996 (incorporated by reference to Exhibit 10.8 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2008).*
- 10.9 Executive Retirement Plan of JPMorgan Chase & Co., as amended and restated December 31, 2008 (incorporated by reference to Exhibit 10.9 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2008).*
- 10.10 Amendment to Bank One Corporation Director Stock Plan, as amended and restated effective February 1, 2003 (incorporated by reference to Exhibit 10.10 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2008).*
- 10.11 Summary of Bank One Corporation Director Deferred Compensation Plan (incorporated by reference to Exhibit 10.19 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2005).*
- 10.12 Bank One Corporation Stock Performance Plan, as amended and restated effective February 20, 2001 (incorporated by reference to Exhibit 10.12 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2008).*

- 10.13 Bank One Corporation Supplemental Savings and Investment Plan, as amended and restated effective December 31, 2008 (incorporated by reference to Exhibit 10.13 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2008).*
- 10.14 Revised and Restated Banc One Corporation 1989 Stock Incentive Plan, effective January 18, 1989 (incorporated by reference to Exhibit 10.14 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2008).*
- 10.15 Banc One Corporation Revised and Restated 1995 Stock Incentive Plan, effective April 17, 1995 (incorporated by reference to Exhibit 10.15 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2008).*
- 10.16 Form of JPMorgan Chase & Co. Long-Term Incentive Plan Award Agreement of January 2005 stock appreciation rights (incorporated by reference to Exhibit 10.31 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2005).*
- 10.17 Form of JPMorgan Chase & Co. Long-Term Incentive Plan Award Agreement of October 2005 stock appreciation rights (incorporated by reference to Exhibit 10.33 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2005).*
- 10.18 Form of JPMorgan Chase & Co. Long-Term Incentive Plan Award Agreement of January 22, 2008 stock appreciation rights (incorporated by reference to Exhibit 10.25 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2007).*

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10.19	Form of JPMorgan Chase & Co. Long-Term Incentive Plan Award Agreement of January 22, 2008 restricted stock units (incorporated by reference to Exhibit 10.26 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2007).*
10.20	Form of JPMorgan Chase & Co. Long-Term Incentive Plan Terms and Conditions for stock appreciation rights, dated as of January 20, 2009 (incorporated by reference to Exhibit 10.20 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2008).*
10.21	Form of JPMorgan Chase & Co. Long-Term Incentive Plan Terms and Conditions for Operating Committee member stock appreciation rights, dated as of January 20, 2009 (incorporated by reference to Exhibit 10.21 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2008).*
10.22	Form of JPMorgan Chase & Co. Long-Term Incentive Plan Terms and Conditions for restricted stock units, dated as of January 20, 2009 (incorporated by reference to Exhibit 10.22 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2008).*
10.23	Form of JPMorgan Chase & Co. Long-Term Incentive Plan Terms and Conditions for Operating Committee member stock appreciation rights, dated as of February 3, 2010.*
10.24	Form of JPMorgan Chase & Co. Long-Term Incentive Plan Terms and Conditions for Operating Committee member restricted stock units, dated as of February 3, 2010.*
10.25	Form of JPMorgan Chase & Co. Long-Term Incentive Plan Terms and Conditions for Operating Committee member restricted stock units, dated as of January 20, 2009 (incorporated by reference to Exhibit 10.23 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2008).*
10.26	Form of JPMorgan Chase & Co. Long-Term Incentive Plan Award Agreement of January 22, 2008 stock appreciation rights for James Dimon (incorporated by reference to Exhibit 10.27 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2007).*
10.27	Form of JPMorgan Chase & Co. Performance-Based Incentive Compensation Plan, effective as of January 1, 2006, as amended.*
10.28	Form of Warrant to purchase common stock (incorporated by reference to Exhibit 4.2 to the Form 8-A of JPMorgan Chase & Co. (File No. 1-5805) filed December 11, 2009).
12.1	Computation of ratio of earnings to fixed charges.
12.2	Computation of ratio of earnings to fixed charges and preferred stock dividend requirements.
21.1	List of Subsidiaries of JPMorgan Chase & Co.
22.1	Annual Report on Form 11-K of The JPMorgan Chase 401(k) Savings Plan for the year ended December 31, 2009 (to be filed pursuant to Rule 15d-21 under the Securities Exchange Act of 1934).
23.1	Consent of independent registered public accounting firm.
31.1	Certification.

31.2 Certification.

32 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**

101.INS XBRL Instance Document.***

101.SCH XBRL Taxonomy Extension Schema Document.***

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.***

101.LAB XBRL Taxonomy Extension Label Linkbase Document.***

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.***

* This exhibit is a management contract or compensatory plan or arrangement.

** This exhibit shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that Section. Such exhibit shall not be deemed incorporated into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

*** As provided in Rule 406T of Regulation S-T, this information shall not be deemed filed for purposes of Section 11 and 12 of the Securities Act of

1933 and
Section 18 of
the Securities
Exchange Act of
1934 or
otherwise
subject to
liability under
those sections.

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(in millions, except per share, headcount and ratio data)					
or for the year ended December 31,					
	2009	2008 ^(d)	2007	2006	2005
Consolidated income statement data					
Net revenue	\$ 100,434	\$ 67,252	\$ 71,372	\$ 61,999	\$ 54,400
Noninterest expense	52,352	43,500	41,703	38,843	38,000
Provision profit ^(a)	48,082	23,752	29,669	23,156	15,000
Provision for credit losses	32,015	19,445	6,864	3,270	3,000
Provision for credit losses accounting conformity ^(b)		1,534			
Income from continuing operations before income tax expense/(benefit)	16,067	2,773	22,805	19,886	11,000
Income tax expense/(benefit)	4,415	(926)	7,440	6,237	3,000
Income from continuing operations	11,652	3,699	15,365	13,649	8,000
Income from discontinued operations ^(c)				795	
Income before extraordinary gain	11,652	3,699	15,365	14,444	8,000
Extraordinary gain ^(d)	76	1,906			
Income	\$ 11,728	\$ 5,605	\$ 15,365	\$ 14,444	\$ 8,000
Common share data					
Earnings ^(e)					
Income from continuing operations	\$ 2.25	\$ 0.81	\$ 4.38	\$ 3.83	\$ 3.00
Income	2.27	1.35	4.38	4.05	
Adjusted earnings ^{(e)(f)}					
Income from continuing operations	\$ 2.24	\$ 0.81	\$ 4.33	\$ 3.78	\$ 3.00
Income	2.26	1.35	4.33	4.00	
Dividends declared per share	0.20	1.52	1.48	1.36	
Book value per share	39.88	36.15	36.59	33.45	30.00
Common shares outstanding					
Weighted average: Basic ^(e)	3,862.8	3,501.1	3,403.6	3,470.1	3,400.0
Adjusted ^(e)	3,879.7	3,521.8	3,445.3	3,516.1	3,500.0
Common shares at period-end	3,942.0	3,732.8	3,367.4	3,461.7	3,400.0
Book value per share					
	\$ 47.47	\$ 50.63	\$ 53.25	\$ 49.00	\$ 40.00
	14.96	19.69	40.15	37.88	30.00
	41.67	31.53	43.65	48.30	30.00
Total capitalization	164,261	117,695	146,986	167,199	138,000
Selected ratios					
Return on common equity (ROE ^(f))					
Income from continuing operations	6%	2%	13%	12%	
Income	6	4	13	13	
Return on tangible common equity (ROTCE ^{(f)(g)})					
Income from continuing operations	10	4	22	24	

Income	10	6	22	24	
Return on assets (ROA):					
Income from continuing operations	0.58	0.21	1.06	1.04	
Income	0.58	0.31	1.06	1.10	
Liquidity ratio	52	65	58	63	
Capital ratio	11.1	10.9	8.4	8.7	
Capital ratio	14.8	14.8	12.6	12.3	
Leverage ratio	6.9	6.9	6.0	6.2	
Common capital ratio ^(h)	8.8	7.0	7.0	7.3	
End balance sheet data (period-end)					
Assets	\$ 411,128	\$ 509,983	\$ 491,409	\$ 365,738	\$ 298
Liabilities	360,390	205,943	85,450	91,975	47
	633,458	744,898	519,374	483,127	419
Assets	2,031,989	2,175,052	1,562,147	1,351,520	1,198
Liabilities	938,367	1,009,277	740,728	638,788	554
Term debt	266,318	270,683	199,010	145,630	119
Return on stockholders' equity	157,213	134,945	123,221	115,790	107
Return on stockholders' equity	165,365	166,884	123,221	115,790	107
Amount	222,316	224,961	180,667	174,360	168

- (a) Pre-provision profit is total net revenue less noninterest expense. The Firm believes that this financial measure is useful in assessing the ability of a lending institution to generate income in excess of its provision for credit losses.
- (b) Results for 2008 included an accounting conformity loan loss reserve provision related to the acquisition of Washington Mutual Bank's banking operations.

- (c) On October 1, 2006, JPMorgan Chase & Co. completed the exchange of selected corporate trust businesses for the consumer, business banking and middle-market banking businesses of The Bank of New York Company Inc. The results of operations of these corporate trust businesses are being reported as discontinued operations for each of the periods presented.
- (d) On September 25, 2008, JPMorgan Chase acquired the banking operations of Washington Mutual. On May 30, 2008, a wholly-owned subsidiary of JPMorgan Chase merged with and into The Bear Stearns Companies Inc. (Bear Stearns), and Bear Stearns became a wholly-owned subsidiary of JPMorgan

Chase. The Washington Mutual acquisition resulted in negative goodwill, and accordingly, the Firm recorded an extraordinary gain. For additional information on these transactions, see Note 2 on pages 143-148 of this Annual Report.

(e) Effective January 1, 2009, the Firm implemented new FASB guidance for participating securities. Accordingly, prior-period amounts have been revised as required. For further discussion of the guidance, see Note 25 on page 224 of this Annual Report.

(f) The calculation of 2009 earnings per share and net income applicable to common equity include a one-time, noncash reduction of \$1.1 billion, or \$0.27 per share, resulting from

repayment of
U.S. Troubled
Asset Relief
Program
(TARP)
preferred capital
in the second
quarter of 2009.
Excluding this
reduction, the
adjusted ROE
and ROTCE
were 7% and
11% for 2009.

For further
discussion, see

Explanation and
reconciliation of
the Firm's use of
non-GAAP
financial
measures on
pages 50-52 of
this Annual
Report.

- (g) For further
discussion of
ROTCE, a
non-GAAP
financial
measure, see

Explanation and
reconciliation of
the Firm's use of
non-GAAP
financial
measures on
pages 50-52 of
this Annual
Report.

- (h) Tier 1 common
is calculated as
Tier 1 capital
less qualifying
perpetual
preferred stock,
qualifying trust
preferred
securities and
qualifying
minority interest

in subsidiaries.
The Firm uses
the Tier 1
common capital
ratio, a
non-GAAP
financial
measure, to
assess and
compare the
quality and
composition of
the Firm's
capital with the
capital of other
financial
services
companies. For
further
discussion, see
Regulatory
capital on pages
82-84 of this
Annual Report.

Table of Contents**Management's discussion and analysis****FIVE-YEAR STOCK PERFORMANCE**

The following table and graph compare the five-year cumulative total return for JPMorgan Chase & Co. (JPMorgan Chase or the Firm) common stock with the cumulative return of the S&P 500 Stock Index and the S&P Financial Index. The S&P 500 Index is a commonly referenced U.S. equity benchmark consisting of leading companies from different economic sectors. The S&P Financial Index is an index of 78 financial companies, all of which are within the S&P 500. The Firm is a component of both industry indices.

The following table and graph assume simultaneous investments of \$100 on December 31, 2004, in JPMorgan Chase common stock and in each of the above S&P indices. The comparison assumes that all dividends are reinvested.

December 31, (in dollars)	2004	2005	2006	2007	2008	2009
JPMorgan Chase	\$ 100.00	\$ 105.68	\$ 132.54	\$ 123.12	\$ 91.84	\$ 123.15
S&P Financial Index	100.00	106.48	126.91	103.27	46.14	54.09
S&P 500 Index	100.00	104.91	121.48	128.16	80.74	102.11

This section of the JPMorgan Chase's Annual Report for the year ended December 31, 2009 (Annual Report) provides management's discussion and analysis (MD&A) of the financial condition and results of operations of JPMorgan Chase. See the Glossary of terms on pages 243-245 for definitions of terms used throughout this Annual Report. The MD&A included in this Annual Report contains statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are based on the current beliefs and expectations of JPMorgan

Chase's management and are subject to significant risks and uncertainties. These risks and uncertainties could cause the Firm's results to differ materially from those set forth in such forward-looking statements. Certain of such risks and uncertainties are described herein (see Forward-looking statements on page 135 of this Annual Report) and in the JPMorgan Chase Annual Report on Form 10-K for the year ended December 31, 2009 (2009 Form 10-K), in Part I, Item 1A: Risk factors, to which reference is hereby made.

INTRODUCTION

JPMorgan Chase & Co., a financial holding company incorporated under Delaware law in 1968, is a leading global financial services firm and one of the largest banking institutions in the United States of America (U.S.), with \$2.0 trillion in assets, \$165.4 billion in stockholders' equity and operations in more than 60 countries as of December 31, 2009. The Firm is a leader in investment banking, financial services for consumers and businesses, financial transaction processing and asset management. Under the J.P. Morgan and Chase brands, the Firm serves millions of customers in the U.S. and many of the world's most prominent corporate, institutional and government clients.

JPMorgan Chase's principal bank subsidiaries are JPMorgan Chase Bank, National Association (JPMorgan Chase Bank, N.A.), a national bank with branches in 23 states in the U.S.; and Chase Bank USA, National Association (Chase Bank USA, N.A.), a national bank that is the Firm's credit card issuing bank. JPMorgan Chase's principal nonbank subsidiary is J.P. Morgan Securities Inc., the Firm's U.S. investment banking firm.

JPMorgan Chase's activities are organized, for management reporting purposes, into six business segments, as well as Corporate/Private Equity. The Firm's wholesale businesses comprise the Investment Bank, Commercial Banking, Treasury & Securities Services and Asset Management segments. The Firm's consumer businesses comprise the Retail Financial Services and Card Services segments. A description of the Firm's business segments, and the products and

services they provide to their respective client bases, follows.

Investment Bank

J.P. Morgan is one of the world's leading investment banks, with deep client relationships and broad product capabilities. The clients of the Investment Bank (IB) are corporations, financial institutions, governments and institutional investors. The Firm offers a full range of investment banking products and services in all major capital markets, including advising on corporate strategy and structure, capital-raising in equity and debt markets, sophisticated risk management, market-making in cash securities and derivative instruments, prime brokerage, and research. IB also commits the Firm's own capital to principal investing and trading activities on a limited basis.

Retail Financial Services

Retail Financial Services (RFS), which includes the Retail Banking and Consumer Lending businesses, serves consumers and businesses through personal service at bank branches and through ATMs, online banking and telephone banking, as well as through auto dealerships and school financial-aid offices. Customers can use more than 5,100 bank branches (third-largest nationally) and 15,400 ATMs (second-largest nationally), as well as online and mobile banking around the clock. More than 23,900 branch salespeople assist customers with checking and savings accounts, mortgages, home equity and business loans, and investments across the 23-state footprint from New York and Florida to California. Consumers also can obtain loans through more than 15,700 auto dealerships and nearly 2,100 schools and universities nationwide.

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Management's discussion and analysis

Card Services

Card Services (CS) is one of the nation's largest credit card issuers, with more than 145 million credit cards in circulation and over \$163 billion in managed loans. Customers used Chase cards to meet more than \$328 billion of their spending needs in 2009.

Chase continues to innovate, despite a very difficult business environment, launching new products and services such as Blueprint, Ultimate Rewards, Chase Sapphire and Ink from Chase, and earning a market leadership position in building loyalty and rewards programs. Through its merchant acquiring business, Chase Paymentech Solutions, Chase is one of the leading processors of credit-card payments.

Commercial Banking

Commercial Banking (CB) serves nearly 25,000 clients nationally, including corporations, municipalities, financial institutions and not-for-profit entities with annual revenue generally ranging from \$10 million to \$2 billion, and more than 30,000 real estate investors/owners. Delivering extensive industry knowledge, local expertise and dedicated service, CB partners with the Firm's other businesses to provide comprehensive solutions, including lending, treasury services, investment banking and asset management to meet its clients' domestic and international financial needs.

Treasury & Securities Services

Treasury & Securities Services (TSS) is a global leader in transaction, investment and information services. TSS is one of the world's largest cash management providers and a leading global custodian. Treasury Services (TS) provides cash management, trade, wholesale card and liquidity products and services to small and mid-sized companies, multinational corporations, financial institutions and government entities. TS partners with the Commercial Banking, Retail Financial Services and Asset Management businesses to serve clients firmwide. As a result, certain TS revenue is included in other segments' results. Worldwide Securities Services holds, values, clears and services securities, cash and alternative investments for investors and broker-dealers, and it manages depositary receipt programs globally.

Asset Management

Asset Management (AM), with assets under supervision of \$1.7 trillion, is a global leader in investment and wealth management. AM clients include institutions, retail investors and high-net-worth individuals in every major market throughout the world. AM offers global investment management in equities, fixed income, real estate, hedge funds, private equity and liquidity products, including money-market instruments and bank deposits. AM also provides trust and estate, banking and brokerage services to high-net-worth clients, and retirement services for corporations and individuals. The majority of AM's client assets are in actively managed portfolios.

Table of Contents**EXECUTIVE OVERVIEW**

This executive overview of management's discussion and analysis highlights selected information and may not contain all of the information that is important to readers of this Annual Report. For a complete description of events, trends and uncertainties, as well as the capital, liquidity, credit, operational and market risks and the critical accounting estimates affecting the Firm and its various lines of business, this Annual Report should be read in its entirety.

Financial performance of JPMorgan Chase

Year ended December 31,

(in millions, except per share data and ratios)

	2009	2008	Change
Selected income statement data			
Total net revenue	\$ 100,434	\$ 67,252	49%
Total noninterest expense	52,352	43,500	20
Pre-provision profit	48,082	23,752	102
Provision for credit losses	32,015	20,979	53
Income before extraordinary gain	11,652	3,699	215
Extraordinary gain	76	1,906	(96)
Net income	11,728	5,605	109
Diluted earnings per share			
Income before extraordinary gain	\$ 2.24	\$ 0.81	177
Net income	2.26	1.35	67
Return on common equity			
Income before extraordinary gain	6%	2%	
Net income	6	4	
Capital ratios			
Tier 1 capital	11.1	10.9	
Tier 1 common capital	8.8	7.0	

Business overview

JPMorgan Chase reported 2009 net income of \$11.7 billion, or \$2.26 per share, compared with net income of \$5.6 billion, or \$1.35 per share, in 2008. Total net revenue in 2009 was \$100.4 billion, compared with \$67.3 billion in 2008. Return on common equity was 6% in 2009 and 4% in 2008. Results benefited from the impact of the acquisition of the banking operations of Washington Mutual Bank (Washington Mutual) on September 25, 2008, and the impact of the merger with The Bear Stearns Companies Inc. (Bear Stearns) on May 30, 2008.

The increase in net income for the year was driven by record net revenue, including record revenue in the Investment Bank reflecting modest net gains on legacy leveraged-lending and mortgage-related positions compared with net markdowns in the prior year. Partially offsetting the growth in the Firm's revenue was an increase in the provision for credit losses, driven by an increase in the consumer provision, and higher noninterest expense reflecting the impact of the Washington Mutual transaction.

The business environment in 2009 gradually improved throughout the year. The year began with a continuation of the weak conditions experienced in 2008 - the global economy contracted sharply in the first quarter, labor markets deteriorated rapidly and unemployment rose, credit was tight, liquidity was diminished, and businesses continued to downsize and cut inventory levels rapidly. Throughout the year, the Board of Governors of the Federal Reserve System (Federal Reserve) took actions to stabilize the financial markets and promote an economic revival. It held its policy rate close to zero and indicated that this policy was likely to remain in place for some time, given economic conditions. In addition, it greatly expanded a program it launched at the end of 2008, with a plan to buy up to \$1.7

trillion of securities, including Treasury securities, mortgage-backed securities and obligations of government-sponsored agencies. The U.S. government and various regulators continued their efforts to stabilize the U.S. economy, putting in place a financial rescue plan that supplemented the interest rate and other actions that had been taken by the Federal Reserve and the U.S. Department of the Treasury (the U.S. Treasury) in the second half of 2008. These efforts began to take effect during 2009. Developing economies rebounded significantly and contraction in developed economies slowed. Credit conditions improved in the summer, with most credit spreads narrowing dramatically. By the third quarter of the year, many spreads had returned to pre-crisis levels. By the fourth quarter, economic activity was expanding and signs emerged that the deterioration in the labor market was abating, although by the end of the year unemployment reached 10%, its highest level since 1983. The housing sector showed some signs of improvement and household spending appeared to be expanding at a moderate rate, though it remained constrained by a weak labor market, modest income growth, lower housing wealth, and tight credit. Businesses were continuing to reduce capital investment, though at a slower pace, and remained reluctant to add to payrolls. Financial market conditions in the fourth quarter became more supportive of economic growth.

Amidst this difficult operating environment, JPMorgan Chase benefited from the diversity of its leading franchises, as demonstrated by the continued earnings strength of its Investment Bank, Commercial Banking, Asset Management, and Retail Banking franchises. Significant market share and efficiency gains helped all of the Firm's businesses maintain leadership positions: the Investment Bank ranked #1 for Global Investment Banking fees for 2009; in Commercial Banking, at year-end 2009, the total revenue related to investment banking products sold to CB clients doubled from its level at the time of the JPMorgan Chase-Bank One merger. In addition, the Firm completed the integration of Washington Mutual and continued to invest in its businesses, demonstrated by growth in checking and credit card accounts.

Throughout 2009, the Firm remained focused on maintaining a strong balance sheet. In addition to the capital generated from earnings, the Firm issued \$5.8 billion of common stock and reduced its quarterly dividend. The Firm also increased its consumer allowance for credit losses by \$7.8 billion, bringing the total allowance for credit losses to \$32.5 billion, or 5.5% of total loans. The Firm recorded a \$1.1 billion one-time noncash adjustment to common stockholders' equity related

Table of Contents**Management's discussion and analysis**

to the redemption of the \$25.0 billion of Series K Preferred Stock issued to the U.S. Treasury under the Capital Purchase Program. Even with this adjustment, the Firm ended 2009 with a very strong Tier 1 Capital ratio of 11.1% and a Tier 1 Common ratio of 8.8%.

Throughout this turbulent financial period, JPMorgan Chase supported and served its 90 million customers and the communities in which it operates; delivered consumer-friendly products and policies; and continued to lend. The Firm extended nearly \$250 billion in new credit to consumers during the year and for its corporate and municipal clients, either lent or assisted them in raising approximately \$1 trillion in loans, stocks or bonds. The Firm also remained committed to helping homeowners meet the challenges of declining home prices and rising unemployment. Since 2007, the Firm has initiated over 900,000 actions to prevent foreclosures through its own programs and through government mortgage-modification programs. During 2009 alone, JPMorgan Chase offered approximately 600,000 loan modifications to struggling homeowners. Of these, 89,000 loans have achieved permanent modification. By March 31, 2010, the Firm will have opened 51 Chase Homeownership Centers across the country and already has over 14,000 employees dedicated to mortgage loss mitigation.

Management remains confident that JPMorgan Chase's capital and reserve strength, combined with its significant earnings power, will allow the Firm to meet the uncertainties that lie ahead and still continue investing in its businesses and serving its clients and shareholders over the long term.

The discussion that follows highlights the performance of each business segment compared with the prior year and presents results on a managed basis unless otherwise noted. For more information about managed basis, see Explanation and Reconciliation of the Firm's Use of Non-GAAP Financial Measures on pages 50-52 of this Annual Report.

Investment Bank reported record net income in 2009 compared with a net loss in 2008. The significant rebound in earnings was driven by record net revenue, partially offset by increases in both noninterest expense and the provision for credit losses. The increase in net revenue was driven by record Fixed Income Markets revenue, reflecting strong results across most products, as well as modest net gains on legacy leveraged lending and mortgage-related positions, compared with over \$10 billion of net markdowns in the prior year. Investment banking fees rose to record levels, as higher equity and debt underwriting fees were partially offset by lower advisory fees. Record Equity Markets revenue was driven by solid client revenue, particularly in prime services, and strong trading results. The net revenue results for IB in 2009 included losses from the tightening of the Firm's credit spread on certain structured liabilities and derivatives, compared with gains in 2008 from the widening of the spread on those liabilities. The provision for credit losses increased, driven by continued weakness in the credit environment. IB ended the year with a ratio of allowance for loan losses to end-of-period loans retained of 8.25%. Noninterest expense increased, reflecting higher performance-based compensation offset partially by lower headcount-related expense.

Retail Financial Services net income decreased from the prior year, as an increase in the provision for credit losses and higher noninterest expense were predominantly offset by double-digit growth in net revenue. Higher net revenue reflected the impact of the Washington Mutual transaction, wider loan and deposit spreads, and higher net mortgage servicing revenue. The provision for credit losses increased from the prior year as weak economic conditions and housing price declines continued to drive higher estimated losses for the home equity and mortgage loan portfolios. RFS ended the year with a ratio of allowance for loan losses to ending loans, excluding purchased credit-impaired loans of 5.09%. Noninterest expense was higher, reflecting the impact of the Washington Mutual transaction and higher servicing and default-related expense.

Card Services reported a net loss for the year, compared with net income in 2008. The decline was driven by a significantly higher provision for credit losses, partially offset by higher net revenue. The double-digit growth in managed net revenue was driven by the impact of the Washington Mutual transaction, wider loan spreads and higher merchant servicing revenue related to the dissolution of the Chase Paymentech Solutions joint venture; these were partially offset by higher revenue reversals associated with higher charge-offs, a decreased level of fees and lower average loan balances. The provision for credit losses increased, reflecting continued weakness in the credit environment. CS ended the year with a ratio of allowance for loan losses to end-of-period loans of 12.28%.

Noninterest expense increased due to the dissolution of the Chase Paymentech Solutions joint venture and the impact

of the Washington Mutual transaction, partially offset by lower marketing expense.

Commercial Banking net income decreased from 2008, as an increase in provision for credit losses and higher noninterest expense were predominantly offset by higher net revenue. Double-digit growth in net revenue reflected the impact of the Washington Mutual transaction and record levels of lending- and deposit-related and investment banking fees. Revenue rose in all business segments: Middle Market Banking, Commercial Term Lending, Mid-Corporate Banking and Real Estate Banking. The provision for credit losses increased, reflecting continued weakness throughout the year in the credit environment across all business segments, predominantly in real estate related segments. CB ended the year with a ratio of allowance for loan losses to end-of-period loans retained of 3.12%. Noninterest expense increased due to the impact of the Washington Mutual transaction and higher Federal Deposit Insurance Corporation (FDIC) insurance premiums.

Treasury & Securities Services net income declined from the prior year, driven by lower net revenue. The decrease in net revenue reflected lower Worldwide Securities Services net revenue, driven by lower balances and spreads on liability products; lower securities lending balances, primarily as a result of declines in asset valuations and demand; and the effect of market depreciation on certain custody assets. Treasury Services net revenue also declined, reflecting lower deposit balances and spreads, offset by higher trade revenue driven by wider spreads and growth across cash management and card product volumes. Noninterest expense rose slightly compared

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with the prior year, reflecting higher FDIC insurance premiums offset by lower headcount-related expense.

Asset Management net income increased from the prior year, due to higher net revenue, offset largely by higher noninterest expense and a higher provision for credit losses. The increase in net revenue reflected higher valuations of the Firm's seed capital investments, net inflows, wider loan spreads and higher deposit balances, offset partially by the effect of lower market levels and narrower deposit spreads. Asset Management's businesses reported mixed revenue results: Institutional and Private Bank revenue were up while Retail and Private Wealth Management revenue were down. Assets under supervision increased for the year, due to the effect of higher market valuations and inflows in fixed income and equity products offset partially by outflows in cash products. The provision for credit losses increased compared with the prior year, reflecting continued weakness in the credit environment. Noninterest expense was higher, reflecting the effect of the Bear Stearns merger, higher performance-based compensation and higher FDIC insurance premiums, offset largely by lower headcount-related expense.

Corporate/Private Equity net income increased in 2009, reflecting elevated levels of trading gains and net interest income, securities gains, an after-tax gain from the sale of MasterCard shares and reduced losses from Private Equity compared with 2008. Trading gains and net interest income increased due to the Firm's significant purchases of mortgage-backed securities guaranteed by U.S. government agencies, corporate debt securities, U.S. Treasury and government agency securities and other asset-backed securities. These investments were generally associated with the Chief Investment Office's management of interest rate risk and investment of cash resulting from the excess funding the Firm continued to experience during 2009. The increase in securities was partially offset by sales of higher-coupon instruments (part of repositioning the investment portfolio) as well as prepayments and maturities.

Firmwide, the managed provision for credit losses was \$38.5 billion, up by \$13.9 billion, or 56%, from the prior year. The prior year included a \$1.5 billion charge to conform Washington Mutual's allowance for loan losses, which affected both the consumer and wholesale portfolios. For the purposes of the following analysis, this charge is excluded. The consumer-managed provision for credit losses was \$34.5 billion, compared with \$20.4 billion in the prior year, reflecting an increase in the allowance for credit losses in the home lending and credit card loan portfolios. Consumer-managed net charge-offs were \$26.3 billion, compared with \$13.0 billion in the prior year, resulting in managed net charge-off rates of 5.85% and 3.22%, respectively. The wholesale provision for credit losses was \$4.0 billion, compared with \$2.7 billion in the prior year, reflecting continued weakness in the credit environment throughout 2009. Wholesale net charge-offs were \$3.1 billion, compared with \$402 million in the prior year, resulting in net charge-off rates of 1.40% and 0.18%, respectively. The Firm's nonperforming assets totaled \$19.7 billion at December 31, 2009, up from \$12.7 billion. The total allowance for credit losses increased by \$8.7 billion from the prior year-end,

resulting in a loan loss coverage ratio at December 31, 2009, of 5.51%, compared with 3.62% at December 31, 2008.

Total stockholders' equity at December 31, 2009, was \$165.4 billion.

2010 Business outlook

The following forward-looking statements are based on the current beliefs and expectations of JPMorgan Chase's management and are subject to significant risks and uncertainties. These risks and uncertainties could cause the Firm's actual results to differ materially from those set forth in such forward-looking statements.

JPMorgan Chase's outlook for 2010 should be viewed against the backdrop of the global and U.S. economies, financial markets activity, the geopolitical environment, the competitive environment and client activity levels. Each of these linked factors will affect the performance of the Firm and its lines of business. The Firm continues to monitor the U.S. and international economies and political environments. The outlook for capital markets remains uncertain, and further declines in U.S. housing prices in certain markets and increases in the unemployment rate, either of which could adversely affect the Firm's financial results, are possible. In addition, as a result of recent market conditions, the U.S. Congress and regulators have increased their focus on the regulation of financial institutions; any legislation or regulations that may be adopted as a result could limit or restrict the Firm's operations, and could impose additional costs on the Firm in order to comply with such new laws or rules.

Given the potential stress on consumers from rising unemployment and continued downward pressure on housing prices, management remains cautious with respect to the credit outlook for the consumer loan portfolios. Possible continued weakness in credit trends could result in higher credit costs and require additions to the consumer allowance

for credit losses. Based on management's current economic outlook, quarterly net charge-offs could reach \$1.4 billion for the home equity portfolio, \$600 million for the prime mortgage portfolio and \$500 million for the subprime mortgage portfolio over the next several quarters. The managed net charge-off rate for Card Services (excluding the Washington Mutual credit card portfolio) could approach 11% by the first quarter of 2010, including the adverse timing effect of a payment holiday program of approximately 60 basis points. The managed net charge-off rate for the Washington Mutual credit card portfolio could approach 24% over the next several quarters. These charge-off rates are likely to move even higher if the economic environment deteriorates beyond management's current expectations. Similarly, wholesale credit costs and net charge-offs could increase in the next several quarters if the credit environment deteriorates.

The Investment Bank continues to operate in an uncertain environment, and as noted above, results could be adversely affected if the credit environment were to deteriorate further. Trading results can be volatile and 2009 included elevated client volumes and spread levels. As such, management expects Fixed Income and Equity Markets revenue to normalize over time as conditions stabilize.

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Management's discussion and analysis

In the Retail Banking segment within Retail Financial Services, although management expects underlying growth, results will be under pressure from the credit environment and ongoing lower consumer spending levels. In addition, the Firm has made changes, consistent with (and in certain respects, beyond) the requirements of newly-enacted legislation, in its policies relating to non-sufficient funds and overdraft fees. Although management estimates are, at this point in time, preliminary and subject to change, such changes are expected to result in an annualized reduction in net income of approximately \$500 million, beginning in the first quarter of 2010.

In the Consumer Lending segment within Retail Financial Services, at current production and estimated run-off levels, the Home Lending portfolio of \$263 billion at December 31, 2009, is expected to decline by approximately 10-15% and could possibly average approximately \$240 billion in 2010 and approximately \$200 billion in 2011. Based on management's preliminary estimate, which is subject to change, the effect of such a reduction in the Home Lending portfolio is expected to reduce 2010 net interest income in the portfolio by approximately \$1 billion from the 2009 level. Additionally, revenue could be negatively affected by elevated levels of repurchases of mortgages previously sold to, for example, government-sponsored enterprises.

Management expects noninterest expense in Retail Financial Services to remain at or above 2009 levels, reflecting investments in new branch builds and sales force hires as well as continued elevated servicing, default and foreclosed asset related costs.

Card Services faces rising credit costs in 2010, as well as continued pressure on both charge volumes and credit card receivables growth, reflecting continued lower levels of consumer spending. In addition, as a result of the recently-enacted credit card legislation, management estimates, which are preliminary and subject to change, are that CS's annual net income may be adversely affected by approximately \$500 million to \$750 million. Further, management expects average Card outstandings to decline by approximately 10-15% in 2010 due to the run-off of the Washington Mutual portfolio and lower balance transfer levels. As a result of all these factors, management currently expects CS to report net losses in each of the first two quarters of 2010 (of approximately \$1 billion in the first quarter and somewhat less than that in the second quarter) before the effect of any potential reserve actions. Results in the second half of 2010 will likely be dependent on the economic environment and potential reserve actions.

Commercial Banking results could be negatively affected by rising credit costs, a decline in loan demand and reduced liability balances.

Earnings in Treasury & Securities Services and Asset Management will be affected by the impact of market levels on assets under management, supervision and custody. Additionally, earnings in Treasury & Securities Services could be affected by liability balance flows.

Earnings in Private Equity (within the Corporate/Private Equity segment) will likely be volatile and continue to be influenced by capital markets activity, market levels, the performance of the broader economy and investment-specific issues. Corporate's net interest income levels and securities gains will generally trend with the size of the investment portfolio in Corporate; however, the high level of trading gains in Corporate in the second half of 2009 is not likely to continue. In the near-term, Corporate quarterly net income (excluding Private Equity, merger-related items and any significant nonrecurring items) is expected to decline to approximately \$300 million, subject to the size and duration of the investment securities portfolio.

Lastly, with regard to any decision by the Firm's Board of Directors concerning any increase in the level of the common stock dividend, their determination will be subject to their judgment that the likelihood of another severe economic downturn has sufficiently diminished, that overall business performance has stabilized, and that such action is warranted taking into consideration the Firm's earnings outlook, need to maintain adequate capital levels, alternative investment opportunities, and appropriate dividend payout ratios. When in the Board's judgment, based on the foregoing, the Board believes it appropriate to increase the dividend to an annual payout level in the range of \$0.75 to \$1.00 per share, the Board would likely move forward with such an increase, and follow at some later time with an additional increase or additional increases sufficient to return to the Firm's historical dividend ratio of approximately 30% to 40% of normalized earnings over time.

Table of Contents**CONSOLIDATED RESULTS OF OPERATIONS**

This following section provides a comparative discussion of JPMorgan Chase's Consolidated Results of Operations on a reported basis for the three-year period ended December 31, 2009. Factors that related primarily to a single business segment are discussed in more detail within that business segment. For a discussion of the Critical Accounting Estimates Used by the Firm that affect the Consolidated Results of Operations, see pages 127-131 of this Annual Report.

Revenue

Year ended December 31, (in millions)	2009	2008	2007
Investment banking fees	\$ 7,087	\$ 5,526	\$ 6,635
Principal transactions	9,796	(10,699)	9,015
Lending- and deposit-related fees	7,045	5,088	3,938
Asset management, administration and commissions	12,540	13,943	14,356
Securities gains	1,110	1,560	164
Mortgage fees and related income	3,678	3,467	2,118
Credit card income	7,110	7,419	6,911
Other income	916	2,169	1,829
Noninterest revenue	49,282	28,473	44,966
Net interest income	51,152	38,779	26,406
Total net revenue	\$ 100,434	\$ 67,252	\$ 71,372

2009 compared with 2008

Total net revenue was \$100.4 billion, up by \$33.2 billion, or 49%, from the prior year. The increase was driven by higher principal transactions revenue, primarily related to improved performance across most fixed income and equity products, and the absence of net markdowns on legacy leveraged lending and mortgage positions in IB, as well as higher levels of trading gains and investment securities income in Corporate/Private Equity. Results also benefited from the impact of the Washington Mutual transaction, which contributed to increases in net interest income, lending- and deposit-related fees, and mortgage fees and related income. Lastly, higher investment banking fees also contributed to revenue growth. These increases in revenue were offset partially by reduced fees and commissions from the effect of lower market levels on assets under management and custody, and the absence of proceeds from the sale of Visa shares in its initial public offering in the first quarter of 2008.

Investment banking fees increased from the prior year, due to higher equity and debt underwriting fees. For a further discussion of investment banking fees, which are primarily recorded in IB, see IB segment results on pages 55-57 of this Annual Report.

Principal transactions revenue, which consists of revenue from trading and private equity investing activities, was significantly higher compared with the prior year. Trading revenue increased, driven by improved performance across most fixed income and equity products; modest net gains on legacy leveraged lending and mortgage-related positions, compared with net markdowns of \$10.6 billion in the prior year; and gains on trading positions in Corporate/Private Equity, compared with losses in the prior year of \$1.1 billion on markdowns of Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac) preferred securities. These increases in revenue were offset partially by an aggregate loss of \$2.3 billion from the tightening of the Firm's credit spread on certain structured liabilities and derivatives, compared with gains of \$2.0 billion in the prior year from widening spreads on these liabilities and derivatives. The Firm's private equity investments produced a slight net loss in 2009, a significant improvement from a larger net loss in 2008. For a further discussion of principal transactions revenue, see IB and Corporate/Private Equity segment

results on pages 55–57 and 74–75, respectively, and Note 3 on pages 148–165 of this Annual Report.

Lending- and deposit-related fees rose from the prior year, predominantly reflecting the impact of the Washington Mutual transaction and organic growth in both lending- and deposit-related fees in RFS, CB, IB and TSS. For a further discussion of lending- and deposit-related fees, which are mostly recorded in RFS, TSS and CB, see the RFS segment results on pages 58–63, the TSS segment results on pages 69–70, and the CB segment results on pages 67–68 of this Annual Report.

The decline in asset management, administration and commissions revenue compared with the prior year was largely due to lower asset management fees in AM from the effect of lower market levels. Also contributing to the decrease were lower administration fees in TSS, driven by the effect of market depreciation on certain custody assets and lower securities lending balances; and lower brokerage commissions revenue in IB, predominantly related to lower transaction volume. For additional information on these fees and commissions, see the segment discussions for TSS on pages 69–70, and AM on pages 71–73 of this Annual Report.

Securities gains were lower in 2009 and included credit losses related to other-than-temporary impairment and lower gains on the sale of MasterCard shares of \$241 million in 2009, compared with \$668 million in 2008. These decreases were offset partially by higher gains from repositioning the Corporate investment securities portfolio in connection with managing the Firm's structural interest rate risk. For a further discussion of securities gains, which are mostly recorded in Corporate/Private Equity, see the Corporate/Private Equity segment discussion on pages 74–75 of this Annual Report.

Mortgage fees and related income increased slightly from the prior year, as higher net mortgage servicing revenue was largely offset by lower production revenue. The increase in net mortgage servicing revenue was driven by growth in average third-party loans serviced as a result of the Washington Mutual transaction. Mortgage production revenue declined from the prior year, reflecting an increase in estimated losses from the repurchase of previously-sold loans, offset partially by wider margins on new originations. For a discussion of mortgage fees and related income, which is recorded primarily in RFS's Consumer Lending business, see the Consumer Lending discussion on pages 60–63 of this Annual Report.

Credit card income, which includes the impact of the Washington Mutual transaction, decreased slightly compared with the prior year,

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due to lower servicing fees earned in connection with CS securitization activities, largely as a result of higher credit losses. The decrease was partially offset by wider loan margins on securitized credit card loans; higher merchant servicing revenue related to the dissolution of the Chase Paymentech Solutions joint venture; and higher interchange income. For a further discussion of credit card income, see the CS segment results on pages 64–66 of this Annual Report.

Other income decreased from the prior year, due predominantly to the absence of \$1.5 billion in proceeds from the sale of Visa shares during its initial public offering in the first quarter of 2008, and a \$1.0 billion gain on the dissolution of the Chase Paymentech Solutions joint venture in the fourth quarter of 2008; and lower net securitization income in CS. These items were partially offset by a \$464 million charge recognized in 2008 related to the repurchase of auction-rate securities at par; the absence of a \$423 million loss incurred in the second quarter of 2008, reflecting the Firm's 49.4% share of Bear Stearns' losses from April 8 to May 30, 2008; and higher valuations on certain investments, including seed capital in AM.

Net interest income increased from the prior year, driven by the Washington Mutual transaction, which contributed to higher average loans and deposits. The Firm's interest-earning assets were \$1.7 trillion, and the net yield on those assets, on a fully taxable-equivalent (FTE) basis, was 3.12%, an increase of 25 basis points from 2008. Excluding the impact of the Washington Mutual transaction, the increase in net interest income in 2009 was driven by a higher level of investment securities, as well as a wider net interest margin, which reflected the overall decline in market interest rates during the year. Declining interest rates had a positive effect on the net interest margin, as rates paid on the Firm's interest-bearing liabilities decreased faster relative to the decline in rates earned on interest-earning assets. These increases in net interest income were offset partially by lower loan balances, which included the effect of lower customer demand, repayments and charge-offs.

2008 compared with 2007

Total net revenue of \$67.3 billion was down \$4.1 billion, or 6%, from the prior year. The decline resulted from the extremely challenging business environment for financial services firms in 2008. Principal transactions revenue decreased significantly and included net markdowns on mortgage-related positions and leveraged lending funded and unfunded commitments, losses on preferred securities of Fannie Mae and Freddie Mac, and losses on private equity investments. Also contributing to the decline in total net revenue were losses and markdowns recorded in other income, including the Firm's share of Bear Stearns' losses from April 8 to May 30, 2008. These declines were largely offset by higher net interest income, proceeds from the sale of Visa shares in its initial public offering, and the gain on the dissolution of the Chase Paymentech joint venture.

Investment banking fees were down from the record level of the prior year due to lower debt underwriting fees, as well as lower advisory and equity underwriting fees, both of which were at record levels in 2007. These declines were attributable to reduced market activity. For a further discussion of investment banking fees, which are primarily recorded in IB, see IB segment results on pages 55–57 of this Annual Report.

In 2008, principal transactions revenue declined by \$19.7 billion from the prior year. Trading revenue decreased by \$14.5 billion to a negative \$9.8 billion, compared with positive \$4.7 billion in 2007. The decline in trading revenue was largely driven by net markdowns of \$5.9 billion on mortgage-related exposures, compared with \$1.4 billion in net markdowns in the prior year; net markdowns of \$4.7 billion on leveraged lending funded and unfunded commitments, compared with \$1.3 billion in net markdowns in the prior year; losses of \$1.1 billion on preferred securities of Fannie Mae and Freddie Mac; and weaker equity trading results, compared with a record level in 2007. In addition, trading revenue was adversely affected by additional losses and costs to reduce risk related to Bear Stearns positions. Partially offsetting the decline in trading revenue were record results in rates and currencies, credit trading, commodities and emerging markets, as well as strong Equity Markets client revenue; and total gains of \$2.0 billion from the widening of the Firm's credit spread on certain structured liabilities and derivatives, compared with \$1.3 billion in 2007. Private equity results also declined substantially from the prior year, recording losses of \$908 million in 2008, compared with gains of \$4.3 billion in 2007. In addition, the first quarter of 2007 included a fair value adjustment related to the adoption of new FASB guidance on fair value measurement. For a further discussion of principal transactions

revenue, see IB and Corporate/Private Equity segment results on pages 55–57 and 74–75, respectively, and Note 3 on pages 148–165 of this Annual Report.

Lending- and deposit-related fees rose from 2007, predominantly resulting from higher deposit-related fees and the impact of the Washington Mutual transaction. For a further discussion of Lending- and deposit-related fees, which are mostly recorded in RFS, TSS and CB, see the RFS segment results on pages 58–63, the TSS segment results on pages 69–70 and the CB segment results on pages 67–68 of this Annual Report.

The decline in asset management, administration and commissions revenue compared with 2007 was driven by lower asset management fees in AM, due to lower performance fees and the effect of lower market levels. This decline was partially offset by an increase in commissions revenue, related predominantly to higher brokerage transaction volume within IB's Equity Markets revenue, which included additions from Bear Stearns' Prime Services business; and higher administration fees in TSS, driven by wider spreads in securities lending and increased product usage by new and existing clients. For additional information on these fees and commissions, see the segment discussions for IB on pages 55–57, RFS on pages 58–63, TSS on pages 69–70 and AM on pages 71–73 of this Annual Report.

The increase in securities gains compared with the prior year was due to the repositioning of the Corporate investment securities portfolio, as part of managing the structural interest rate risk of the

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Firm; and higher gains from the sale of MasterCard shares. For a further discussion of securities gains, which are mostly recorded in the Firm's Corporate/Private Equity business, see the Corporate/Private Equity segment discussion on pages 74-75 of this Annual Report.

Mortgage fees and related income increased from the prior year, driven by higher net mortgage servicing revenue, which benefited from an improvement in mortgage servicing rights (MSR) risk management results and increased loan servicing revenue. Mortgage production revenue increased slightly, as growth in originations was predominantly offset by markdowns on the mortgage warehouse and increased losses related to the repurchase of previously sold loans. For a discussion of mortgage fees and related income, which is recorded primarily in RFS's Consumer Lending business, see the Consumer Lending discussion on pages 60-63 of this Annual Report.

Credit card income rose compared with the prior year, driven by increased interchange income, due to higher customer charge volume in CS and higher debit card transaction volume in RFS; the impact of the Washington Mutual transaction; and increased servicing fees resulting from a higher level of securitized receivables. These results were partially offset by increases in volume-driven payments to partners and expense related to rewards programs. For a further discussion of credit card income, see CS's segment results on pages 64-66 of this Annual Report.

Other income increased compared with the prior year, due predominantly to the proceeds from the sale of Visa shares in its initial public offering of \$1.5 billion, the gain on the dissolution of the Chase Paymentech joint venture of \$1.0 billion, and gains on sales of certain other assets. These proceeds and gains were partially offset by lower valuations on certain investments, including seed capital in AM; a \$464 million charge related to the offer to repurchase auction-rate securities at par; losses of \$423 million reflecting the Firm's 49.4% ownership in Bear Stearns losses from April 8 to May 30, 2008; and lower net securitization income in CS.

Net interest income increased from the prior year driven, in part, by the Washington Mutual transaction, which contributed to higher average loans and deposits, and, to a lesser extent, by the Bear Stearns merger. The Bear Stearns Prime Services business contributed to higher net interest income, as this business increased average balances in other interest-earning assets (primarily customer receivables) and other interest-bearing liabilities (primarily customer payables). The Firm's interest-earning assets were \$1.4 trillion, and the net yield on those assets, on an FTE basis, was 2.87%, an increase of 48 basis points from 2007. Excluding the impact of the Washington Mutual transaction and the Bear Stearns merger, the increase in net interest income in 2008 was driven by a wider net interest margin, which reflected the overall decline in market interest rates during the year. The decline in rates had a positive effect on the net interest margin, as rates paid on the Firm's interest-bearing liabilities decreased faster relative to the decrease in rates earned on interest-earning assets. Growth in consumer and wholesale loan balances also contributed to the increase in net interest income.

Provision for credit losses

Year ended December 31, (in millions)	2009	2008	2007
Wholesale	\$ 3,974	\$ 3,327	\$ 934
Consumer	28,041	17,652	5,930
Total provision for credit losses	\$ 32,015	\$ 20,979	\$ 6,864

2009 compared with 2008

The provision for credit losses in 2009 rose by \$11.0 billion compared with the prior year, predominantly due to a significant increase in the consumer provision. The prior year included a \$1.5 billion charge to conform Washington Mutual's allowance for loan losses, which affected both the consumer and wholesale portfolios. For the purpose of the following analysis, this charge is excluded. The consumer provision reflected additions to the allowance for loan losses for the home equity, mortgage and credit card portfolios, as weak economic conditions, housing price declines and higher unemployment rates continued to drive higher estimated losses for these portfolios. Included in the 2009 addition to the allowance for loan losses was a \$1.6 billion provision related to estimated deterioration in the

Washington Mutual purchased credit-impaired portfolio. The wholesale provision increased from the prior year, reflecting continued weakness in the credit environment in 2009 compared with the prior year. For a more detailed discussion of the loan portfolio and the allowance for loan losses, see the segment discussions for RFS on pages 58–63, CS on pages 64–66, IB on pages 55–57 and CB on pages 67–68, and the Allowance for Credit Losses section on pages 115–117 of this Annual Report.

2008 compared with 2007

The provision for credit losses in 2008 rose by \$14.1 billion compared with the prior year, due to increases in both the consumer and wholesale provisions. The increase in the consumer provision reflected higher estimated losses for home equity and mortgages resulting from declining housing prices; an increase in estimated losses for the auto, student and business banking loan portfolios; and an increase in the allowance for loan losses and higher charge-offs of credit card loans. The increase in the wholesale provision was driven by a higher allowance resulting from a weakening credit environment and growth in retained loans. The wholesale provision in the first quarter of 2008 also included the effect of the transfer of \$4.9 billion of funded and unfunded leveraged lending commitments to retained loans from the held-for-sale portfolio. In addition, in 2008 both the consumer and wholesale provisions were affected by a \$1.5 billion charge to conform assets acquired from Washington Mutual to the Firm's loan loss methodologies. For a more detailed discussion of the loan portfolio and the allowance for loan losses, see the segment discussions for RFS on pages 58–63, CS on pages 64–66, IB on pages 55–57 and CB on pages 67–68, and the Credit Risk Management section on pages 93–117 of this Annual Report.

Table of Contents**Management's discussion and analysis****Noninterest expense**

The following table presents the components of noninterest expense.

Year ended December 31, (in millions)	2009	2008	2007
Compensation expense	\$ 26,928	\$ 22,746	\$ 22,689
Noncompensation expense:			
Occupancy expense	3,666	3,038	2,608
Technology, communications and equipment expense	4,624	4,315	3,779
Professional & outside services	6,232	6,053	5,140
Marketing	1,777	1,913	2,070
Other expense ^{(a)(b)}	7,594	3,740	3,814
Amortization of intangibles	1,050	1,263	1,394
Total noncompensation expense	24,943	20,322	18,805
Merger costs	481	432	209
Total noninterest expense	\$ 52,352	\$ 43,500	\$ 41,703

- (a) Includes a \$675 million FDIC special assessment in 2009.
- (b) Includes foreclosed property expense of \$1.4 billion, \$213 million and \$56 million for 2009, 2008 and 2007, respectively. For additional information regarding foreclosed property, see Note 13 on pages 192–196 of this Annual Report.

2009 compared with 2008

Total noninterest expense was \$52.4 billion, up \$8.9 billion, or 20%, from the prior year. The increase was driven by the impact of the Washington Mutual transaction, higher performance-based compensation expense, higher

FDIC-related costs and increased mortgage servicing and default-related expense. These items were offset partially by lower headcount-related expense, including salary and benefits but excluding performance-based incentives, and other noncompensation costs related to employees.

Compensation expense increased in 2009 compared with the prior year, reflecting higher performance-based incentives, as well as the impact of the Washington Mutual transaction. Excluding these two items, compensation expense decreased as a result of a reduction in headcount, particularly in the wholesale businesses and in Corporate. Noncompensation expense increased from the prior year, due predominantly to the following: the impact of the Washington Mutual transaction; higher ongoing FDIC insurance premiums and an FDIC special assessment of \$675 million recognized in the second quarter of 2009; higher mortgage servicing and default-related expense, which included an increase in foreclosed property expense of \$1.2 billion; higher litigation costs; and the effect of the dissolution of the Chase Paymentech Solutions joint venture. The increase was partially offset by lower headcount-related expense, particularly in IB, TSS and AM; a decrease in amortization of intangibles, predominantly related to purchased credit card relationships; lower mortgage reinsurance losses; and a decrease in credit card marketing expense. For a discussion of amortization of intangibles, refer to Note 17 on pages 214–217 of this Annual Report.

For information on merger costs, refer to Note 10 on page 186 of this Annual Report.

2008 compared with 2007

Total noninterest expense for 2008 was \$43.5 billion, up \$1.8 billion, or 4%, from the prior year. The increase was driven by the additional operating costs related to the Washington Mutual transaction and Bear Stearns merger and investments in the businesses, partially offset by lower performance-based incentives.

Compensation expense increased slightly from the prior year, predominantly driven by investments in the businesses, including headcount additions associated with the Bear Stearns merger and Washington Mutual transaction, largely offset by lower performance-based incentives.

Noncompensation expense increased from the prior year as a result of the Bear Stearns merger and Washington Mutual transaction. Excluding the effect of these transactions, noncompensation expense decreased due to a net reduction in other expense related to litigation; lower credit card and consumer lending marketing expense; and a decrease in the amortization of intangibles, as certain purchased credit card relationships were fully amortized in 2007, and the amortization rate for core deposit intangibles declined in accordance with the amortization schedule. These decreases were offset partially by increases in professional & outside services, driven by investments in new product platforms in TSS, and business and volume growth in CS credit card processing and IB brokerage, clearing and exchange transaction processing. Also contributing to the increases were the following: an increase in other expense due to higher mortgage reinsurance losses and mortgage servicing expense due to increased delinquencies and defaults in RFS; an increase in technology, communications and equipment expense, reflecting higher depreciation expense on owned automobiles subject to operating leases in RFS, and other technology-related investments across the businesses; and an increase in occupancy expense, partly related to the expansion of RFS's retail distribution network. For a further discussion of amortization of intangibles, refer to Note 17 on pages 214–217 of this Annual Report. For information on merger costs, refer to Note 10 on page 186 of this Annual Report.

Table of Contents**Income tax expense**

The following table presents the Firm's income before income tax expense/(benefit) and extraordinary gain, income tax expense/(benefit) and effective tax rate.

Year ended December 31, (in millions, except rate)	2009	2008	2007
Income before income tax expense/ (benefit) and extraordinary gain	\$ 16,067	\$ 2,773	\$ 22,805
Income tax expense/(benefit)	4,415	(926)	7,440
Effective tax rate	27.5%	(33.4)%	32.6%

2009 compared with 2008

The change in the effective tax rate compared with the prior year was primarily the result of higher reported pretax income and changes in the proportion of income subject to U.S. federal and state and local taxes. Benefits related to tax-exempt income, business tax credits and tax audit settlements increased in 2009 relative to 2008; however, the impact of these items on the effective tax rate was reduced by the significantly higher level of pretax income in 2009. In addition, 2008 reflected the realization of benefits of \$1.1 billion from the release of deferred tax liabilities associated with the undistributed earnings of certain non-U.S. subsidiaries that were deemed to be reinvested indefinitely. For a further discussion of income taxes, see Critical Accounting Estimates Used by the Firm on pages 127-131 and Note 27 on pages 226-228 of this Annual Report.

2008 compared with 2007

The decrease in the effective tax rate in 2008 compared with the prior year was the result of significantly lower reported pretax income, combined with changes in the proportion of income subject to U.S. federal taxes. Also contributing to the decrease in the effective tax rate was increased business tax credits and the realization of a \$1.1 billion benefit from the release of deferred tax liabilities. These deferred tax liabilities were associated with the undistributed earnings of certain non-U.S. subsidiaries that were deemed to be reinvested indefinitely. These decreases were partially offset by changes in state and local taxes, and equity losses representing the Firm's 49.4% ownership interest in Bear Stearns' losses from April 8 to May 30, 2008, for which no income tax benefit was recorded.

Extraordinary gain

On September 25, 2008, JPMorgan Chase acquired the banking operations of Washington Mutual. This transaction was accounted for under the purchase method of accounting for business combinations. The adjusted net asset value of the banking operations after purchase accounting adjustments was higher than the consideration paid by JPMorgan Chase, resulting in an extraordinary gain. The preliminary gain recognized in 2008 was \$1.9 billion. In the third quarter of 2009, the Firm recognized a \$76 million increase in the extraordinary gain associated with the final purchase accounting adjustments for the acquisition. For a further discussion of the Washington Mutual transaction, see Note 2 on pages 143-148 of this Annual Report.

Table of Contents**Management's discussion and analysis****EXPLANATION AND RECONCILIATION OF THE FIRM'S USE OF NON-GAAP FINANCIAL MEASURES**

The Firm prepares its consolidated financial statements using accounting principals generally accepted in the United States of America (U.S. GAAP); these financial statements appear on pages 138-141 of this Annual Report. That presentation, which is referred to as reported basis, provides the reader with an understanding of the Firm's results that can be tracked consistently from year to year and enables a comparison of the Firm's performance with other companies' U.S. GAAP financial statements.

In addition to analyzing the Firm's results on a reported basis, management reviews the Firm's results and the results of the lines of business on a managed basis, which is a non-GAAP financial measure. The Firm's definition of managed basis starts with the reported U.S. GAAP results and includes certain reclassifications that assume credit card loans securitized by CS remain on the balance sheets, and presents revenue on a FTE basis. These adjustments do not have any impact on net income as reported by the lines of business or by the Firm as a whole.

The presentation of CS results on a managed basis assumes that credit card loans that have been securitized and sold in accordance with U.S. GAAP remain on the Consolidated Balance Sheets, and that the earnings on the securitized loans are classified in the same manner as the earnings on retained loans recorded on the Consolidated Balance Sheets. JPMorgan Chase uses the concept of managed basis to evaluate the credit performance and overall financial performance of the entire managed credit card portfolio. Operations are funded and decisions are made about allocating resources, such as employees and capital, based on managed financial information. In addition, the same underwriting standards and ongoing risk monitoring are used for both loans on the Consolidated Balance Sheets and securitized loans. Although securitizations result in the sale of credit card receivables to a trust, JPMorgan Chase retains the ongoing customer relationships, as the customers may continue to use their credit cards; accordingly, the customer's credit performance will affect both the securitized loans and the loans retained on the Consolidated Balance Sheets. JPMorgan Chase believes managed basis information is useful to investors, enabling them to understand both the credit risks associated with the loans reported on the Consolidated Balance Sheets and the Firm's retained interests in securitized loans. For a reconciliation of reported to managed basis results for CS, see CS segment results on pages 64-66 of this Annual Report. For information regarding the securitization process, and loans and residual interests sold and securitized, see Note 15 on pages 198-205 of this Annual Report.

The following summary table provides a reconciliation from the Firm's reported U.S. GAAP results to managed basis. (Table continues on next page)

Year ended December 31, (in millions, except per share and ratio data)	2009				2008			
	Reported results	Credit card ^(d)	Fully tax- equivalent adjustments	Managed basis	Reported results	Credit card ^(d)	Fully tax- equivalent adjustments	Managed basis
Revenue								
Investment banking fees	\$ 7,087	\$	\$	\$ 7,087	\$ 5,526	\$	\$	\$ 5,526
Principal transactions	9,796			9,796	(10,699)			(10,699)
Lending- and deposit-related fees	7,045			7,045	5,088			5,088
Asset management, administration and commissions	12,540			12,540	13,943			13,943
Securities gains	1,110			1,110	1,560			1,560
	3,678			3,678	3,467			3,467

Mortgage fees and related income								
Credit card income	7,110	(1,494)		5,616	7,419	(3,333)		4,086
Other income	916		1,440	2,356	2,169		1,329	3,498
Noninterest revenue	49,282	(1,494)	1,440	49,228	28,473	(3,333)	1,329	26,469
Net interest income	51,152	7,937	330	59,419	38,779	6,945	579	46,303
Total net revenue	100,434	6,443	1,770	108,647	67,252	3,612	1,908	72,772
Noninterest expense	52,352			52,352	43,500			43,500
Pre-provision profit	48,082	6,443	1,770	56,295	23,752	3,612	1,908	29,272
Provision for credit losses	32,015	6,443		38,458	19,445	3,612		23,057
Provision for credit losses accounting conformity ^(a)					1,534			1,534
Income before income tax expense/ (benefit) and extraordinary gain	16,067		1,770	17,837	2,773		1,908	4,681
Income tax expense/(benefit)	4,415		1,770	6,185	(926)		1,908	982
Income before extraordinary gain	11,652			11,652	3,699			3,699
Extraordinary gain	76			76	1,906			1,906
Net income	\$ 11,728	\$	\$	\$ 11,728	\$ 5,605	\$	\$	\$ 5,605
Diluted earnings per share ^{(b)(c)}	\$ 2.24	\$	\$	\$ 2.24	\$ 0.81	\$	\$	\$ 0.81
Return on assets ^(c)	0.58%	NM	NM	0.55%	0.21%	NM	NM	0.20%
Overhead ratio	52	NM	NM	48	65	NM	NM	60
Loans period-end	\$ 633,458	\$ 84,626	\$	\$ 718,084	\$ 744,898	\$ 85,571	\$	\$ 830,469
Total assets average	2,024,201	82,233		2,106,434	1,791,617	76,904		1,868,521

(a) 2008 included an accounting conformity loan loss reserve provision related to the acquisition of Washington Mutual's banking operations.

(b) Effective January 1, 2009, the Firm implemented

new FASB
guidance for
participating
securities.

Accordingly,
prior-period
amounts have
been revised.

For further
discussion of
the guidance,
see Note 25 on
page 224 of this
Annual Report.

- (c) Based on
income before
extraordinary
gain.
- (d) See pages 64 - 66
of this Annual
Report for a
discussion of
the effect of
credit card
securitizations
on CS.

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On January 1, 2010, the Firm adopted the new consolidation accounting guidance for VIEs. As the Firm will be deemed to be the primary beneficiary of its credit card securitization trusts as a result of this guidance, the Firm will consolidate the assets and liabilities of these credit card securitization trusts at their carrying values on January 1, 2010, and credit card related income and credit costs associated with these securitization activities will be prospectively recorded on the 2010 Consolidated Statements of Income in the same classifications that are currently used to report such items on a managed basis. For additional information on the new accounting guidance, see

Accounting and reporting developments on pages 132-134 of this Annual Report.

Total net revenue for each of the business segments and the Firm is presented on a FTE basis. Accordingly, investments that receive tax credits and revenue from tax-exempt securities are presented in the managed results on a basis comparable to taxable investments and securities. This non-GAAP financial measure allows management to assess

(Table continued from previous page)

2007			
Reported results	Credit card ^(d)	Fully tax-equivalent adjustments	Managed basis
\$ 6,635	\$	\$	\$ 6,635
9,015			9,015
3,938			3,938
14,356			14,356
164			164
2,118			2,118
6,911	(3,255)		3,656
1,829		683	2,512
44,966	(3,255)	683	42,394
26,406	5,635	377	32,418
71,372	2,380	1,060	74,812
41,703			41,703
29,669	2,380	1,060	33,109
6,864	2,380		9,244
22,805		1,060	23,865
7,440		1,060	8,500

15,365				15,365
\$ 15,365	\$		\$	\$ 15,365
\$ 4.33	\$		\$	\$ 4.33
1.06%		NM	NM	1.01%
58		NM	NM	56
\$ 519,374	\$	72,701	\$	\$ 592,075
1,455,044		66,780		1,521,824

the comparability of revenue arising from both taxable and tax-exempt sources.

The corresponding income tax impact related to these items is recorded within income tax expense.

Tangible common equity (TCE) represents common stockholders' equity (i.e., total stockholders' equity less preferred stock) less identifiable intangible assets (other than MSRs) and goodwill, net of related deferred tax liabilities.

ROTCE, a non-GAAP financial ratio, measures the Firm's earnings as a percentage of TCE and is, in management's view, another meaningful measure to assess the Firm's use of equity.

Management also uses certain non-GAAP financial measures at the business-segment level, because it believes these other non-GAAP financial measures provide information to investors about the underlying operational performance and trends of the particular business segment and therefore facilitate a comparison of the business segment with the performance of its competitors.

Calculation of certain U.S. GAAP and non-GAAP metrics

The table below reflects the formulas used to calculate both the following U.S. GAAP and non-GAAP measures.

Return on common equity

Net income* / Average common stockholders' equity

Return on tangible common equity^(e)

Net income* / Average tangible common equity

Return on assets

Reported net income / Total average assets

Managed net income / Total average managed assets^(f)

(including average securitized credit card receivables)

Overhead ratio

Total noninterest expense / Total net revenue

* Represents net income applicable to common equity

(e) The Firm uses ROTCE, a non-GAAP financial measure, to evaluate the Firm's use of equity and to facilitate comparisons with competitors. Refer to the following page for the calculation of average tangible common equity.

(f) The Firm uses return on managed assets, a non-GAAP financial measure, to evaluate the overall performance of the managed credit card portfolio, including securitized credit card loans.

Table of Contents**Management's discussion and analysis****Average tangible common equity**

Year ended December 31, (in millions)	2009	2008
Common stockholders' equity	\$ 145,903	\$ 129,116
Less: Goodwill	48,254	46,068
Less: Certain identifiable intangible assets	5,095	5,779
Add: Deferred tax liabilities ^(a)	2,547	2,369
TCE	\$ 95,101	\$ 79,638

(a) Represents deferred tax liabilities related to tax-deductible goodwill and to identifiable intangibles created in non-taxable transactions, which are netted against goodwill and other intangibles when calculating TCE.

Impact on ROE of redemption of TARP preferred stock issued to the U.S. Treasury

The calculation of 2009 net income applicable to common equity includes a one-time, noncash reduction of \$1.1 billion resulting from the repayment of TARP preferred capital. Excluding this reduction, ROE would have been 7% for 2009. The Firm views adjusted ROE, a non-GAAP financial measure, as meaningful because it enables the comparability to prior periods.

Year ended December 31, 2009 (in millions, except ratios)	As reported	Excluding the TARP redemption
Return on equity		
Net income	\$ 11,728	\$ 11,728
Less: Preferred stock dividends	1,327	1,327
Less: Accelerated amortization from redemption of preferred stock issued to the U.S. Treasury	1,112	
Net income applicable to common equity	\$ 9,289	\$ 10,401
Average common stockholders' equity	\$ 145,903	\$ 145,903

ROE

6%

7%

Impact on diluted earnings per share of redemption of TARP preferred stock issued to the U.S. Treasury

Net income applicable to common equity for the year ended December 31, 2009, included a one-time, noncash reduction of approximately \$1.1 billion resulting from the repayment of TARP preferred capital. The following table presents the effect on net income applicable to common stockholders and the \$0.27 reduction to diluted earnings per share for the year ended December 31, 2009.

Year ended December 31, 2009

(in millions, except per share)

Diluted earnings per share

	As reported	Effect of TARP redemption
Net income	\$ 11,728	\$
Less: Preferred stock dividends	1,327	
Less: Accelerated amortization from redemption of preferred stock issued to the U.S. Treasury	1,112	1,112
Net income applicable to common equity	\$ 9,289	\$ (1,112)
Less: Dividends and undistributed earnings allocated to participating securities	515	(62)
Net income applicable to common stockholders	\$ 8,774	\$ (1,050)
Total weighted average diluted shares outstanding	3,879.7	3,879.7
Net income per share	\$ 2.26	\$ (0.27)

Other financial measures

The Firm also discloses the allowance for loan losses to total retained loans, excluding home lending purchased credit-impaired loans and loans held by the Washington Mutual Master Trust. For a further discussion of this credit metric, see Allowance for Credit Losses on pages 115–117 of this Annual Report.

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BUSINESS SEGMENT RESULTS

The Firm is managed on a line-of-business basis. The business segment financial results presented reflect the current organization of JPMorgan Chase. There are six major reportable business segments: the Investment Bank, Retail Financial Services, Card Services, Commercial Banking, Treasury & Securities Services and Asset Management, as well as a Corporate/Private Equity segment.

The business segments are determined based on the products and services provided, or the type of customer served, and they reflect the manner in which financial information is currently evaluated by management. Results of these lines of business are presented on a managed basis.

(a) Bear Stearns Private Client Services was renamed to JPMorgan Securities at the beginning of 2010.

Description of business segment reporting methodology

Results of the business segments are intended to reflect each segment as if it were essentially a stand-alone business. The management reporting process that derives business segment results allocates income and expense using market-based methodologies. Business segment reporting methodologies used by the Firm are discussed below. The Firm continues to assess the assumptions, methodologies and reporting classifications used for segment reporting, and further refinements may be implemented in future periods.

Revenue sharing

When business segments join efforts to sell products and services to the Firm's clients, the participating business segments agree to share revenue from those transactions. The segment results reflect these revenue-sharing agreements.

Funds transfer pricing

Funds transfer pricing is used to allocate interest income and expense to each business and transfer the primary interest rate risk exposures to the Treasury group within the Corporate/Private Equity business segment. The allocation process is unique to each business segment and considers the interest rate risk, liquidity risk and regulatory requirements of that segment's stand-alone peers. This process is overseen by senior management and reviewed by the Firm's Asset-Liability Committee (ALCO). Business segments may retain certain interest rate exposures, subject to management approval, that would be expected in the normal operation of a similar peer business.

Capital allocation

Each business segment is allocated capital by taking into consideration stand-alone peer comparisons, economic risk measures and regulatory capital requirements. The amount of capital assigned to each business is referred to as equity. For a further discussion, see Capital management Line of business equity on pages 84-85 of this Annual Report.

Expense allocation

Where business segments use services provided by support units within the Firm, the costs of those support units are allocated to the business segments. The expense is allocated based on their

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actual cost or the lower of actual cost or market, as well as upon usage of the services provided. In contrast, certain other expense related to certain corporate functions, or to certain technology and operations, are not allocated to the business segments and are retained in Corporate. Retained expense includes: parent company costs that would not be incurred if the segments were stand-alone businesses; adjustments to align certain corporate staff, technology and operations allocations with market prices; and other one-time items not aligned with the business segments.

Segment results Managed basis^(a)

The following table summarizes the business segment results for the periods indicated.

Year ended December 31, (in millions)	Total net revenue			Noninterest expense		
	2009	2008	2007	2009	2008	2007
Investment Bank ^(b)	\$ 28,109	\$ 12,335	\$ 18,291	\$ 15,401	\$ 13,844	\$ 13,074
Retail Financial Services	32,692	23,520	17,305	16,748	12,077	9,905
Card Services	20,304	16,474	15,235	5,381	5,140	4,914
Commercial Banking	5,720	4,777	4,103	2,176	1,946	1,958
Treasury & Securities Services	7,344	8,134	6,945	5,278	5,223	4,580
Asset Management	7,965	7,584	8,635	5,473	5,298	5,515
Corporate/Private Equity ^(b)	6,513	(52)	4,298	1,895	(28)	1,757
Total	\$ 108,647	\$ 72,772	\$ 74,812	\$ 52,352	\$ 43,500	\$ 41,703

Year ended December 31, (in millions)	Net income/(loss)			Return on equity		
	2009	2008	2007	2009	2008	2007
Investment Bank ^(b)	\$ 6,899	\$ (1,175)	\$ 3,139	21%	(5)%	15%
Retail Financial Services	97	880	2,925		5	18
Card Services	(2,225)	780	2,919	(15)	5	21
Commercial Banking	1,271	1,439	1,134	16	20	17
Treasury & Securities Services	1,226	1,767	1,397	25	47	47
Asset Management	1,430	1,357	1,966	20	24	51
Corporate/Private Equity ^{(b)(c)}	3,030	557	1,885	NM	NM	NM
Total	\$ 11,728	\$ 5,605	\$ 15,365	6%	4%	13%

- (a) Represents reported results on a tax-equivalent basis and excludes the impact of credit card securitizations.
- (b) In the second quarter of 2009, IB began reporting its credit reimbursement from TSS as a component of its total net revenue, whereas TSS continues to report its credit reimbursement to IB as a separate line item on its income statement (not part of total net revenue). Corporate/Private Equity includes an adjustment to offset IB's inclusion of the credit reimbursement in total net revenue. Prior periods have been revised for IB and Corporate/Private Equity to reflect this presentation.
- (c) Net income included an extraordinary gain of \$76 million and \$1.9 billion related to the Washington Mutual transaction for 2009 and 2008, respectively.

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J.P. Morgan is one of the world's leading investment banks, with deep client relationships and broad product capabilities. The Investment Bank's clients are corporations, financial institutions, governments and institutional investors. The Firm offers a full range of investment banking products and services in all major capital markets, including advising on corporate strategy and structure, capital raising in equity and debt markets, sophisticated risk management, market-making in cash securities and derivative instruments, prime brokerage, research and thought leadership. IB also commits the Firm's own capital to principal investing and trading activities on a limited basis.

Selected income statement data

Year ended December 31,
(in millions, except ratios)

	2009	2008^(e)	2007
Revenue			
Investment banking fees	\$ 7,169	\$ 5,907	\$ 6,616
Principal transactions ^(a)	8,154	(7,042)	4,409
Lending- and deposit-related fees	664	463	446
Asset management, administration and commissions	2,650	3,064	2,701
All other income ^(b)	(115)	(341)	43
Noninterest revenue	18,522	2,051	14,215
Net interest income	9,587	10,284	4,076
Total net revenue ^(c)	28,109	12,335	18,291
Provision for credit losses	2,279	2,015	654
Noninterest expense			
Compensation expense	9,334	7,701	7,965
Noncompensation expense	6,067	6,143	5,109
Total noninterest expense	15,401	13,844	13,074
Income/(loss) before income tax expense/(benefit)	10,429	(3,524)	4,563
Income tax expense/(benefit) ^(d)	3,530	(2,349)	1,424
Net income/(loss)	\$ 6,899	\$ (1,175)	\$ 3,139

Financial ratios

ROE	21%	(5)%	15%
ROA	0.99	(0.14)	0.45
Overhead ratio	55	112	71
Compensation expense as % of total net revenue	33	62	44

(a) The 2009 results reflect modest net gains on legacy leveraged lending and mortgage-related positions, compared with net markdowns of \$10.6 billion and \$2.7 billion in 2008 and 2007, respectively.

(b) TSS was charged a credit reimbursement related to certain exposures managed within IB credit portfolio on behalf of clients shared with TSS. IB recognizes this credit reimbursement in its credit portfolio business in all other income. Prior periods have been revised to conform to the current presentation.

- (c) Total net revenue included tax-equivalent adjustments, predominantly due to income tax credits related to affordable housing and alternative energy investments as well as tax-exempt income from municipal bond investments of \$1.4 billion, \$1.7 billion and \$927 million for 2009, 2008 and 2007, respectively.
- (d) The income tax benefit in 2008 includes the result of reduced deferred tax liabilities on overseas earnings.
- (e) Results for 2008 include seven months of the combined Firm's (JPMorgan Chase & Co.'s and Bear Stearns') results and five months of heritage JPMorgan Chase results. 2007 reflects heritage JPMorgan Chase & Co. results only.

The following table provides IB's total net revenue by business segment.

Year ended December 31, (in millions)	2009	2008 ^(d)	2007
Revenue by business			
Investment banking fees:			
Advisory	\$ 1,867	\$ 2,008	\$ 2,273
Equity underwriting	2,641	1,749	1,713
Debt underwriting	2,661	2,150	2,630
Total investment banking fees	7,169	5,907	6,616
Fixed income markets ^(a)	17,564	1,957	6,339
Equity markets ^(b)	4,393	3,611	3,903
Credit portfolio ^(c)	(1,017)	860	1,433
Total net revenue	\$ 28,109	\$ 12,335	\$ 18,291
Revenue by region			
Americas	\$ 15,156	\$ 2,610	\$ 8,245
Europe/Middle East/Africa	9,790	7,710	7,330
Asia/Pacific	3,163	2,015	2,716
Total net revenue	\$ 28,109	\$ 12,335	\$ 18,291

- (a) Fixed income markets primarily include client and portfolio management revenue related to market-making across global fixed income markets, including foreign exchange, interest rate, credit and commodities markets.
- (b) Equities markets primarily include client and portfolio management revenue related to market-making across global equity products, including cash instruments, derivatives and convertibles.
- (c) Credit portfolio revenue includes net interest income, fees and the impact of loan sales activity, as well as gains or losses on securities received as part of a loan restructuring, for IB's credit portfolio. Credit portfolio revenue also includes the results of risk management related to the Firm's lending and derivative activities, and changes in the credit valuation adjustment, which is the component of the fair value of a derivative that reflects the credit quality of the counterparty. Additionally, credit portfolio revenue incorporates an adjustment to the valuation of the Firm's derivative liabilities. See pages 93–117 of the Credit Risk Management section of this Annual Report for further discussion.
- (d) Results for 2008 include seven months of the combined Firm's (JPMorgan Chase & Co.'s and Bear Stearns') results and five months of heritage JPMorgan Chase & Co. results. 2007 reflects heritage JPMorgan Chase & Co.'s results only.

2009 compared with 2008

Net income was \$6.9 billion, compared with a net loss of \$1.2 billion in the prior year. These results reflected significantly higher total net revenue, partially offset by higher noninterest expense and a higher provision for credit losses.

Total net revenue was \$28.1 billion, compared with \$12.3 billion in the prior year. Investment banking fees were up 21% to \$7.2 billion, consisting of debt underwriting fees of \$2.7 billion (up 24%), equity underwriting fees of \$2.6 billion (up 51%), and advisory fees of \$1.9 billion (down 7%). Fixed Income Markets revenue was \$17.6 billion, compared with \$2.0 billion in the prior year, reflecting improved performance across most products and modest net gains on legacy leveraged lending and mortgage-related positions, compared with net markdowns of \$10.6 billion in the prior year. These results also included losses of \$1.0 billion from the tightening of the Firm's credit spread on certain structured liabilities, compared with gains

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of \$814 million in the prior year. Equity Markets revenue was \$4.4 billion, up 22% from the prior year, driven by strong client revenue across products, particularly prime services, and improved trading results. These results also included losses of \$536 million from the tightening of the Firm's credit spread on certain structured liabilities, compared with gains of \$510 million in the prior year. Credit Portfolio revenue was a loss of \$1.0 billion versus a gain of \$860 million in the prior year, driven by mark-to-market losses on hedges of retained loans compared with gains in the prior year, partially offset by the positive net impact of credit spreads on derivative assets and liabilities. The provision for credit losses was \$2.3 billion, compared with \$2.0 billion in the prior year, reflecting continued weakness in the credit environment. The allowance for loan losses to end-of-period loans retained was 8.25%, compared with 4.83% in the prior year. Net charge-offs were \$1.9 billion, compared with \$105 million in the prior year. Total nonperforming assets were \$4.2 billion, compared with \$2.5 billion in the prior year. Noninterest expense was \$15.4 billion, up \$1.6 billion, or 11%, from the prior year, driven by higher performance-based compensation expense, partially offset by lower headcount-related expense. Return on Equity was 21% on \$33.0 billion of average allocated capital, compared with negative 5% on \$26.1 billion of average allocated capital in the prior year.

2008 compared with 2007

Net loss was \$1.2 billion, a decrease of \$4.3 billion from the prior year, driven by lower total net revenue, a higher provision for credit losses and higher noninterest expense, partially offset by a reduction in deferred tax liabilities on overseas earnings.

Total net revenue was \$12.3 billion, down \$6.0 billion, or 33%, from the prior year. Investment banking fees were \$5.9 billion, down 11% from the prior year, driven by lower debt underwriting and advisory fees reflecting reduced market activity. Debt underwriting fees were \$2.2 billion, down 18% from the prior year, driven by lower loan syndication and bond underwriting fees. Advisory fees of \$2.0 billion declined 12% from the prior year. Equity underwriting fees were \$1.7 billion, up 2% from the prior year driven by improved market share. Fixed Income Markets revenue was \$2.0 billion, compared with \$6.3 billion in the prior year. The decrease was driven by \$5.9 billion of net markdowns on mortgage-related exposures and \$4.7 billion of net markdowns on leveraged lending funded and unfunded commitments. Revenue was also adversely impacted by additional losses and costs to reduce risk related to Bear Stearns' positions. These results were offset by record performance in rates and currencies, credit trading, commodities and emerging markets as well as \$814 million of gains from the widening of the Firm's credit spread on certain structured liabilities and derivatives. Equity Markets revenue was \$3.6 billion, down 7% from the prior year, reflecting weak trading results, partially offset by strong client revenue across products including prime services, as well as \$510 million of gains from the widening of the Firm's credit spread on certain structured liabilities and derivatives. Credit portfolio revenue was \$860 million, down 40%, driven by losses from widening counterparty credit spreads.

The provision for credit losses was \$2.0 billion, an increase of \$1.4 billion from the prior year, predominantly reflecting a higher allowance for credit losses, driven by a weakening credit environment, as well as the effect of the transfer of \$4.9 billion of funded and unfunded leveraged lending commitments to retained loans from held-for-sale in the first quarter of 2008. Net charge-offs for the year were \$105 million, compared with \$36 million in the prior year. Total nonperforming assets were \$2.5 billion, an increase of \$2.0 billion compared with the prior year, reflecting a weakening credit environment. The allowance for loan losses to average loans was 4.71% for 2008, compared with a ratio of 2.14% in the prior year.

Noninterest expense was \$13.8 billion, up \$770 million, or 6%, from the prior year, reflecting higher noncompensation expense driven primarily by additional expense relating to the Bear Stearns merger, offset partially by lower performance-based compensation expense.

Return on equity was negative 5% on \$26.1 billion of average allocated capital, compared with 15% on \$21.0 billion in the prior year.

Selected metrics

Year ended December 31,

(in millions, except headcount)	2009	2008	2007
Selected balance sheet data (period-end)			
Loans:			
Loans retained ^(a)	\$ 45,544	\$ 71,357	\$ 67,528
Loans held-for-sale and loans at fair value	3,567	13,660	22,283
Total loans	49,111	85,017	89,811
Equity	\$ 33,000	\$ 33,000	\$ 21,000
Selected balance sheet data (average)			
Total assets	\$ 699,039	\$ 832,729	\$ 700,565
Trading assets debt and equity instruments	273,624	350,812	359,775
Trading assets derivative receivables	96,042	112,337	63,198
Loans:			
Loans retained ^(a)	62,722	73,108	62,247
Loans held-for-sale and loans at fair value	7,589	18,502	17,723
Total loans	70,311	91,610	79,970
Adjusted assets ^(b)	538,724	679,780	611,749
Equity	33,000	26,098	21,000
Headcount	24,654	27,938	25,543

- (a) Loans retained included credit portfolio loans, leveraged leases and other accrual loans, and excluded loans held-for-sale and loans at fair value.
- (b) Adjusted assets, a non-GAAP financial measure, equals total assets minus (1) securities purchased under resale agreements and securities borrowed less securities sold, not yet purchased; (2) assets of variable interest entities (VIEs); (3) cash and securities segregated and on deposit for regulatory and other purposes; (4) goodwill and intangibles; (5) securities received as collateral; and (6) investments purchased under the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (AML Facility). The amount of adjusted assets is presented to assist the reader in comparing IB's asset and capital levels to other investment banks in the securities industry. Asset-to-equity leverage ratios are commonly used as one measure to assess a company's capital adequacy. IB believes an adjusted asset amount that excludes the assets discussed above, which were considered to have a low risk profile, provides a more meaningful measure of balance sheet leverage in the securities industry.

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Year ended December 31,
(in millions, except ratios)

	2009	2008	2007
Credit data and quality statistics			
Net charge-offs	\$ 1,904	\$ 105	\$ 36
Nonperforming assets:			
Nonperforming loans:			
Nonperforming loans retained ^{(a)(b)}	3,196	1,143	303
Nonperforming loans held-for-sale and loans at fair value	308	32	50
Total nonperforming loans	3,504	1,175	353
Derivative receivables	529	1,079	29
Assets acquired in loan satisfactions	203	247	71
Total nonperforming assets	4,236	2,501	453
Allowance for credit losses:			
Allowance for loan losses	3,756	3,444	1,329
Allowance for lending-related commitments	485	360	560
Total allowance for credit losses	4,241	3,804	1,889
Net charge-off rate ^{(a)(c)}	3.04%	0.14%	0.06%
Allowance for loan losses to period-end loans retained ^{(a)(d)}	8.25	4.83	1.97
Allowance for loan losses to average loans retained ^{(a)(c)}	5.99	4.71 ^(h)	2.14
Allowance for loan losses to nonperforming loans retained ^{(a)(b)}	118	301	439
Nonperforming loans to total period-end loans	7.13	1.38	0.39
Nonperforming loans to average loans	4.98	1.28	0.44
Market risk-average trading and credit portfolio VaR 99% confidence level^(d)			
Trading activities:			
Fixed income	\$ 221	\$ 181	\$ 80
Foreign exchange	30	34	23
Equities	75	57	48
Commodities and other	32	32	33
Diversification ^(e)	(131)	(108)	(77)
Total trading VaR ^(f)	227	196	107
Credit portfolio VaR ^(g)	101	69	17
Diversification ^(e)	(80)	(63)	(18)
Total trading and credit portfolio VaR	\$ 248	\$ 202	\$ 106

(a) Loans retained included credit portfolio loans, leveraged leases and other accrual loans, and excluded loans held-for-sale and loans accounted for at fair value.

(b) Allowance for loan losses of \$1.3 billion and \$430 million were held against these nonperforming loans at December 31, 2009 and 2008, respectively.

(c) Loans held-for-sale and loans at fair value were excluded when calculating the allowance coverage ratio and net charge-off rate.

- (d) Results for 2008 include seven months of the combined Firm's (JPMorgan Chase & Co.'s and Bear Stearns') results and five months of heritage JPMorgan Chase & Co.'s results only. 2007 reflects heritage JPMorgan Chase & Co. results. For a more complete description of value-at-risk (VaR), see pages 118–122 of this Annual Report.
- (e) Average VaRs were less than the sum of the VaRs of their market risk components, due to risk offsets resulting from portfolio diversification. The diversification effect reflected the fact that the risks were not perfectly correlated. For further discussion of VaR, see pages 118–122 of this Annual Report. The risk of a portfolio of positions is usually less than the sum of the risks of the positions themselves.
- (f) Trading VaR includes predominantly all trading activities in IB; however, particular risk parameters of certain products are not fully captured, for example, correlation risk. Trading VaR does not include VaR related to held-for-sale funded loans and unfunded commitments, nor the debit valuation adjustments (DVA) taken on derivative and structured liabilities to reflect the credit quality of the Firm. See VaR discussion on pages 118–122 and the DVA Sensitivity table on page 122 of this Annual Report for further details. Trading VaR also does not include the MSR portfolio or VaR related to other corporate functions, such as Corporate/Private Equity. Beginning in the fourth quarter of 2008, trading VaR includes the estimated credit spread sensitivity of certain mortgage products.
- (g) Included VaR on derivative credit valuation adjustments (CVA), hedges of the CVA and mark-to-market hedges of the retained loan portfolio, which were all reported in principal transactions revenue. This VaR does not include the retained loan portfolio.
- (h) Excluding the impact of a loan originated in March 2008 to Bear Stearns, the adjusted ratio would be 4.84% for 2008. The average balance of the loan extended to Bear Stearns was \$1.9 billion for 2008.

Market shares and rankings^(a)

December 31,	2009		2008		2007	
	Market share	Rankings	Market share	Rankings	Market share	Rankings
Global debt, equity and equity-related	10%	#1	9%	#1	8%	#2
Global syndicated loans	10	1	11	1	13	1
Global long-term debt(b)	9	1	9	3	7	3
Global equity and equity-related(c)	13	1	10	1	9	2
Global announced M&A(d)	24	3	28	2	27	4
U.S. debt, equity and equity-related	14	1	15	2	10	2
U.S. syndicated loans	23	1	24	1	24	1
U.S. long-term debt(b)	14	1	15	2	10	2
U.S. equity and equity-related(c)	13	1	11	1	11	5
U.S. announced M&A(d)	35	3	35	2	28	3

- (a) Source: Thomson Reuters. Results for 2008 are pro forma for the Bear Stearns' merger. Results for 2007 represent heritage JPMorgan Chase & Co. only.
- (b) Includes asset-backed securities, mortgage-backed securities and municipal securities.
- (c) Includes rights offerings; U.S.-domiciled equity and equity-related transactions.
- (d) Global announced M&A is based on rank value; all other rankings are based on proceeds, with full credit to each book manager/equal if joint. Because of joint assignments, market share of all participants will add up to more than 100%. Global and U.S. announced M&A market share and rankings for 2008 and 2007 include transactions withdrawn since December 31, 2008 and 2007. U.S. announced M&A represents any U.S. involvement ranking. According to Thomson Reuters, in 2009, the Firm was ranked #1 in Global Debt, Equity and Equity-related; #1 in Global Equity and Equity-related; #1 in Global Long-Term Debt; #1 in Global Syndicated Loans and #3 in Global Announced M&A, based on volume. According to Dealogic, the Firm was ranked #1 in Global Investment Banking Fees generated during 2009, based on revenue.

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RETAIL FINANCIAL SERVICES

Retail Financial Services, which includes the Retail Banking and Consumer Lending businesses, serves consumers and businesses through personal service at bank branches and through ATMs, online banking and telephone banking, as well as through auto dealerships and school financial-aid offices. Customers can use more than 5,100 bank branches (third-largest nationally) and 15,400 ATMs (second-largest nationally), as well as online and mobile banking around the clock. More than 23,900 branch salespeople assist customers with checking and savings accounts, mortgages, home equity and business loans, and investments across the 23-state footprint from New York and Florida to California. Consumers also can obtain loans through more than 15,700 auto dealerships and nearly 2,100 schools and universities nationwide.

On September 25, 2008, JPMorgan Chase acquired the banking operations of Washington Mutual from the FDIC for \$1.9 billion through a purchase of substantially all of the assets and assumption of specified liabilities of Washington Mutual. Washington Mutual's banking operations consisted of a retail bank network of 2,244 branches, a nationwide credit card lending business, a multi-family and commercial real estate lending business, and nationwide mortgage banking activities. The transaction expanded the Firm's U.S. consumer branch network in California, Florida, Washington, Georgia, Idaho, Nevada and Oregon and created the nation's third-largest branch network.

Selected income statement data

Year ended December 31, (in millions, except ratios)	2009	2008	2007
Revenue			
Lending- and deposit-related fees	\$ 3,969	\$ 2,546	\$ 1,881
Asset management, administration and commissions	1,674	1,510	1,275
Mortgage fees and related income	3,794	3,621	2,094
Credit card income	1,635	939	646
Other income	1,128	739	883
Noninterest revenue	12,200	9,355	6,779
Net interest income	20,492	14,165	10,526
Total net revenue	32,692	23,520	17,305
Provision for credit losses	15,940	9,905	2,610
Noninterest expense			
Compensation expense	6,712	5,068	4,369
Noncompensation expense	9,706	6,612	5,071
Amortization of intangibles	330	397	465
Total noninterest expense	16,748	12,077	9,905
Income before income tax expense/(benefit)	4	1,538	4,790
Income tax expense/(benefit)	(93)	658	1,865
Net income	\$ 97	\$ 880	\$ 2,925

Financial ratios

ROE	%	5%	18%
Overhead ratio	51	51	57
Overhead ratio excluding core deposit intangibles ^(a)	50	50	55

(a) Retail Financial Services uses the overhead ratio (excluding the amortization of core deposit intangibles (CDI)), a non-GAAP financial

measure, to evaluate the underlying expense trends of the business. Including CDI amortization expense in the overhead ratio calculation would result in a higher overhead ratio in the earlier years and a lower overhead ratio in later years; this method would therefore result in an improving overhead ratio over time, all things remaining equal. The non-GAAP ratio excludes Retail Banking's core deposit intangible amortization expense related to the Bank of New York transaction and the Bank One merger of \$328 million, \$394 million and \$460 million for the years ended December 31, 2009, 2008 and 2007, respectively.

2009 compared with 2008

Net income was \$97 million, a decrease of \$783 million from the prior year, as the increase in provision for credit losses more than offset the positive impact of the Washington Mutual transaction.

Net revenue was \$32.7 billion, an increase of \$9.2 billion, or 39%, from the prior year. Net interest income was \$20.5 billion, up by \$6.3 billion, or 45%, reflecting the impact of the Washington Mutual transaction, and wider loan and deposit spreads. Noninterest revenue was \$12.2 billion, up by \$2.8 billion, or 30%, driven by the impact of the Washington Mutual transaction, wider margins on mortgage originations and higher net mortgage servicing revenue, partially offset by \$1.6 billion in estimated losses related to the repurchase of previously sold loans.

The provision for credit losses was \$15.9 billion, an increase of \$6.0 billion from the prior year. Weak economic conditions and housing price declines continued to drive higher estimated losses for the home equity and mortgage loan portfolios. The provision included an addition of \$5.8 billion to the allowance for loan losses, compared with an addition of \$5.0 billion in the prior year. Included in the 2009 addition to the allowance for loan losses was a \$1.6 billion increase related to estimated deterioration in the Washington Mutual purchased credit-impaired portfolio. To date, no charge-offs have been recorded on purchased credit-impaired loans; see page 62 of this Annual Report for the net charge-off rates, as reported. Home equity net charge-offs were \$4.7 billion (4.32% excluding purchased credit-impaired loans), compared with \$2.4 billion (2.39% excluding purchased credit-impaired loans) in the prior year. Subprime mortgage net charge-offs were \$1.6 billion (11.86% excluding purchased credit-impaired loans), compared with \$933 million (6.10% excluding purchased credit-impaired loans) in the prior year. Prime mortgage net charge-offs were \$1.9 billion (3.05% excluding purchased credit-impaired loans), compared with \$526 million (1.18% excluding purchased credit-impaired loans) in the prior year.

Noninterest expense was \$16.7 billion, an increase of \$4.7 billion, or 39%. The increase reflected the impact of the Washington Mutual transaction and higher servicing and default-related expense.

Table of Contents**2008 compared with 2007**

Net income was \$880 million, a decrease of \$2.0 billion, or 70%, from the prior year, as a significant increase in the provision for credit losses was partially offset by positive MSR risk management results and the positive impact of the Washington Mutual transaction.

Total net revenue was \$23.5 billion, an increase of \$6.2 billion, or 36%, from the prior year. Net interest income was \$14.2 billion, up \$3.6 billion, or 35%, benefiting from the Washington Mutual transaction, wider loan and deposit spreads, and higher loan and deposit balances. Noninterest revenue was \$9.4 billion, up \$2.6 billion, or 38%, as positive MSR risk management results, the impact of the Washington Mutual transaction, higher mortgage origination volume and higher deposit-related fees were partially offset by an increase in losses related to the repurchase of previously sold loans and markdowns on the mortgage warehouse.

The provision for credit losses was \$9.9 billion, an increase of \$7.3 billion from the prior year. Delinquency rates have increased due to overall weak economic conditions, while housing price declines have continued to drive increased loss severities, particularly for high loan-to-value home equity and mortgage loans. The provision includes \$4.7 billion in additions to the allowance for loan losses for the heritage Chase home equity and mortgage portfolios. Home equity net charge-offs were \$2.4 billion (2.23% net charge-off rate; 2.39% excluding purchased credit-impaired loans), compared with \$564 million (0.62% net charge-off rate) in the prior year. Subprime mortgage net charge-offs were \$933 million (5.49% net charge-off rate; 6.10% excluding purchased credit-impaired loans), compared with \$157 million (1.55% net charge-off rate) in the prior year. Prime mortgage net charge-offs were \$526 million (1.05% net charge-off rate; 1.18% excluding purchased credit-impaired loans), compared with \$33 million (0.13% net charge-off rate) in the prior year. The provision for credit losses was also affected by an increase in estimated losses for the auto, student and business banking loan portfolios.

Total noninterest expense was \$12.1 billion, an increase of \$2.2 billion, or 22%, from the prior year, reflecting the impact of the Washington Mutual transaction, higher mortgage reinsurance losses, higher mortgage servicing expense and investments in the retail distribution network.

Selected metrics

Year ended December 31,
(in millions, except headcount and
ratios)

	2009	2008	2007
Selected balance sheet data (period-end)			
Assets	\$ 387,269	\$ 419,831	\$ 256,351
Loans:			
Loans retained	340,332	368,786	211,324
Loans held-for-sale and loans at fair value ^(a)	14,612	9,996	16,541
Total loans	354,944	378,782	227,865
Deposits	357,463	360,451	221,129
Equity	25,000	25,000	16,000
Selected balance sheet data (average)			
Assets	\$ 407,497	\$ 304,442	\$ 241,112
Loans:			
Loans retained	354,789	257,083	191,645
Loans held-for-sale and loans at fair value ^(a)	18,072	17,056	22,587
Total loans	372,861	274,139	214,232
Deposits	367,696	258,362	218,062
Equity	25,000	19,011	16,000

Headcount	108,971	102,007	69,465
Credit data and quality statistics			
Net charge-offs	\$ 10,113	\$ 4,877	\$ 1,350
Nonperforming loans:			
Nonperforming loans retained	10,611	6,548	2,760
Nonperforming loans held-for- sale and loans at fair value	234	236	68
Total nonperforming loans ^{(b)(c)(d)}	10,845	6,784	2,828
Nonperforming assets ^{(b)(c)(d)}	12,098	9,077	3,378
Allowance for loan losses	14,776	8,918	2,668
Net charge-off rate ^(f)	2.85%	1.90%	0.70%
Net charge-off rate excluding purchased credit-impaired loans ^{(e)(f)}	3.75	2.08	0.70
Allowance for loan losses to ending loans retained ^(f)	4.34	2.42	1.26
Allowance for loan losses to ending loans excluding purchased credit-impaired loans ^{(e)(f)}	5.09	3.19	1.26
Allowance for loan losses to nonperforming loans retained ^{(b)(e)(f)}	124	136	97
Nonperforming loans to total loans	3.06	1.79	1.24
Nonperforming loans to total loans excluding purchased credit-impaired loans	3.96	2.34	1.24

- (a) Loans at fair value consist of prime mortgage loans originated with the intent to sell that are accounted for at fair value and classified as trading assets on the Consolidated Balance Sheets. These loans totaled \$12.5 billion, \$8.0 billion and \$12.6 billion at December 31, 2009, 2008 and 2007, respectively. Average balances of these loans totaled \$15.8 billion, \$14.2 billion and \$11.9 billion for the years ended December 31, 2009, 2008 and 2007, respectively.
- (b) Excludes purchased credit-impaired loans that were acquired as part of the Washington Mutual transaction. These loans were accounted for on a pool basis, and the pools are considered to be performing.
- (c) Certain of these loans are classified as trading assets on the Consolidated Balance Sheets.
- (d) At December 31, 2009, 2008 and 2007, nonperforming loans and assets excluded: (1) mortgage loans insured by U.S. government agencies of \$9.0 billion, \$3.0 billion and \$1.1 billion, respectively; (2) real estate owned insured

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Management's discussion and analysis

by U.S.
government
agencies of
\$579 million,
\$364 million
and
\$452 million,
respectively;
and (3) student
loans that are
90 days past due
and still
accruing, which
are insured by
U.S.
government
agencies under
the Federal
Family
Education Loan
Program, of
\$542 million,
\$437 million
and
\$417 million,
respectively.
These amounts
are excluded, as
reimbursement
is proceeding
normally.

- (e) Excludes the
impact of
purchased
credit-impaired
loans that were
acquired as part
of the
Washington
Mutual
transaction.
These loans
were accounted
for at fair value
on the
acquisition date,
which

incorporated management's estimate, as of that date, of credit losses over the remaining life of the portfolio. During 2009, an allowance for loan losses of \$1.6 billion was recorded for these loans, which has also been excluded from applicable ratios. To date, no charge-offs have been recorded for these loans.

- (f) Loans held-for-sale and loans accounted for at fair value were excluded when calculating the allowance coverage ratio and net charge-off rate.

Retail Banking

Selected income statement data

Year ended December 31,
(in millions, except ratios)

	2009	2008	2007
Noninterest revenue	\$ 7,169	\$ 4,951	\$ 3,763
Net interest income	10,781	7,659	6,193
Total net revenue	17,950	12,610	9,956
Provision for credit losses	1,142	449	79
Noninterest expense	10,357	7,232	6,166
Income before income tax expense	6,451	4,929	3,711
Net income	\$ 3,903	\$ 2,982	\$ 2,245
Overhead ratio	58%	57%	62%
Overhead ratio excluding core deposit intangibles ^(a)	56	54	57

(a) Retail Banking uses the overhead ratio (excluding the amortization of CDI), a non-GAAP financial measure, to evaluate the underlying expense trends of the business. Including CDI amortization expense in the overhead ratio calculation would result in a higher overhead ratio in the earlier years and a lower overhead ratio in later years; this method would therefore result in an improving overhead ratio over time, all things remaining equal. The non-GAAP ratio excludes Retail Banking's core deposit intangible amortization expense related to the Bank of New York transaction and the Bank One merger of \$328 million, \$394 million and \$460

million for the
years ended
December 31,
2009, 2008 and
2007,
respectively.

2009 compared with 2008

Retail Banking reported net income of \$3.9 billion, up by \$921 million, or 31%, from the prior year. Total net revenue was \$18.0 billion, up by \$5.3 billion, or 42%, from the prior year. The increase reflected the impact of the Washington Mutual transaction, wider deposit spreads, higher average deposit balances and higher debit card income. The provision for credit losses was \$1.1 billion, compared with \$449 million in the prior year, reflecting higher estimated losses in the Business Banking portfolio. Noninterest expense was \$10.4 billion, up by \$3.1 billion, or 43%. The increase reflected the impact of the Washington Mutual transaction, higher FDIC insurance premiums and higher headcount-related expense.

2008 compared with 2007

Retail Banking net income was \$3.0 billion, up \$737 million, or 33%, from the prior year. Total net revenue was \$12.6 billion, up \$2.7 billion, or 27%, reflecting the impact of the Washington Mutual transaction, wider deposit spreads, higher deposit-related fees, and higher deposit balances. The provision for credit losses was \$449 million, compared with \$79 million in the prior year, reflecting an increase in the allowance for loan losses for Business Banking loans due to higher estimated losses on the portfolio. Noninterest expense was \$7.2 billion, up \$1.1 billion, or 17%, from the prior year, due to the Washington Mutual transaction and investments in the retail distribution network.

Selected metrics

Year ended December 31,
(in billions, except ratios and
where otherwise noted)

	2009	2008	2007
Business metrics			
Business banking origination volume	\$ 2.3	\$ 5.5	\$ 6.9
End-of-period loans owned	17.0	18.4	15.6
End-of-period deposits			
Checking	\$ 121.9	\$ 109.2	\$ 66.9
Savings	153.4	144.0	96.0
Time and other	58.0	89.1	48.6
Total end-of-period deposits	333.3	342.3	211.5
Average loans owned	\$ 17.8	\$ 16.7	\$ 14.9
Average deposits			
Checking	\$ 113.5	\$ 77.1	\$ 65.8
Savings	150.9	114.3	97.1
Time and other	76.4	53.2	43.8
Total average deposits	340.8	244.6	206.7
Deposit margin	2.96%	2.89%	2.72%
Average assets	\$ 28.9	\$ 26.3	\$ 25.0

Credit data and quality statistics

(in millions, except ratio)

Net charge-offs	\$ 842	\$ 346	\$ 163
Net charge-off rate	4.73%	2.07%	1.09%
Nonperforming assets	\$ 839	\$ 424	\$ 294

Retail branch business metrics

Year ended December 31,	2009	2008	2007
Investment sales volume (in millions)	\$ 21,784	\$ 17,640	\$ 18,360
Number of:			
Branches	5,154	5,474	3,152
ATMs	15,406	14,568	9,186
Personal bankers	17,991	15,825	9,650
Sales specialists	5,912	5,661	4,105
Active online customers (in thousands)	15,424	11,710	5,918
Checking accounts (in thousands)	25,712	24,499	10,839

Consumer Lending**Selected income statement data**

Year ended December 31, (in millions, except ratios)	2009	2008	2007
Noninterest revenue	\$ 5,031	\$ 4,404	\$ 3,016
Net interest income	9,711	6,506	4,333
Total net revenue	14,742	10,910	7,349
Provision for credit losses	14,798	9,456	2,531
Noninterest expense	6,391	4,845	3,739
Income/(loss) before income tax expense/(benefit)	(6,447)	(3,391)	1,079
Net income/(loss)	\$ (3,806)	\$ (2,102)	\$ 680
Overhead ratio	43%	44%	51%

2009 compared with 2008

Consumer Lending reported a net loss of \$3.8 billion, compared with a net loss of \$2.1 billion in the prior year. Net revenue was \$14.7 billion, up by \$3.8 billion, or 35%, from the prior year. The increase was driven by the impact of the Washington Mutual transaction, wider loan spreads and higher mortgage fees and related income, partially offset by lower heritage Chase loan balances. Mortgage production revenue was \$503 million,

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down \$395 million from the prior year, as an increase in losses from the repurchase of previously-sold loans was predominantly offset by wider margins on new originations. Operating revenue, which represents loan servicing revenue net of other changes in fair value of the MSR asset, was \$1.7 billion, compared with \$1.2 billion in the prior year, reflecting growth in average third-party loans serviced as a result of the Washington Mutual transaction. MSR risk management results were \$1.6 billion, compared with \$1.5 billion in the prior year, reflecting the positive impact of a decrease in estimated future mortgage prepayments during 2009.

The provision for credit losses was \$14.8 billion, compared with \$9.5 billion in the prior year, reflecting continued weakness in the home equity and mortgage loan portfolios (see Retail Financial Services discussion of the provision for credit losses, above on page 58 and Allowance for Credit Losses on pages 115–117 of this Annual Report, for further detail).

Noninterest expense was \$6.4 billion, up by \$1.5 billion, or 32%, from the prior year, reflecting higher servicing and default-related expense and the impact of the Washington Mutual transaction.

2008 compared with 2007

Consumer Lending net loss was \$2.1 billion, compared with net income of \$680 million in the prior year. Total net revenue was \$10.9 billion, up \$3.6 billion, or 48%, driven by higher mortgage fees and related income, the impact of the Washington Mutual transaction, higher loan balances and wider loan spreads.

The increase in mortgage fees and related income was primarily driven by higher net mortgage servicing revenue.

Mortgage production revenue of \$898 million was up \$18 million, as higher mortgage origination volume was predominantly offset by an increase in losses related to the repurchase of previously sold loans and markdowns of the mortgage warehouse. Operating revenue, which represents loan servicing revenue net of other changes in fair value of the MSR asset was \$1.2 billion, an increase of \$403 million, or 50%, from the prior year reflecting growth in average third-party loans serviced which increased 42%, primarily due to the Washington Mutual transaction. MSR risk management results were \$1.5 billion, compared with \$411 million in the prior year.

The provision for credit losses was \$9.5 billion, compared with \$2.5 billion in the prior year. The provision reflected weakness in the home equity and mortgage portfolios (see Retail Financial Services discussion of the provision for credit losses for further detail).

Noninterest expense was \$4.8 billion, up \$1.1 billion, or 30%, from the prior year, reflecting higher mortgage reinsurance losses, the impact of the Washington Mutual transaction and higher servicing expense due to increased delinquencies and defaults.

Selected metrics

Year ended December 31,
(in billions)

Business metrics**Loans excluding purchased credit-impaired loans^(a)**

	2009	2008	2007
End-of-period loans owned			
Home equity	\$ 101.4	\$ 114.3	\$ 94.8
Prime mortgage	59.4	65.2	34.0
Subprime mortgage	12.5	15.3	15.5
Option ARMs	8.5	9.0	
Student loans	15.8	15.9	11.0
Auto loans	46.0	42.6	42.3
Other	0.7	1.3	2.1

Total end-of-period loans owned	\$ 244.3	\$ 263.6	\$ 199.7
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Average loans owned			
Home equity	\$ 108.3	\$ 99.9	\$ 90.4

Prime mortgage	62.2	45.0	30.4
Subprime mortgage	13.9	15.3	12.7
Option ARMs	8.9	2.3	
Student loans	16.1	13.6	10.5
Auto loans	43.6	43.8	41.1
Other	1.0	1.1	2.3
Total average loans owned	\$ 254.0	\$ 221.0	\$ 187.4
Purchased credit-impaired loans^(a)			
End-of-period loans owned			
Home equity	\$ 26.5	\$ 28.6	\$
Prime mortgage	19.7	21.8	
Subprime mortgage	6.0	6.8	
Option ARMs	29.0	31.6	
Total end-of-period loans owned	\$ 81.2	\$ 88.8	\$
Average loans owned			
Home equity	\$ 27.6	\$ 7.1	\$
Prime mortgage	20.8	5.4	
Subprime mortgage	6.3	1.7	
Option ARMs	30.5	8.0	
Total average loans owned	\$ 85.2	\$ 22.2	\$
Total consumer lending portfolio			
End-of-period loans owned			
Home equity	\$ 127.9	\$ 142.9	\$ 94.8
Prime mortgage	79.1	87.0	34.0
Subprime mortgage	18.5	22.1	15.5
Option ARMs	37.5	40.6	
Student loans	15.8	15.9	11.0
Auto loans	46.0	42.6	42.3
Other	0.7	1.3	2.1
Total end-of-period loans owned	\$ 325.5	\$ 352.4	\$ 199.7
Average loans owned			
Home equity	\$ 135.9	\$ 107.0	\$ 90.4
Prime mortgage	83.0	50.4	30.4
Subprime mortgage	20.2	17.0	12.7
Option ARMs	39.4	10.3	
Student loans	16.1	13.6	10.5
Auto loans	43.6	43.8	41.1
Other	1.0	1.1	2.3
Total average loans owned^(b)	\$ 339.2	\$ 243.2	\$ 187.4

- (a) Purchased credit-impaired loans represent loans acquired in the Washington Mutual transaction for which a deterioration in credit quality occurred between the origination date and JPMorgan Chase acquisition date.
- (b) Total average loans owned includes loans held-for-sale of \$2.2 billion, \$2.8 billion and \$10.6 billion for the years ended December 31, 2009, 2008 and 2007, respectively.

Table of Contents**Management's discussion and analysis****Consumer Lending (continued)****Credit data and quality statistics**

(in millions, except ratios)	2009	2008	2007
Net charge-offs excluding purchased credit-impaired loans ^(a)			
Home equity	\$ 4,682	\$ 2,391	\$ 564
Prime mortgage	1,886	526	33
Subprime mortgage	1,648	933	157
Option ARMs	63		
Auto loans	627	568	354
Other	365	113	79
Total net charge-offs	\$ 9,271	\$ 4,531	\$ 1,187
Net charge-off rate excluding purchased credit-impaired loans ^(a)			
Home equity	4.32%	2.39%	0.62%
Prime mortgage	3.05	1.18	0.13
Subprime mortgage	11.86	6.10	1.55
Option ARMs	0.71		
Auto loans	1.44	1.30	0.86
Other	2.39	0.93	0.88
Total net charge-off rate excluding purchased credit-impaired loans^(b)	3.68	2.08	0.67
Net charge-off rate reported			
Home equity	3.45%	2.23%	0.62%
Prime mortgage	2.28	1.05	0.13
Subprime mortgage	8.16	5.49	1.55
Option ARMs	0.16		
Auto loans	1.44	1.30	0.86
Other	2.39	0.93	0.88
Total net charge-off rate^(b)	2.75	1.89	0.67
30+ day delinquency rate excluding purchased credit-impaired loans ^{(c)(d)(e)}	5.93%	4.21%	3.10%
Allowance for loan losses	\$ 13,798	\$ 8,254	\$ 2,418
Nonperforming assets ^{(f)(g)}	11,259	8,653	3,084
Allowance for loan losses to ending loans	4.27%	2.36%	1.24%
Allowance for loan losses to ending loans excluding purchased credit-impaired loans ^(a)	5.04	3.16	1.24

(a) Excludes the impact of

purchased credit-impaired loans that were acquired as part of the Washington Mutual transaction.

These loans were accounted for at fair value on the acquisition date, which incorporated management's estimate, as of that date, of the credit losses over the remaining life of the portfolio. During 2009, an allowance for loan losses of \$1.6 billion was recorded for these loans, which has also been excluded from applicable ratios. To date, no charge-offs have been recorded for these loans.

- (b) Average loans included loans held-for-sale of \$2.2 billion, \$2.8 billion and \$10.6 billion for the years ended December 31, 2009, 2008 and 2007, respectively, which were excluded when calculating the net charge-off

- rate.
- (c) Excluded mortgage loans that are insured by U.S. government agencies of \$9.7 billion, \$3.5 billion and \$1.4 billion at December 31, 2009, 2008 and 2007, respectively. These amounts were excluded, as reimbursement is proceeding normally.
- (d) Excluded loans that are 30 days past due and still accruing, which are insured by U.S. government agencies under the Federal Family Education Loan Program of \$942 million, \$824 million and \$663 million at December 31, 2009, 2008 and 2007, respectively. These amounts are excluded, as reimbursement is proceeding normally.
- (e) The delinquency rate for purchased credit-impaired loans was 27.79% and

17.89% at
December 31,
2009 and 2008,
respectively.

(f) At
December 31,
2009, 2008 and
2007,
nonperforming
assets excluded:
(1) mortgage
loans insured by
U.S.
government
agencies of
\$9.0 billion,
\$3.0 billion and
\$1.1 billion,
respectively;
(2) real estate
owned insured
by U.S.
government
agencies of
\$579 million,
\$364 million
and
\$452 million,
respectively;
and (3) student
loans that are
90 days past due
and still
accruing, which
are insured by
U.S.
government
agencies under
the Federal
Family
Education Loan
Program, of
\$542 million,
\$437 million
and
\$417 million,
respectively.
These amounts
are excluded, as
reimbursement
is proceeding

normally.
 (g) Excludes
 purchased
 credit-impaired
 loans that were
 acquired as part
 of the
 Washington
 Mutual
 transaction.
 These loans are
 accounted for
 on a pool basis,
 and the pools
 are considered
 to be
 performing.

(in billions, except ratios and where
 otherwise noted)

	2009	2008	2007
Origination volume			
Mortgage origination volume by channel			
Retail	\$ 53.9	\$ 41.1	\$ 45.5
Wholesale ^(a)	11.8	29.4	42.7
Correspondent	72.8	55.5	27.9
CNT (negotiated transactions)	12.2	43.0	43.3
Total mortgage origination volume	150.7	169.0	159.4
Home equity	2.4	16.3	48.3
Student loans	4.2	6.9	7.0
Auto	23.7	19.4	21.3
Application volume			
Mortgage application volume by channel			
Retail	90.9	89.1	80.7
Wholesale ^(a)	16.4	63.0	86.7
Correspondent	99.3	82.5	41.5
Total mortgage application volume	206.6	234.6	208.9
Average mortgage loans held-for-sale and loans at fair value ^(b)	16.2	14.6	18.8
Average assets	378.6	278.1	216.1
Third-party mortgage loans serviced (ending)	1,082.1	1,172.6	614.7
Third-party mortgage loans serviced (average)	1,119.1	810.9	571.5
MSR net carrying value (ending)	15.5	9.3	8.6
Ratio of MSR net carrying value (ending) to third-party mortgage loans serviced (ending)	1.43%	0.79%	1.40%

**Supplemental mortgage fees and related income details (in
 millions)**

Production revenue	\$ 503	\$ 898	\$ 880
Net mortgage servicing revenue:			
Operating revenue:			
Loan servicing revenue	4,942	3,258	2,334
Other changes in MSR asset fair value	(3,279)	(2,052)	(1,531)
Total operating revenue	1,663	1,206	803
Risk management:			
Changes in MSR asset fair value due to inputs or assumptions in model	5,804	(6,849)	(516)
Derivative valuation adjustments and other	(4,176)	8,366	927
Total risk management	1,628	1,517	411
Total net mortgage servicing revenue	3,291	2,723	1,214
Mortgage fees and related income	3,794	3,621	2,094
Ratio of annualized loan servicing revenue to third-party mortgage loans serviced (average)	0.44%	0.40%	0.41%
MSR revenue multiple ^(c)	3.25x	1.98x	3.41x

(a) Includes rural housing loans sourced through brokers and underwritten under U.S. Department of Agriculture guidelines.

(b) Loans at fair value consist of prime mortgages originated with the intent to sell that are accounted for at fair value and classified as trading assets on the Consolidated Balance Sheets. Average balances of these loans totaled \$15.8 billion, \$14.2 billion and \$11.9 billion for

the years ended
December 31,
2009, 2008 and
2007,
respectively.

- (c) Represents the
ratio of MSR net
carrying value
(ending) to
third-party
mortgage loans
serviced
(ending) divided
by the ratio of
annualized loan
servicing
revenue to
third-party
mortgage loans
serviced
(average).

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Mortgage origination channels comprise the following:

Retail Borrowers who are buying or refinancing a home through direct contact with a mortgage banker employed by the Firm using a branch office, the Internet or by phone. Borrowers are frequently referred to a mortgage banker by a banker in a Chase branch, real estate brokers, home builders or other third parties.

Wholesale A third-party mortgage broker refers loan applications to a mortgage banker at the Firm. Brokers are independent loan originators that specialize in finding and counseling borrowers but do not provide funding for loans. The Firm exited the broker channel during 2008.

Correspondent Banks, thrifts, other mortgage banks and other financial institutions that sell closed loans to the Firm.

Correspondent negotiated transactions (CNTs) These transactions occur when mid- to large-sized mortgage lenders, banks and bank-owned mortgage companies sell servicing to the Firm on an as-originated basis, and exclude purchased bulk servicing transactions. These transactions supplement traditional production channels and provide growth opportunities in the servicing portfolio in stable and rising-rate periods.

Production revenue Includes net gains or losses on originations and sales of prime and subprime mortgage loans, other production-related fees and losses related to the repurchase of previously sold loans.

Net mortgage servicing revenue includes the following components:

(a) Operating revenue comprises:

all gross income earned from servicing third-party mortgage loans including stated service fees, excess service fees, late fees and other ancillary fees.

modeled servicing portfolio runoff (or time decay).

(b) Risk management comprises:

changes in MSR asset fair value due to market-based inputs such as interest rates and volatility, as well as updates to assumptions used in the MSR valuation model.

derivative valuation adjustments and other, which represents changes in the fair value of derivative instruments used to offset the impact of changes in the market-based inputs to the MSR valuation model.

Table of Contents**Management's discussion and analysis****CARD SERVICES**

Card Services is one of the nation's largest credit card issuers, with more than 145 million credit cards in circulation and over \$163 billion in managed loans. Customers used Chase cards to meet more than \$328 billion of their spending needs in 2009.

Chase continues to innovate, despite a very difficult business environment, launching new products and services such as Blueprint, Ultimate Rewards, Chase Sapphire and Ink from Chase, and earning a market leadership position in building loyalty and rewards programs. Through its merchant acquiring business, Chase Paymentech Solutions, Chase is one of the leading processors of credit-card payments.

JPMorgan Chase uses the concept of "managed basis" to evaluate the credit performance of its credit card loans, both loans on the balance sheet and loans that have been securitized. For further information, see Explanation and Reconciliation of the Firm's Use of Non-GAAP Financial Measures on pages 50-52 of this Annual Report. Managed results exclude the impact of credit card securitizations on total net revenue, the provision for credit losses, net charge-offs and loan receivables. Securitization does not change reported net income; however, it does affect the classification of items on the Consolidated Statements of Income and Consolidated Balance Sheets.

The following discussion of CS's financial results reflects the acquisition of Washington Mutual's credit cards operations, as a result of the Washington Mutual transaction on September 25, 2008, and the dissolution of the Chase Paymentech Solutions joint venture on November 1, 2008. See Note 2 on pages 143-148 of this Annual Report for more information concerning these transactions.

Selected income statement data - managed basis

Year ended December 31, (in millions, except ratios)	2009	2008	2007
Revenue			
Credit card income	\$ 3,612	\$ 2,768	\$ 2,685
All other income	(692)	(49)	361
Noninterest revenue	2,920	2,719	3,046
Net interest income	17,384	13,755	12,189
Total net revenue	20,304	16,474	15,235
Provision for credit losses	18,462	10,059	5,711
Noninterest expense			
Compensation expense	1,376	1,127	1,021
Noncompensation expense	3,490	3,356	3,173
Amortization of intangibles	515	657	720
Total noninterest expense	5,381	5,140	4,914
Income/(loss) before income tax expense/(benefit)	(3,539)	1,275	4,610
Income tax expense/(benefit)	(1,314)	495	1,691
Net income/(loss)	\$ (2,225)	\$ 780	\$ 2,919
Memo: Net securitization income/(loss)	\$ (474)	\$ (183)	\$ 67

Financial ratios

ROE	(15)%	5%	21%
Overhead ratio	27	31	32

2009 compared with 2008

Card Services reported a net loss of \$2.2 billion, compared with net income of \$780 million in the prior year. The decrease was driven by a higher provision for credit losses, partially offset by higher total net revenue.

End-of-period managed loans were \$163.4 billion, a decrease of \$26.9 billion, or 14%, from the prior year, reflecting lower charge volume and a higher level of charge-offs. Average managed loans were \$172.4 billion, an increase of \$9.5 billion, or 6%, from the prior year, primarily due to the impact of the Washington Mutual transaction. Excluding the impact of the Washington Mutual transaction, end-of-period and average managed loans for 2009 were \$143.8 billion and \$148.8 billion, respectively.

Managed total net revenue was \$20.3 billion, an increase of \$3.8 billion, or 23%, from the prior year. Net interest income was \$17.4 billion, up by \$3.6 billion, or 26%, from the prior year, driven by wider loan spreads and the impact of the Washington Mutual transaction. These benefits were offset partially by higher revenue reversals associated with higher charge-offs, a decreased level of fees, lower average managed loan balances, and the impact of legislative changes. Noninterest revenue was \$2.9 billion, an increase of \$201 million, or 7%, from the prior year. The increase was driven by higher merchant servicing revenue related to the dissolution of the Chase Paymentech Solutions joint venture and the impact of the Washington Mutual transaction, partially offset by lower securitization income.

The managed provision for credit losses was \$18.5 billion, an increase of \$8.4 billion from the prior year, reflecting a higher level of charge-offs and an addition of \$2.4 billion to the allowance for loan losses, reflecting continued weakness in the credit environment. The managed net charge-off rate was 9.33%, up from 5.01% in the prior year.

The 30-day managed delinquency rate was 6.28%, up from 4.97% in the prior year. Excluding the impact of the Washington Mutual transaction, the managed net charge-off rate was 8.45%, and the 30-day managed delinquency rate was 5.52%.

Noninterest expense was \$5.4 billion, an increase of \$241 million, or 5%, from the prior year, due to the dissolution of the Chase Paymentech Solutions joint venture and the impact of the Washington Mutual transaction, partially offset by lower marketing expense.

2008 compared with 2007

Net income was \$780 million, a decline of \$2.1 billion, or 73%, from the prior year. The decrease was driven by a higher provision for credit losses, partially offset by higher total net revenue.

Average managed loans were \$162.9 billion, an increase of \$13.5 billion, or 9%, from the prior year. End-of-period managed loans were \$190.3 billion, an increase of \$33.3 billion, or 21%, from the prior year. Excluding Washington Mutual, average managed loans were \$155.9 billion and end-of-period managed loans were \$162.1

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billion. The increases in both average managed loans and end-of-period managed loans were predominantly due to the impact of the Washington Mutual transaction and organic portfolio growth.

Managed total net revenue was \$16.5 billion, an increase of \$1.2 billion, or 8%, from the prior year. Net interest income was \$13.8 billion, up \$1.6 billion, or 13%, from the prior year, driven by the Washington Mutual transaction, higher average managed loan balances, and wider loan spreads. These benefits were offset partially by the effect of higher revenue reversals associated with higher charge-offs. Noninterest revenue was \$2.7 billion, a decrease of \$327 million, or 11%, from the prior year, driven by increased rewards expense, lower securitization income driven by higher credit losses, and higher volume-driven payments to partners; these were largely offset by increased interchange income, benefiting from a 4% increase in charge volume, as well as the impact of the Washington Mutual transaction.

The managed provision for credit losses was \$10.1 billion, an increase of \$4.3 billion, or 76%, from the prior year, due to an increase of \$1.7 billion in the allowance for loan losses and a higher level of charge-offs. The managed net charge-off rate increased to 5.01%, up from 3.68% in the prior year. The 30-day managed delinquency rate was 4.97%, up from 3.48% in the prior year. Excluding Washington Mutual, the managed net charge-off rate was 4.92% and the 30-day delinquency rate was 4.36%.

Noninterest expense was \$5.1 billion, an increase of \$226 million, or 5%, from the prior year, predominantly due to the impact of the Washington Mutual transaction.

The following are brief descriptions of selected business metrics within Card Services.

Charge volume Dollar amount of cardmember purchases, balance transfers and cash advance activity.

Net accounts opened Includes originations, purchases and sales.

Merchant acquiring business A business that processes bank card transactions for merchants.

Bank card volume Dollar amount of transactions processed for merchants.

Total transactions Number of transactions and authorizations processed for merchants.

Table of Contents**Management's discussion and analysis****Selected metrics**

Year ended December 31,

(in millions, except headcount, ratios

and where otherwise noted)

	2009	2008	2007
Financial metrics			
Percentage of average managed outstandings:			
Net interest income	10.08%	8.45%	8.16%
Provision for credit losses	10.71	6.18	3.82
Noninterest revenue	1.69	1.67	2.04
Risk adjusted margin ^(a)	1.07	3.94	6.38
Noninterest expense	3.12	3.16	3.29
Pretax income/(loss) (ROO) ^(b)	(2.05)	0.78	3.09
Net income/(loss)	(1.29)	0.48	1.95
Business metrics			
Charge volume (in billions)	\$ 328.3	\$ 368.9	\$ 354.6
Net accounts opened (in millions) ^(c)	10.2	27.9	16.4
Credit cards issued (in millions)	145.3	168.7	155.0
Number of registered internet customers (in millions)	32.3	35.6	28.3
Merchant acquiring business ^(d)			
Bank card volume (in billions)	\$ 409.7	\$ 713.9	\$ 719.1
Total transactions (in billions)	18.0	21.4	19.7
Selected balance sheet data (period-end)			
Loans:			
Loans on balance sheets	\$ 78,786	\$ 104,746	\$ 84,352
Securitized loans	84,626	85,571	72,701
Managed loans	\$ 163,412	\$ 190,317	\$ 157,053
Equity	\$ 15,000	\$ 15,000	\$ 14,100
Selected balance sheet data (average)			
Managed assets	\$ 192,749	\$ 173,711	\$ 155,957
Loans:			
Loans on balance sheets	\$ 87,029	\$ 83,293	\$ 79,980
Securitized loans	85,378	79,566	69,338
Managed average loans	\$ 172,407	\$ 162,859	\$ 149,318
Equity	\$ 15,000	\$ 14,326	\$ 14,100

Headcount	22,676	24,025	18,554
Managed credit quality statistics			
Net charge-offs	\$ 16,077	\$ 8,159	\$ 5,496
Net charge-off rate ^(e)	9.33%	5.01%	3.68%
Managed delinquency rates			
30+ day ^(e)	6.28%	4.97%	3.48%
90+ day ^(e)	3.59	2.34	1.65
Allowance for loan losses ^{(f)(g)}	\$ 9,672	\$ 7,692	\$ 3,407
Allowance for loan losses to period-end loans ^{(f)(h)}	12.28%	7.34%	4.04%
Key stats – Washington Mutual only⁽ⁱ⁾			
Managed loans	\$ 19,653	\$ 28,250	
Managed average loans	23,642	6,964	
Net interest income ^(j)	17.11%	14.87%	
Risk adjusted margin ^{(a)(j)}	(0.93)	4.18	
Net charge-off rate ^(k)	18.79	12.09	
30+ day delinquency rate ^(k)	12.72	9.14	
90+ day delinquency rate ^(k)	7.76	4.39	
Key stats – excluding Washington Mutual			
Managed loans	\$ 143,759	\$ 162,067	\$ 157,053
Managed average loans	148,765	155,895	149,318
Net interest income ^(j)	8.97%	8.16%	8.16%
Risk adjusted margin ^{(a)(j)}	1.39	3.93	6.38
Net charge-off rate	8.45	4.92	3.68
30+ day delinquency rate	5.52	4.36	3.48
90+ day delinquency rate	3.13	2.09	1.65

(a) Represents total net revenue less provision for credit losses.

(b) Pretax return on average managed

- outstandings.
- (c) Results for 2008 included approximately 13 million credit card accounts acquired by JPMorgan Chase in the Washington Mutual transaction.
- (d) The Chase Paymentech Solutions joint venture was dissolved effective November 1, 2008. JPMorgan Chase retained approximately 51% of the business and operates the business under the name Chase Paymentech Solutions. For the period January 1 through October 31, 2008, the data presented represents activity for the Chase Paymentech Solutions joint venture, and for the period November 1, 2008, through December 31, 2009, the data presented represents activity for Chase Paymentech

Solutions.

- (e) Results for 2009 and 2008 reflect the impact of purchase accounting adjustments related to the Washington Mutual transaction and the consolidation of the Washington Mutual Master Trust.
- (f) Based on loans on balance sheets (reported basis).
- (g) The 2008 allowance for loan losses included an amount related to loans acquired in the Washington Mutual transaction.
- (h) Includes \$1.0 billion of loans at December 31, 2009, held by the Washington Mutual Master Trust, which were consolidated onto the Card Services balance sheet at fair value during the second quarter of 2009. No allowance for loan losses was recorded for these loans as of December 31,

2009. Excluding these loans, the allowance for loan losses to period-end loans was 12.43%.

- (i) Statistics are only presented for periods after September 25, 2008, the date of the Washington Mutual transaction.
- (j) As a percentage of average managed outstandings.
- (k) Excludes the impact of purchase accounting adjustments related to the Washington Mutual transaction and the consolidation of the Washington Mutual Master Trust.

The financial information presented below reconciles reported basis and managed basis to disclose the effect of securitizations.

Year ended December 31,
(in millions)

	2009	2008	2007
Income statement data^(a)			
Credit card income			
Reported	\$ 5,106	\$ 6,082	\$ 5,940
Securitization adjustments	(1,494)	(3,314)	(3,255)
Managed credit card income	\$ 3,612	\$ 2,768	\$ 2,685
Net interest income			
Reported	\$ 9,447	\$ 6,838	\$ 6,554
Securitization adjustments	7,937	6,917	5,635

Managed net interest income	\$ 17,384	\$ 13,755	\$ 12,189
Total net revenue			
Reported	\$ 13,861	\$ 12,871	\$ 12,855
Securitization adjustments	6,443	3,603	2,380
Managed total net revenue	\$ 20,304	\$ 16,474	\$ 15,235
Provision for credit losses			
Reported	\$ 12,019	\$ 6,456	\$ 3,331
Securitization adjustments	6,443	3,603	2,380
Managed provision for credit losses	\$ 18,462	\$ 10,059	\$ 5,711
Balance sheet average balances^(a)			
Total average assets			
Reported	\$ 110,516	\$ 96,807	\$ 89,177
Securitization adjustments	82,233	76,904	66,780
Managed average assets	\$ 192,749	\$ 173,711	\$ 155,957
Credit quality statistics^(a)			
Net charge-offs			
Reported	\$ 9,634	\$ 4,556	\$ 3,116
Securitization adjustments	6,443	3,603	2,380
Managed net charge-offs	\$ 16,077	\$ 8,159	\$ 5,496
Net charge-off rates			
Reported	11.07%	5.47%	3.90%
Securitized	7.55	4.53	3.43
Managed net charge-off rate	9.33	5.01	3.68

(a) For a discussion of managed basis, see the non-GAAP financial measures discussion on pages 50–52 of this Annual Report.

Table of Contents**COMMERCIAL BANKING**

Commercial Banking serves nearly 25,000 clients nationally, including corporations, municipalities, financial institutions and not-for-profit entities with annual revenue generally ranging from \$10 million to \$2 billion, and more than 30,000 real estate investors/ owners. Delivering extensive industry knowledge, local expertise and dedicated service, CB partners with the Firm's other businesses to provide comprehensive solutions, including lending, treasury services, investment banking and asset management to meet its clients' domestic and international financial needs.

On September 25, 2008, JPMorgan Chase acquired the banking operations of Washington Mutual from the FDIC, adding approximately \$44.5 billion in loans to the Commercial Term Lending, Real Estate Banking and Other businesses in Commercial Banking.

Commercial Banking is divided into four primary client segments: Middle Market Banking, Commercial Term Lending, Mid-Corporate Banking, and Real Estate Banking. Middle Market Banking covers corporate, municipal, financial institution and not-for-profit clients, with annual revenue generally ranging between \$10 million and \$500 million. Mid-Corporate Banking covers clients with annual revenue generally ranging between \$500 million and \$2 billion and focuses on clients that have broader investment banking needs. Commercial Term Lending primarily provides term financing to real estate investors/owners for multi-family properties as well as financing office, retail and industrial properties. Real Estate Banking provides full-service banking to investors and developers of institutional-grade real estate properties.

Selected income statement data

Year ended December 31, (in millions)	2009	2008	2007
Revenue			
Lending- and deposit-related fees	\$ 1,081	\$ 854	\$ 647
Asset management, administration and commissions	140	113	92
All other income ^(a)	596	514	524
Noninterest revenue	1,817	1,481	1,263
Net interest income	3,903	3,296	2,840
Total net revenue	5,720	4,777	4,103
Provision for credit losses	1,454	464	279
Noninterest expense			
Compensation expense	776	692	706
Noncompensation expense	1,359	1,206	1,197
Amortization of intangibles	41	48	55
Total noninterest expense	2,176	1,946	1,958
Income before income tax expense	2,090	2,367	1,866
Income tax expense	819	928	732
Net income	\$ 1,271	\$ 1,439	\$ 1,134

Revenue by product:

Lending	\$ 2,663	\$ 1,743	\$ 1,419
Treasury services	2,642	2,648	2,350
Investment banking	394	334	292
Other	21	52	42
Total Commercial Banking revenue	\$ 5,720	\$ 4,777	\$ 4,103

Selected income statement data

Year ended December 31, (in millions, except ratios)	2009	2008	2007
IB revenue, gross^(b)	\$ 1,163	\$ 966	\$ 888
Revenue by business:			
Middle Market Banking	\$ 3,055	\$ 2,939	\$ 2,689
Commercial Term Lending ^(c)	875	243	
Mid-Corporate Banking	1,102	921	815
Real Estate Banking ^(c)	461	413	421
Other ^(c)	227	261	178
Total Commercial Banking revenue	\$ 5,720	\$ 4,777	\$ 4,103

Financial ratios

ROE	16%	20%	17%
Overhead ratio	38	41	48

- (a) Revenue from investment banking products sold to CB clients and commercial card revenue is included in all other income.
- (b) Represents the total revenue related to investment banking products sold to CB clients.
- (c) Results for 2009 and 2008 include total net revenue on net assets acquired in the Washington

Mutual
transaction.

2009 compared with 2008

Net income was \$1.3 billion, a decrease of \$168 million, or 12%, from the prior year, as higher provision for credit losses and noninterest expense was partially offset by higher net revenue, reflecting the impact of the Washington Mutual transaction.

Record net revenue of \$5.7 billion increased \$943 million, or 20%, from the prior year. Net interest income of \$3.9 billion increased \$607 million, or 18%, driven by the impact of the Washington Mutual transaction. Noninterest revenue was \$1.8 billion, an increase of \$336 million, or 23%, from the prior year, reflecting higher lending- and deposit-related fees and higher investment banking fees and other income.

On a client-segment basis, revenue from Middle Market Banking was \$3.1 billion, an increase of \$116 million, or 4%, from the prior year due to higher liability balances, a shift to higher-spread liability products, wider loan spreads, higher lending- and deposit-related fees, and higher other income, partially offset by a narrowing of spreads on liability products and reduced loan balances. Revenue from Commercial Term Lending (a new client segment acquired in the Washington Mutual transaction encompassing multi-family and commercial mortgage loans) was \$875 million, an increase of \$632 million. Mid-Corporate Banking revenue was \$1.1 billion, an increase of \$181 million, or 20%, driven by higher investment banking fees, increased loan spreads, and higher lending- and deposit-related fees. Real Estate Banking revenue was \$461 million, an increase of \$48 million, or 12%, due to the impact of the Washington Mutual transaction.

The provision for credit losses was \$1.5 billion, compared with \$464 million in the prior year, reflecting continued weakness in the credit environment, predominantly in real estate-related segments. Net charge-offs were \$1.1 billion (1.02% net charge-off rate), compared with \$288 million (0.35% net charge-off rate) in the prior year. The allowance for loan losses to end-of-period loans retained was 3.12%, up from 2.45% in the prior year. Nonperforming loans were \$2.8 billion, an increase of \$1.8 billion from the prior year.

Table of Contents**Management's discussion and analysis**

Noninterest expense was \$2.2 billion, an increase of \$230 million, or 12%, from the prior year, due to the impact of the Washington Mutual transaction and higher FDIC insurance premiums.

2008 compared with 2007

Net income was \$1.4 billion, an increase of \$305 million, or 27%, from the prior year, due to growth in total net revenue including the impact of the Washington Mutual transaction, partially offset by a higher provision for credit losses.

Record total net revenue of \$4.8 billion increased \$674 million, or 16%. Net interest income of \$3.3 billion increased \$456 million, or 16%, driven by double-digit growth in liability and loan balances and the impact of the Washington Mutual transaction, partially offset by spread compression in the liability and loan portfolios. Noninterest revenue was \$1.5 billion, up \$218 million, or 17%, due to higher deposit- and lending-related fees.

On a client-segment basis, Middle Market Banking revenue was \$2.9 billion, an increase of \$250 million, or 9%, from the prior year due predominantly to higher deposit-related fees and growth in liability and loan balances. Revenue from Commercial Term Lending, a new client segment acquired in the Washington Mutual transaction, was \$243 million. Mid-Corporate Banking revenue was \$921 million, an increase of \$106 million, or 13%, reflecting higher loan balances, investment banking revenue and deposit-related fees. Real Estate Banking revenue of \$413 million decreased \$8 million, or 2%.

Provision for credit losses was \$464 million, an increase of \$185 million, or 66%, compared with the prior year, reflecting a weakening credit environment and loan growth. Net charge-offs were \$288 million (0.35% net charge-off rate), compared with \$44 million (0.07% net charge-off rate) in the prior year, predominantly related to an increase in real estate charge-offs. The allowance for loan losses increased by \$1.1 billion, which primarily reflected the impact of the Washington Mutual transaction. Nonperforming assets were \$1.1 billion, an increase of \$1.0 billion compared with the prior year, predominantly reflecting the Washington Mutual transaction and higher real estate related balances.

Noninterest expense was \$1.9 billion, a decrease of \$12 million, or 1%, from the prior year, due to lower performance-based incentive compensation and volume-based charges from service providers, predominantly offset by the impact of the Washington Mutual transaction.

Selected metrics

Year ended December 31,
(in millions)

Selected balance sheet data (period-end):

	2009	2008	2007
Loans:			
Loans retained	\$ 97,108	\$ 115,130	\$ 64,835
Loans held-for-sale and loans at fair value	324	295	1,366
Total loans	\$ 97,432	\$ 115,425	\$ 66,201
Equity	8,000	8,000	6,700

Selected metrics

Year ended December 31,
(in millions, except headcount and
ratio data)

Selected balance sheet data (average):

Total assets	\$ 135,408	\$ 114,299	\$ 87,140
Loans:			

Loans retained	106,421	81,931	60,231
Loans held-for-sale and loans at fair value	317	406	863
Total loans	\$ 106,738	\$ 82,337	\$ 61,094
Liability balances ^(a)	113,152	103,121	87,726
Equity	\$ 8,000	\$ 7,251	\$ 6,502

Average loans by business:

Middle Market Banking	\$ 37,459	\$ 42,193	\$ 37,333
Commercial Term Lending ^(b)	36,806	9,310	
Mid-Corporate Banking	15,951	16,297	12,481
Real Estate Banking ^(b)	12,066	9,008	7,116
Other ^(b)	4,456	5,529	4,164

Total Commercial Banking loans	\$ 106,738	\$ 82,337	\$ 61,094
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Headcount	4,151	5,206	4,125
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Credit data and quality statistics:

Net charge-offs	\$ 1,089	\$ 288	\$ 44
Nonperforming loans:			
Nonperforming loans retained ^(c)	2,764	1,026	146
Nonperforming loans held-for- sale and loans held at fair value	37		

Total nonperforming loans	2,801	1,026	146
Nonperforming assets	2,989	1,142	148
Allowance for credit losses:			
Allowance for loan losses ^(d)	3,025	2,826	1,695
Allowance for lending-related commitments	349	206	236

Total allowance for credit losses	3,374	3,032	1,931
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Net charge-off rate	1.02%	0.35%	0.07%
Allowance for loan losses to period-end loans retained	3.12	2.45	2.61
Allowance for loan losses to average loans retained	2.84	3.04 ^(e)	2.81
Allowance for loan losses to nonperforming loans retained	109	275	1,161
Nonperforming loans to total period-end loans	2.87	0.89	0.22
Nonperforming loans to total average loans	2.62	1.10 ^(e)	0.24

(a) Liability
balances include
deposits and
deposits swept
to on balance
sheet liabilities
such as
commercial
paper, federal
funds purchased

- and securities
loaned or sold
under
repurchase
agreements.
- (b) Results for 2009
and 2008
include loans
acquired in the
Washington
Mutual
transaction.
- (c) Allowance for
loan losses of
\$581 million,
\$208 million
and \$32 million
were held
against
nonperforming
loans retained
for the periods
ended
December 31,
2009, 2008, and
2007,
respectively.
- (d) Beginning in
2008, the
allowance for
loan losses
included an
amount related
to loans
acquired in the
Washington
Mutual
transaction and
the Bear Stearns
merger.
- (e) Average loans
in the
calculation of
this ratio were
adjusted to
include
\$44.5 billion of
loans acquired
in the
Washington
Mutual

transaction as if the transaction occurred on July 1, 2008. Excluding this adjustment, the unadjusted allowance for loan losses to average loans retained and nonperforming loans to total average loans ratios would have been 3.45% and 1.25%, respectively, for the period ended December 31, 2008.

Table of Contents**TREASURY & SECURITIES SERVICES**

Treasury & Securities Services is a global leader in transaction, investment and information services. TSS is one of the world's largest cash management providers and a leading global custodian. Treasury Services provides cash management, trade, wholesale card and liquidity products and services to small and mid-sized companies, multinational corporations, financial institutions and government entities. TS partners with the Commercial Banking, Retail Financial Services and Asset Management businesses to serve clients firmwide. As a result, certain TS revenue is included in other segments' results. Worldwide Securities Services holds, values, clears and services securities, cash and alternative investments for investors and broker-dealers, and it manages depositary receipt programs globally.

Selected income statement data

Year ended December 31, (in millions, except ratio data)	2009	2008	2007
Revenue			
Lending- and deposit-related fees	\$ 1,285	\$ 1,146	\$ 923
Asset management, administration and commissions	2,631	3,133	3,050
All other income	831	917	708
Noninterest revenue	4,747	5,196	4,681
Net interest income	2,597	2,938	2,264
Total net revenue	7,344	8,134	6,945
Provision for credit losses	55	82	19
Credit reimbursement to IB ^(a)	(121)	(121)	(121)
Noninterest expense			
Compensation expense	2,544	2,602	2,353
Noncompensation expense	2,658	2,556	2,161
Amortization of intangibles	76	65	66
Total noninterest expense	5,278	5,223	4,580
Income before income tax expense	1,890	2,708	2,225
Income tax expense	664	941	828
Net income	\$ 1,226	\$ 1,767	\$ 1,397
Revenue by business			
Treasury Services ^(b)	\$ 3,702	\$ 3,779	\$ 3,190
Worldwide Securities Services ^(b)	3,642	4,355	3,755
Total net revenue	\$ 7,344	\$ 8,134	\$ 6,945
Financial ratios			
ROE	25%	47%	47%
Overhead ratio	72	64	66

Pretax margin ratio ^(c)	26	33	32
Year ended December 31, (in millions, except headcount)	2009	2008	2007
Selected balance sheet data (period-end)			
Loans ^(d)	\$ 18,972	\$ 24,508	\$ 18,562
Equity	5,000	4,500	3,000
Selected balance sheet data (average)			
Total assets	\$ 35,963	\$ 54,563	\$ 53,350
Loans ^(d)	18,397	26,226	20,821
Liability balances ^(e)	248,095	279,833	228,925
Equity	5,000	3,751	3,000
Headcount	26,609	27,070	25,669

(a) IB credit portfolio group manages certain exposures on behalf of clients shared with TSS. TSS reimburses IB for a portion of the total cost of managing the credit portfolio. IB recognizes this credit reimbursement as a component of noninterest revenue.

(b) Reflects an internal reorganization for escrow products from Worldwide Securities Services to Treasury Services revenue of \$168 million, \$224 million

and
\$177 million for
the years ended
December 31,
2009, 2008 and
2007,
respectively.

(c) Pretax margin
represents
income before
income tax
expense divided
by total net
revenue, which
is a measure of
pretax
performance
and another
basis by which
management
evaluates its
performance
and that of its
competitors.

(d) Loan balances
include
wholesale
overdrafts,
commercial card
and trade
finance loans.

(e) Liability
balances include
deposits and
deposits swept
to on balance
sheet liabilities,
such as
commercial
paper, federal
funds purchased
and securities
loaned or sold
under
repurchase
agreements.

2009 compared with 2008

Net income was \$1.2 billion, a decrease of \$541 million, or 31%, from the prior year, driven by lower net revenue. Net revenue was \$7.3 billion, a decrease of \$790 million, or 10%, from the prior year. Worldwide Securities Services net revenue was \$3.6 billion, a decrease of \$713 million, or 16%. The decrease was driven by lower securities lending balances, primarily as a result of declines in asset valuations and demand, lower balances and spreads on liability

products, and the effect of market depreciation on certain custody assets. Treasury Services net revenue was \$3.7 billion, a decrease of \$77 million, or 2%, reflecting spread compression on deposit products, offset by higher trade revenue driven by wider spreads and growth across cash management and card product volumes.

TSS generated firmwide net revenue of \$10.2 billion, including \$6.6 billion of net revenue in Treasury Services; of that amount, \$3.7 billion was recorded in the Treasury Services business, \$2.6 billion was recorded in the Commercial Banking business, and \$245 million was recorded in other lines of business. The remaining \$3.6 billion of net revenue was recorded in Worldwide Securities Services.

The provision for credit losses was \$55 million, a decrease of \$27 million from the prior year.

Noninterest expense was \$5.3 billion, an increase of \$55 million from the prior year. The increase was driven by higher FDIC insurance premiums, predominantly offset by lower headcount-related expense.

Table of Contents**Management's discussion and analysis****2008 compared with 2007**

Net income was a record \$1.8 billion, an increase of \$370 million, or 26%, from the prior year, driven by higher total net revenue. This increase was largely offset by higher noninterest expense.

Total net revenue was a record \$8.1 billion, an increase of \$1.2 billion, or 17%, from the prior year. Worldwide Securities Services posted record net revenue of \$4.4 billion, an increase of \$600 million, or 16%, from the prior year. The growth was driven by wider spreads in securities lending, foreign exchange and liability products, increased product usage by new and existing clients (largely in custody, fund services, alternative investment services and depositary receipts) and higher liability balances, reflecting increased client deposit activity resulting from recent market conditions. These benefits were offset partially by market depreciation. Treasury Services posted record net revenue of \$3.8 billion, an increase of \$589 million, or 18%, reflecting higher liability balances and volume growth in electronic funds transfer products and trade loans. Revenue growth from higher liability balances reflects increased client deposit activity resulting from recent market conditions as well as organic growth. TSS firmwide net revenue, which includes Treasury Services net revenue recorded in other lines of business, grew to \$11.1 billion, an increase of \$1.5 billion, or 16%. Treasury Services firmwide net revenue grew to \$6.7 billion, an increase of \$916 million, or 16%.

Noninterest expense was \$5.2 billion, an increase of \$643 million, or 14%, from the prior year, reflecting higher expense related to business and volume growth as well as continued investment in new product platforms.

Selected metrics

Year ended December 31,
(in millions, except ratio data)

	2009	2008	2007
TSS firmwide disclosures			
Treasury Services revenue reported ^(d)	\$ 3,702	\$ 3,779	\$ 3,190
Treasury Services revenue reported in CB	2,642	2,648	2,350
Treasury Services revenue reported in other lines of business	245	299	270
Treasury Services firmwide revenue^{(a)(b)}			
	6,589	6,726	5,810
Worldwide Securities Services revenue ^(a)	3,642	4,355	3,755
Treasury & Securities Services firmwide revenue^(b)			
	\$ 10,231	\$ 11,081	\$ 9,565
Treasury Services firmwide liability balances (average) ^{(c)(d)}	\$ 274,472	\$ 264,195	\$ 217,142
Treasury & Securities Services firmwide liability balances (average) ^(c)	361,247	382,947	316,651
TSS firmwide financial ratios			
Treasury Services firmwide overhead ratio ^(e)	53%	50%	55%
Treasury & Securities Services firmwide overhead ratio ^(e)	62	57	60

Selected metrics

Year ended December 31,
(in millions, except ratio data
and where otherwise noted)

	2009	2008	2007
Firmwide business metrics			
Assets under custody (in billions)	\$ 14,885	\$ 13,205	\$ 15,946

Number of:

U.S.\$ ACH transactions originated (in millions)	3,896	4,000	3,870
Total U.S.\$ clearing volume (in thousands)	113,476	115,742	111,036
International electronic funds transfer volume (in thousands) ^(f)	193,348	171,036	168,605
Wholesale check volume (in millions)	2,184	2,408	2,925
Wholesale cards issued (in thousands) ^(g)	27,138	22,784	18,722

Credit data and quality statistics

Net charge-offs/(recoveries)	\$ 19	\$ (2)	\$
Nonperforming loans	14	30	
Allowance for credit losses:			
Allowance for loan losses	88	74	18
Allowance for lending-related commitments	84	63	32
 Total allowance for credit losses	 172	 137	 50
 Net charge-off/(recovery) rate	 0.10%	 (0.01)%	 %
Allowance for loan losses to period-end loans	0.46	0.30	0.10
Allowance for loan losses to average loans	0.48	0.28	0.09
Allowance for loan losses to nonperforming loans	NM	247	NM
Nonperforming loans to period-end loans	0.07	0.12	
Nonperforming loans to average loans	0.08	0.11	

(a) Reflects an internal reorganization for escrow products from Worldwide Securities Services to Treasury Services revenue of \$168 million, \$224 million and \$177 million for the years ended December 31, 2009, 2008 and 2007, respectively.

(b) TSS firmwide revenue includes FX revenue recorded in TSS and FX revenue

associated with
TSS customers
who are FX
customers of IB.
However, some
of the FX
revenue
associated with
TSS customers
who are FX
customers of IB
is not included
in TS and TSS
firmwide
revenue. These
amounts were
\$661 million,
\$880 million
and
\$552 million,
for the years
ended
December 31,
2009, 2008 and
2007,
respectively.

(c) Firmwide
liability
balances include
liability
balances
recorded in CB.

(d) Reflects an
internal
reorganization
for escrow
products, from
Worldwide
Securities
Services to TS
liability
balances, of
\$15.6 billion,
\$21.5 billion
and
\$18.1 billion for
the years ended
December 31,
2009, 2008 and
2007,
respectively.

- (e) Overhead ratios have been calculated based on firmwide revenue and TSS and TS expense, respectively, including those allocated to certain other lines of business. FX revenue and expense recorded in IB for TSS-related FX activity are not included in this ratio.
- (f) International electronic funds transfer includes non-U.S. dollar ACH and clearing volume.
- (g) Wholesale cards issued include domestic commercial, stored value, prepaid and government electronic benefit card products.

Table of Contents**ASSET MANAGEMENT**

Asset Management, with assets under supervision of \$1.7 trillion, is a global leader in investment and wealth management. AM clients include institutions, retail investors and high-net-worth individuals in every major market throughout the world. AM offers global investment management in equities, fixed income, real estate, hedge funds, private equity and liquidity, including money market instruments and bank deposits. AM also provides trust and estate, banking and brokerage services to high-net-worth clients, and retirement services for corporations and individuals. The majority of AM's client assets are in actively managed portfolios.

Selected income statement data

Year ended December 31, (in millions, except ratios)	2009	2008	2007
Revenue			
Asset management, administration and commissions	\$ 5,621	\$ 6,004	\$ 6,821
All other income	751	62	654
Noninterest revenue	6,372	6,066	7,475
Net interest income	1,593	1,518	1,160
Total net revenue	7,965	7,584	8,635
Provision for credit losses	188	85	(18)
Noninterest expense			
Compensation expense	3,375	3,216	3,521
Noncompensation expense	2,021	2,000	1,915
Amortization of intangibles	77	82	79
Total noninterest expense	5,473	5,298	5,515
Income before income tax expense	2,304	2,201	3,138
Income tax expense	874	844	1,172
Net income	\$ 1,430	\$ 1,357	\$ 1,966
Revenue by client segment			
Private Bank ^(a)	\$ 2,585	\$ 2,565	\$ 2,362
Institutional	2,065	1,775	2,525
Retail	1,580	1,620	2,408
Private Wealth Management ^(a)	1,316	1,387	1,340
Bear Stearns Private Client Services ^(b)	419	237	
Total net revenue	\$ 7,965	\$ 7,584	\$ 8,635
Financial ratios			
ROE	20%	24%	51%

Overhead ratio	69	70	64
Pretax margin ratio ^(c)	29	29	36

(a) In 2008, certain clients were transferred from Private Bank to Private Wealth Management. Prior periods have been revised to conform to this change.

(b) Bear Stearns Private Client Services was renamed to JPMorgan Securities at the beginning of 2010.

(c) Pretax margin represents income before income tax expense divided by total net revenue, which is a measure of pretax performance and another basis by which management evaluates its performance and that of its competitors.

2009 compared with 2008

Net income was \$1.4 billion, an increase of \$73 million, or 5%, from the prior year, due to higher total net revenue, offset largely by higher noninterest expense and provision for credit losses.

Total net revenue was \$8.0 billion, an increase of \$381 million, or 5%, from the prior year. Noninterest revenue was \$6.4 billion, an increase of \$306 million, or 5%, due to higher valuations of seed capital investments and net inflows, offset largely by lower market levels. Net interest income was \$1.6 billion, up by \$75 million, or 5%, from the prior year, due to wider loan spreads and higher deposit balances, offset partially by narrower deposit spreads.

Revenue from the Private Bank was \$2.6 billion, up 1% from the prior year due to wider loan spreads and higher deposit balances, offset partially by the effect of lower market levels. Revenue from Institutional was \$2.1 billion, up 16% due to higher valuations of seed capital investments and net inflows, offset partially by the effect of lower market

levels. Revenue from Retail was \$1.6 billion, down 2% due to the effect of lower market levels, offset largely by higher valuations of seed capital investments. Revenue from Private Wealth Management was \$1.3 billion, down 5% due to narrower deposit spreads and the effect of lower market levels, offset partially by higher deposit balances and wider loan spreads. Bear Stearns Private Client Services contributed \$419 million to revenue.

The provision for credit losses was \$188 million, an increase of \$103 million from the prior year, reflecting continued weakness in the credit environment.

Noninterest expense was \$5.5 billion, an increase of \$175 million, or 3%, from the prior year due to the effect of the Bear Stearns merger, higher performance-based compensation and higher FDIC insurance premiums, offset largely by lower headcount-related expense.

2008 compared with 2007

Net income was \$1.4 billion, a decline of \$609 million, or 31%, from the prior year, driven by lower total net revenue offset partially by lower noninterest expense.

Total net revenue was \$7.6 billion, a decrease of \$1.1 billion, or 12%, from the prior year. Noninterest revenue was \$6.1 billion, a decline of \$1.4 billion, or 19%, due to lower performance fees and the effect of market levels, including the impact of lower market valuations of seed capital investments. The lower results were offset partially by the benefit of the Bear Stearns merger and increased revenue from net asset inflows. Net interest income was \$1.5 billion, up \$358 million, or 31%, from the prior year, due to higher deposit and loan balances and wider deposit spreads. Private Bank revenue grew 9% to \$2.6 billion, due to increased deposit and loan balances and net asset inflows, partially offset by the effect of lower markets and lower performance fees. Institutional revenue declined 30% to \$1.8 billion due to lower performance fees, partially offset by net liquidity inflows. Retail revenue declined 33% to \$1.6 billion due to the effect of lower markets, including the impact of lower market valuations of seed capital investments and net equity outflows. Private Wealth Management revenue grew 4% to \$1.4 billion due to higher deposit and loan balances. Bear Stearns Brokerage contributed \$237 million to revenue.

Table of Contents**Management's discussion and analysis**

The provision for credit losses was \$85 million, compared with a benefit of \$18 million in the prior year, reflecting a weakening credit environment.

Noninterest expense was \$5.3 billion, down \$217 million, or 4%, compared with the prior year due to lower performance-based compensation, largely offset by the effect of the Bear Stearns merger and higher compensation expense resulting from increased average headcount.

Selected metrics

Year ended December 31,

(in millions, except headcount, ranking

data, and where

otherwise noted)

	2009	2008	2007
Business metrics			
Number of:			
Client advisors ^(a)	1,934	1,840	1,868
Retirement planning services participants (in thousands)	1,628	1,531	1,501
Bear Stearns brokers ^(b)	376	324	
% of customer assets in 4 & 5 Star Funds ^(c)	42%	42%	55%
% of AUM in 1 st and 2 nd quartiles: ^(d)			
1 year	57%	54%	57%
3 years	62%	65%	75%
5 years	74%	76%	76%
Selected balance sheet data (period-end)			
Loans	\$ 37,755	\$ 36,188	\$ 36,089
Equity	7,000	7,000	4,000
Selected balance sheet data (average)			
Total assets	\$ 60,249	\$ 65,550	\$ 51,882
Loans	34,963	38,124	29,496
Deposits	77,005	70,179	58,863
Equity	7,000	5,645	3,876
Headcount	15,136	15,339	14,799
Credit data and quality statistics			
Net charge-offs/(recoveries)	\$ 117	\$ 11	\$ (8)
Nonperforming loans	580	147	12
Allowance for credit losses:			
Allowance for loan losses	269	191	112
Allowance for lending- related commitments	9	5	7
Total allowance for credit losses	\$ 278	\$ 196	\$ 119
Net charge-off/(recovery) rate	0.33%	0.03%	(0.03)%
Allowance for loan losses to period-end loans	0.71	0.53	0.31

Allowance for loan losses to average loans	0.77	0.50	0.38
Allowance for loan losses to nonperforming loans	46	130	933
Nonperforming loans to period-end loans	1.54	0.41	0.03
Nonperforming loans to average loans	1.66	0.39	0.04

- (a) Prior periods have been restated to conform to current methodologies.
- (b) Bear Stearns Private Client Services was renamed to JPMorgan Securities at the beginning of 2010.
- (c) Derived from following rating services: Morningstar for the United States; Micropal for the United Kingdom, Luxembourg, Hong Kong and Taiwan; and Nomura for Japan.
- (d) Derived from following rating services: Lipper for the United States and Taiwan; Micropal for the United Kingdom, Luxembourg and Hong Kong; and Nomura for Japan.

AM s client segments comprise the following:

Institutional brings comprehensive global investment services including asset management, pension analytics, asset-liability management and active risk-budgeting strategies to corporate and public institutions, endowments, foundations, not-for-profit organizations and governments worldwide.

Retail provides worldwide investment management services and retirement planning and administration, through third-party and direct distribution of a full range of investment vehicles.

The **Private Bank** addresses every facet of wealth management for ultra-high-net-worth individuals and families worldwide, including investment management, capital markets and risk management, tax and estate planning, banking, capital raising and specialty-wealth advisory services.

Private Wealth Management offers high-net-worth individuals, families and business owners in the United States comprehensive wealth management solutions, including investment management, capital markets and risk management, tax and estate planning, banking and specialty-wealth advisory services.

Bear Stearns Private Client Services (renamed to JPMorgan Securities at the beginning of 2010) provides investment advice and wealth management services to high-net-worth individuals, money managers, and small corporations.

J.P. Morgan Asset Management has established two high-level measures of its overall performance.

Percentage of assets under management in funds rated 4 and 5 stars (3 year). Mutual fund rating services rank funds based on their risk-adjusted performance over various periods. A 5 star rating is the best and represents the top 10% of industry wide ranked funds. A 4 star rating represents the next 22% of industry wide ranked funds. The worst rating is a 1 star rating.

Percentage of assets under management in first- or second- quartile funds (one, three and five years). Mutual fund rating services rank funds according to a peer-based performance system, which measures returns according to specific time and fund classification (small, mid, multi and large cap).

Table of Contents**Assets under supervision
2009 compared with 2008**

Assets under supervision were \$1.7 trillion, an increase of \$205 billion, or 14%, from the prior year. Assets under management were \$1.2 trillion, an increase of \$116 billion, or 10%, from the prior year. The increases were due to the effect of higher market valuations and inflows in fixed income and equity products offset partially by outflows in cash products. Custody, brokerage, administration and deposit balances were \$452 billion, up by \$89 billion, due to the effect of higher market levels on custody and brokerage balances, and brokerage inflows in the Private Bank. The Firm also has a 42% interest in American Century Companies, Inc., whose AUM totaled \$86 billion and \$70 billion at December 31, 2009 and 2008, respectively, which are excluded from the AUM above.

2008 compared with 2007

Assets under supervision were \$1.5 trillion, a decrease of \$76 billion, or 5%, from the prior year. Assets under management were \$1.1 trillion, down \$60 billion, or 5%, from the prior year. The decrease was due to the effect of lower market valuations and non-liquidity outflows, predominantly offset by liquidity product inflows across all segments and the addition of Bear Stearns assets under management. Custody, brokerage, administration and deposit balances were \$363 billion, down \$16 billion due to the effect of lower markets on brokerage and custody balances, offset by the addition of Bear Stearns Brokerage. The Firm also has a 43% interest in American Century Companies, Inc., whose AUM totaled \$70 billion and \$102 billion at December 31, 2008 and 2007, respectively, which are excluded from the AUM above.

Assets under supervision^(a)

As of or for the year

ended December 31, (in billions)

	2009	2008	2007
Assets by asset class			
Liquidity	\$ 591	\$ 613	\$ 400
Fixed income	226	180	200
Equities & multi-asset	339	240	472
Alternatives	93	100	121
Total assets under management	1,249	1,133	1,193
Custody/brokerage/administration/deposits	452	363	379
Total assets under supervision	\$ 1,701	\$ 1,496	\$ 1,572

Assets by client segment

Institutional	\$ 709	\$ 681	\$ 632
Private Bank ^(b)	187	181	183
Retail	270	194	300
Private Wealth Management ^(b)	69	71	78
Bear Stearns Private Client Services ^(c)	14	6	
Total assets under management	\$ 1,249	\$ 1,133	\$ 1,193
Institutional	\$ 710	\$ 682	\$ 633
Private Bank ^(b)	452	378	403
Retail	355	262	394
Private Wealth Management ^(b)	129	124	142
Bear Stearns Private Client Services ^(c)	55	50	

Total assets under supervision	\$ 1,701	\$ 1,496	\$ 1,572
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Assets by geographic region

As of or for the year

ended December 31, (in billions)

	2009	2008	2007
U.S./Canada	\$ 837	\$ 798	\$ 760
International	412	335	433
Total assets under management	\$ 1,249	\$ 1,133	\$ 1,193
U.S./Canada	\$ 1,182	\$ 1,084	\$ 1,032
International	519	412	540
Total assets under supervision	\$ 1,701	\$ 1,496	\$ 1,572

Mutual fund assets by asset class

Liquidity	\$ 539	\$ 553	\$ 339
Fixed income	67	41	46
Equities	143	92	218
Alternatives	9	7	6
Total mutual fund assets	\$ 758	\$ 693	\$ 609

Assets under management rollforward

Beginning balance, January 1	\$ 1,133	\$ 1,193	\$ 1,013
Net asset flows:			
Liquidity	(23)	210	78
Fixed income	34	(12)	9
Equities, multi-asset and alternative	17	(47)	28
Market/performance/other impacts ^(d)	88	(211)	65
Ending balance, December 31	\$ 1,249	\$ 1,133	\$ 1,193

Assets under supervision rollforward

Beginning balance, January 1	\$ 1,496	\$ 1,572	\$ 1,347
Net asset flows	50	181	143
Market/performance/other impacts ^(d)	155	(257)	82
Ending balance, December 31	\$ 1,701	\$ 1,496	\$ 1,572

(a) Excludes assets
under
management of

American Century Companies, Inc., in which the Firm had a 42%, 43% and 44% ownership at December 31, 2009, 2008 and 2007, respectively.

- (b) In 2008, certain clients were transferred from Private Bank to Private Wealth Management. Prior periods have been revised to conform to this change.
- (c) Bear Stearns Private Client Services was renamed to JPMorgan Securities at the beginning of 2010.
- (d) Includes \$15 billion for assets under management and \$68 billion for assets under supervision from the Bear Stearns merger in the second quarter of 2008.

Table of Contents**Management's discussion and analysis**
CORPORATE/PRIVATE EQUITY

The Corporate/Private Equity sector comprises Private Equity, Treasury, the Chief Investment Office, corporate staff units and expense that is centrally managed. Treasury and the Chief Investment Office manage capital, liquidity, interest rate and foreign exchange risk and the investment portfolio for the Firm. The corporate staff units include Central Technology and Operations, Internal Audit, Executive Office, Finance, Human Resources, Marketing & Communications, Legal & Compliance, Corporate Real Estate and General Services, Risk Management, Corporate Responsibility and Strategy & Development. Other centrally managed expense includes the Firm's occupancy and pension-related expense, net of allocations to the business.

Selected income statement data

Year ended December 31, (in millions)	2009	2008	2007
Revenue			
Principal transactions ^{(a)(b)}	\$ 1,574	\$ (3,588)	\$ 4,552
Securities gains/(losses) ^(c)	1,139	1,637	39
All other income ^(d)	58	1,673	465
Noninterest revenue	2,771	(278)	5,056
Net interest income/(expense)	3,863	347	(637)
Total net revenue	6,634	69	4,419
Provision for credit losses	80	447 ^{(i)(j)}	(11)
Provision for credit losses – accounting conformity ^(g)		1,534	
Noninterest expense			
Compensation expense	2,811	2,340	2,754
Noncompensation expense ^(f)	3,597	1,841	3,025
Merger costs	481	432	209
Subtotal	6,889	4,613	5,988
Net expense allocated to other businesses	(4,994)	(4,641)	(4,231)
Total noninterest expense	1,895	(28)	1,757
Income/(loss) before income tax expense/(benefit) and extraordinary gain	4,659	(1,884)	2,673
Income tax expense/(benefit) ^(g)	1,705	(535)	788
Income/(loss) before extraordinary gain	2,954	(1,349)	1,885
Extraordinary gain ^(h)	76	1,906	
Net income	\$ 3,030	\$ 557	\$ 1,885

- (a) Included losses on preferred equity interests in Fannie Mae and Freddie Mac in 2008.
- (b) The Firm adopted the new guidance for fair value in the first quarter of 2007. See Note 3 on pages 148-165 of this Annual Report for additional information.
- (c) Included gain on sale of MasterCard shares in 2008.
- (d) Included a gain from the dissolution of the Chase Paymentech Solutions joint venture and proceeds from the sale of Visa shares in its initial public offering in 2008.
- (e) Represents an accounting conformity loan loss reserve provision related to the acquisition of Washington Mutual Bank's banking operations.
- (f) Included \$675 million FDIC special assessment during second quarter of 2009 and a release of credit card litigation reserves

in 2008 and insurance recoveries related to settlement of the Enron and WorldCom class action litigations.

- (g) Includes tax benefits recognized upon resolution of tax audits.
- (h) Effective September 25, 2008, JPMorgan Chase acquired Washington Mutual's banking operations from the FDIC for \$1.9 billion. The fair value of the Washington Mutual net assets acquired exceeded the purchase price, which resulted in negative goodwill. In accordance with U.S. GAAP for business combinations, nonfinancial assets that are not held-for-sale were written down against that negative goodwill. The negative goodwill that remained after writing down nonfinancial assets was recognized as an extraordinary gain in 2008. As a result of the

final refinement
of the purchase
price allocation
during the third
quarter of 2009,
the Firm
recognized a
\$76 million
increase in the
extraordinary
gain

- (i) In
November 2008,
the Firm
transferred
\$5.8 billion of
higher quality
credit card loans
from the legacy
Chase portfolio
to a securitization
trust previously
established by
Washington
Mutual (the
Trust). As a
result of
converting higher
credit quality
Chase-originated
on-book
receivables to the
Trust's seller's
interest which
has a higher
overall loss rate
reflective of the
total assets within
the Trust,
approximately
\$400 million of
incremental
provision
expense was
recorded during
the fourth
quarter.
This
incremental
provision
expense was

recorded in the Corporate segment as the action related to the acquisition of Washington Mutual's banking operations. For further discussion of credit card securitizations, see Note 15 on pages 198-205 of this Annual Report.

- (j) Includes \$9 million of credit card securitizations related to the Washington Mutual transaction.

2009 compared with 2008

Net income was \$3.0 billion compared with \$557 million in the prior year.

Net loss for Private Equity was \$78 million compared with a net loss of \$690 million in the prior year. Net revenue was \$18 million, an increase of \$981 million, reflecting Private Equity losses of \$54 million compared with losses of \$894 million. Noninterest expense was \$141 million, an increase of \$21 million.

Net income for Corporate was \$3.7 billion, compared with \$1.5 billion in the prior year. Current year results reflect higher levels of trading gains and net interest income, securities gains, an after-tax gain of \$150 million from the sale of MasterCard shares, partially offset by a \$419 million FDIC special assessment. Trading gains and net interest income increased due to the Chief Investment Office's (CIO) significant purchases of mortgage-backed securities guaranteed by U.S. government agencies, corporate debt securities, U.S. Treasury and government agency securities and other asset-backed securities. These investments were generally associated with the management of interest rate risk and investment of cash resulting from the excess funding the Firm continued to experience during 2009. The increase in securities was partially offset by sales of higher-coupon instruments (part of repositioning the investment portfolio) as well as prepayments and maturities.

Selected income statement and balance sheet data for Treasury/CIO

Year ended December 31,
(in millions)

	2009	2008	2007
Treasury			
Securities gains ^(a)	\$ 1,147	\$ 1,652	\$ 37
Investment securities portfolio (average) ^(b)	324,037	113,010	88,037
Investment securities portfolio (ending) ^(b)	340,163	192,564	76,480
Mortgage loans (average)	7,427	7,059	