SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 8-K

CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report: November 28, 2000 Commission file number 1-5805

THE CHASE MANHATTAN CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	13-2624428
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)
270 Park Avenue, New York, NY	10017
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code) (212) 270-6000

Item 5. Other Events

As previously announced in the Current Report on Form 8-K of The Chase Manhattan Corporation, a Delaware corporation ("Chase"), filed with the Securities and Exchange Commission on September 18, 2000 (the "Prior Form 8-K"), Chase and J.P. Morgan & Co. Incorporated, a Delaware corporation ("J.P. Morgan "), entered into an Agreement and Plan of Merger, dated as of September 12, 2000 (the "Merger Agreement"), whereby J.P. Morgan will merge with and into Chase (the "Merger") with Chase as the surviving entity. A copy of the Merger Agreement is attached as an exhibit to, and described in, the Prior Form 8-K. The Merger is expected to qualify as a "pooling of interests" for accounting and financial reporting purposes.

Certain financial information for J.P. Morgan and pro forma combined financial information for the combined entity giving effect to the Merger is set forth under Item 7 below.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

(a) Financial Statements of Businesses Acquired

(1) Report of Independent Accountants to the Board of Directors and Stockholders of J.P. Morgan dated January 12, 2000.

(2) The audited consolidated balance sheet of J.P. Morgan and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income, cash flows and changes in stockholders' equity for each of the years in the three-year period ended December 31, 1999, and the consolidated statement of condition of Morgan Guaranty Trust Company of New York and its subsidiaries as of December 31, 1999 and 1998.

(3) The unaudited consolidated balance sheet of J.P. Morgan and subsidiaries as of September 30, 2000 and 1999 and the unaudited consolidated statements of income, cash flows and changes in stockholders' equity of J.P. Morgan and subsidiaries for the nine months ended September 30, 2000 and 1999, and the consolidated statement of condition of Morgan Guaranty Trust Company of New York and its subsidiaries as of September 30, 2000 and 1999.

(b) Pro Forma Financial Information

Chase and J.P. Morgan unaudited pro forma combined statement of income summary, unaudited pro forma combined balance sheet at September 30, 2000, unaudited pro forma combined statements of income for each of the years in the three-year period ended December 31, 1999 and for the nine months ended September 30, 2000 and 1999, and the notes to unaudited pro forma combined financial statements.

(1) Report of Independent Accountants to the Board of Directors and Stockholders of J.P. Morgan dated January 12, 2000.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
of J.P. Morgan & Co. Incorporated

We have audited the accompanying consolidated balance sheet of J.P. Morgan & Co. Incorporated ("J.P. Morgan") and its subsidiaries as of December 31, 1999 and 1998, the related consolidated statements of income, of changes in stockholders' equity, and of cash flows for each of the three years in the period ended December 31, 1999, and the consolidated statement of condition of Morgan Guaranty Trust Company of New York and its subsidiaries as of December 31, 1999 and 1998. These financial statements are the responsibility of J.P. Morgan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of J.P. Morgan and its subsidiaries as of December 31, 1999 and 1998, the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, and the financial position of Morgan Guaranty Trust Company of New York and its subsidiaries as of December 31, 1999 and 1998, in conformity with accounting principles generally accepted in the United States.

PriceWaterhouseCoopers LLP
New York, New York
January 12, 2000

(2) The audited consolidated balance sheet of J.P. Morgan and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income, cash flows and changes in stockholders' equity for each of the years in the three-year period ended December 31, 1999, and the consolidated statement of condition of Morgan Guaranty Trust Company of New York and its subsidiaries as of December 31, 1999 and 1998.

CONSOLIDATED STATEMENT OF INCOME

J.P. Morgan & Co. Incorporated

In millions, except share data	1999	1998	1997
NET INTEREST REVENUE			
Interest revenue	$10 970	$12 641	$12 353
Interest expense	9 429	11 360	10 481
Net interest revenue	1 541	1 281	1 872
Provision for loan losses	-	110	-
Reversal of provision for loan losses	(175)	-	-
Net interest revenue after loan loss provisions	1 716	1 171	1 872
NONINTEREST REVENUES			
Trading revenue	3 115	2 362	2 137
Advisory and underwriting fees	1 630	1 401	1 123
Investment management fees	1 035	881	792
Fees and commissions	846	748	647
Investment securities revenue	332	205	409
Other revenue (note 12)	182	187	240
Total noninterest revenues	7 140	5 784	5 348
TOTAL REVENUES, NET	8 856	6 955	7 220
OPERATING EXPENSES (note 4)			
Employee compensation and benefits	3 892	3 233	3 027
Net occupancy	299	437	333
Technology and communications	947	1 192	1 025
Other expenses	604	676	681
Total operating expenses	5 742	5 538	5 066
Income before income taxes	3 114	1 417	2 154
Income taxes	1 059	454	689
Net income	2 055	963	1 465
PER COMMON SHARE			
Net income:			
Basic	$11.16	$5.08	$7.71
Diluted	10.39	4.71	7.17
Dividends declared	3.97	3.84	3.59

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

J.P. Morgan & Co. Incorporated

In millions, except share data	December 31 1999	1998
ASSETS		
Cash and due from banks	$2 463	$1 203
Interest-earning deposits with banks	2 345	2 371
Debt investment securities available-for-sale	14 286	36 232
Equity investment securities	1 734	1 169
Trading account assets:		
U.S. and foreign governments	42 663	44 465
Corporate debt and equity and other securities	31 271	21 307
Derivatives receivables	43 658	48 124
Total trading account assets	117 592	113 896
Securities purchased under agreements to resell ($34 470 at 1999 and $31 056 at 1998) and federal funds sold	35 970	31 731
Securities borrowed	34 716	30 790
Loans, net of allowance for loan losses of $281 at 1999 and $470 at 1998	26 568	25 025
Accrued interest and accounts receivable	10 119	7 689
Premises and equipment, net	1 997	1 881
Other assets	13 108	9 080
Total assets	260 898	261 067
LIABILITIES		
Deposits	45 319	55 028
Trading account liabilities:		
U.S. and foreign governments	19 378	15 999
Corporate debt and equity and other securities	16 063	9 961
Derivatives payables	44 976	44 683
Total trading account liabilities	80 417	70 643
Securities sold under agreements to repurchase ($58 950 at 1999 and $62 784 at 1998) and federal funds purchased	59 693	63 368
Commercial paper	11 854	6 637
Other liabilities for borrowed money	10 258	12 515
Accounts payable and accrued expenses	10 621	9 859
Long-term debt not qualifying as risk-based capital	19 048	23 037
Other liabilities, including allowance for credit losses of $125 at 1999 and 1998	5 897	2 999
	243 107	244 086
Liabilities qualifying as risk-based capital:		
Long-term debt	5 202	4 570
Company-obligated mandatorily redeemable preferred securities of subsidiaries	1 150	1 150
Total liabilities	249 459	249 806
Commitments and contingencies (notes 19, 29, 30, and 32)		
STOCKHOLDERS' EQUITY		
Preferred stock		
Adjustable-rate cumulative preferred stock, $100 par value (issued and outstanding: 2 444 300)	244	244
Variable cumulative preferred stock, $1 000 par value (issued and outstanding: 250 000)	250	250
Fixed cumulative preferred stock, $500 par value (issued and outstanding: 400 000)	200	200
Common stock, $2.50 par value (authorized shares: 500 000 000; issued: 200 998 455 at 1999 and 200 873 067 at 1998)	502	502
Capital surplus	1 249	1 252
Common stock issuable under stock award plans	2 002	1 460
Retained earnings	10 908	9 614
Accumulated other comprehensive income:		
Net unrealized gains on investment securities, net of taxes	44	147
Foreign currency translation, net of taxes	(18)	(46)
	15 381	13 623
Less: treasury stock (36 200 897 shares at 1999 and 25 866 786 shares at 1998) at cost	3 942	2 362
Total stockholders' equity	11 439	11 261
Total liabilities and stockholders' equity	260 898	261 067

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

J.P. Morgan & Co. Incorporated

	1999		1998		1997	
In millions	Stockholders' equity	Comprehensive income	Stockholders' equity	Comprehensive income	Stockholders' equity	Comprehensive income
PREFERRED STOCK						
Adjustable-rate cumulative preferred stock, Balance, January 1 and December 31	$244		$244		$244	
Variable cumulative preferred stock, Balance, January 1 and December 31	250		250		250	
Fixed cumulative preferred stock, Balance, January 1 and December 31	200		200		200	
Total preferred stock, December 31	694		694		694	
COMMON STOCK						
Balance, January 1 and December 31	502		502		502	
CAPITAL SURPLUS						
Balance, January 1	1 252		1 360		1 446	
Shares issued or distributed under dividend reinvestment plan, various employee benefit plans, and conversion of debentures and income tax benefits associated with stock options	(3)		(108)		(86)	
Balance, December 31	1 249		1 252		1 360	
COMMON STOCK ISSUABLE UNDER STOCK AWARD PLANS						
Balance, January 1	1 460		1 185		838	
Deferred stock awards, net	542		275		347	
Balance, December 31	2 002		1 460		1 185	
RETAINED EARNINGS						
Balance, January 1	9 614		9 398		8 635	
Net income	2 055	$2 055	963	$963	1 465	$1 465
Dividends declared on preferred stock	(35)		(37)		(35)	
Dividends declared on common stock	(689)		(677)		(642)	
Dividend equivalents on common stock issuable.....	(37)		(33)		(25)	
Balance, December 31	10 908		9 614		9 398	
Comprehensive income, subtotal		2 055		963		1 465

In millions	1999 Stockholders' equity	1999 Comprehensive income	1998 Stockholders' equity	1998 Comprehensive income	1997 Stockholders' equity	1997 Comprehensive income
Comprehensive income, subtotal from previous page		2 055		963		1 465
ACCUMULATED OTHER COMPREHENSIVE INCOME						
Net unrealized gains on investment securities:						
Balance, net of taxes, January 1	147		432		464	
Net unrealized holding gains/(losses) arising during the period, before taxes (($354) in 1999, ($169) in 1998, and $137 in 1997, net of taxes)	(597)		(285)		217	
Reclassification adjustment for net gains included in net income, before taxes (($242) in 1999, $112 in 1998, and $164 in 1997, net of taxes)	403		(169)		(261)	
Change in net unrealized gains on investment securities, before taxes	(194)		(454)		(44)	
Income tax benefit	91		169		12	
Change in net unrealized gains on investment securities, net of taxes	(103)	(103)	(285)	(285)	(32)	(32)
Balance, net of taxes, December 31	44		147		432	
Foreign currency translation:						
Balance, net of taxes, January 1	(46)		(22)		(12)	
Translation adjustment arising during the period, before taxes	36		(38)		(14)	
Income tax benefit/(expense)	(8)		14		4	
Translation adjustment arising during the period, net of taxes	28	28	(24)	(24)	(10)	(10)
Balance, net of taxes, December 31	(18)		(46)		(22)	
Total accumulated other comprehensive income, net of taxes, December 31	26		101		410	
LESS: TREASURY STOCK						
Balance, January 1	2 362		2145		1 135	
Purchases (16 349 shares in 1999, 6 628 shares in 1998, and 14 030 shares in 1997)	2 144		755		1 500	
Shares issued/distributed, primarily related to various employee benefit plans (6 014 shares in 1999, 5 166 shares in 1998, and 5 421 shares in 1997)	(564)		(538)		(490)	
Balance, December 31	3 942		2 362		2 145	
Total stockholders' equity	11 439		11 261		11 404	
Total comprehensive income		1 980		654		1 423

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

J.P. Morgan & Co. Incorporated

In millions	1999	1998	1997
NET INCOME	$ 2 055	$ 963	$ 1 465
Adjustments to reconcile to cash (used in) provided by operating activities:			
Net provision for credit losses	(175)	50	--
Gain on sale of businesses	--	(113)	--
Noncash items: depreciation, amortization, deferred income taxes, stock award plans, and write-downs on investment securities	1 508	864	544
Net (increase) decrease in assets:			
Trading account assets	(3 856)	(1 868)	(20 993)
Securities purchased under agreements to resell	(3 439)	7 981	(6 564)
Securities borrowed	(3 926)	7 585	(10 444)
Loans held for sale	(430)	(2 645)	144
Accrued interest and accounts receivable	(2 438)	(2 724)	1 804
Net increase (decrease) in liabilities:			
Trading account liabilities	9 651	(318)	20 149
Securities sold under agreements to repurchase	(3 860)	9 608	(2 929)
Accounts payable and accrued expenses	841	(489)	5 205
Other changes in operating assets and liabilities, net	(637)	(2 035)	1 202
Net investment securities gains included in cash flows from investing activities	(30)	(290)	(437)
CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(4 736)	16 569	(10 854)
Net decrease (increase) in interest-earning deposits with banks	21	(234)	(225)
Debt investment securities:			
Proceeds from sales	33 059	13 874	22 655
Proceeds from maturities, calls, and mandatory redemptions	7 987	9 247	4 093
Purchases	(19 991)	(37 341)	(25 007)
Net (increase) decrease in federal funds sold	(825)	(675)	50
Net (increase) decrease in loans	(1 032)	8 563	(3 670)
Investment in American Century Companies, Inc.	--	(965)	--
Return of capital/(investment) in Long-Term Capital Management, L.P.	300	(300)	--
Payments for premises and equipment	(314)	(247)	(138)
Other changes, net	(4 205)	(741)	(627)
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	15 000	(8 819)	(2 869)
Net (decrease) increase in non-interest-bearing deposits	(410)	(419)	16
Net (decrease) increase in interest-bearing deposits	(9 381)	(3 295)	6 106
Net increase (decrease) in federal funds purchased	159	(4 018)	(710)
Net increase in commercial paper	5 216	16	2 490
Other liabilities for borrowed money proceeds	5 823	21 977	22 773
Other liabilities for borrowed money payments	(8 979)	(24 394)	(25 797)
Long-term debt proceeds	5 676	12 906	12 315
Long-term debt payments	(8 600)	(8 594)	(2 075)
Proceeds from issuance of company-obligated mandatorily redeemable preferred securities of subsidiaries	--	--	400
Capital stock issued or distributed	255	179	245
Capital stock purchased	(2 144)	(755)	(1 500)
Dividends paid	(731)	(707)	(673)
Other changes, net	4 069	(1 258)	1 036
CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(9 047)	(8 362)	14 626
Effect of exchange rate changes on cash and due from banks	43	57	(51)
INCREASE (DECREASE) IN CASH AND DUE FROM BANKS	1 260	(555)	852
Cash and due from banks, beginning of year	1 203	1 758	906
Cash and due from banks, end of year	2 463	1 203	1 758
Cash disbursements made for:			
Interest	$ 9 119	$ 11 455	$ 10 030
Income taxes	1 106	800	1 254

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CONDITION

Morgan Guaranty Trust Company of New York

In millions, except share data	December 31 1999	1998
ASSETS		
Cash and due from banks	$ 2 382	$ 1 147
Interest-earning deposits with banks	2 266	2 372
Debt investment securities available-for-sale	4 992	3 634
Trading account assets	84 786	90 770
Securities purchased under agreements to resell and federal funds sold	19 094	33 316
Securities borrowed	9 700	8 193
Loans, net of allowance for loan losses of $280 at 1999 and $470 at 1998	26 072	24 876
Accrued interest and accounts receivable	4 426	3 898
Premises and equipment, net of accumulated depreciation of $1 113 at 1999 and $1 160 at 1998	1 810	1 703
Other assets	12 138	5 337
Total assets	167 666	175 246
LIABILITIES		
Noninterest-bearing deposits:		
In offices in the U.S.	907	1 232
In offices outside the U.S.	501	572
Interest-bearing deposits:		
In offices in the U.S.	4 256	7 749
In offices outside the U.S.	42 052	46 668
Total deposits	47 716	56 221
Trading account liabilities	72 066	64 776
Securities sold under agreements to repurchase and federal funds purchased	13 610	14 916
Other liabilities for borrowed money	5 482	8 646
Accounts payable and accrued expenses	6 310	6 123
Long-term debt not qualifying as risk-based capital (including $727 at 1999 and $736 at 1998 of notes payable to J.P. Morgan)	6 224	10 358
Other liabilities, including allowance for credit losses of $125 at 1999 and 1998	2 719	542
	154 127	161 582
Long-term debt qualifying as risk-based capital (including $2 853 at 1999 and $3 053 at 1998 of notes payable to J.P. Morgan)	2 944	3 186
Total liabilities	157 071	164 768
Commitments and contingencies		
STOCKHOLDER'S EQUITY		
Preferred stock, $100 par value (authorized shares: 2 500 000)	--	--
Common stock, $25 par value (authorized shares: 11 000 000; issued and outstanding: 10 599 027)	265	265
Surplus	3 305	3 305
Undivided profits	6 975	6 836
Accumulated other comprehensive income:		
Net unrealized gains on investment securities, net of taxes	67	118
Foreign currency translation, net of taxes	(17)	(46)
Total stockholder's equity	10 595	10 478
Total liabilities and stockholder's equity	167 666	175 246

The accompanying notes are an integral part of this consolidated financial statement.

Member of the Federal Reserve System and Federal Deposit Insurance Corporation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

J.P. Morgan & Co. Incorporated (J.P. Morgan) is the holding company for a group of subsidiaries that provide a wide range of financial services.

We serve a broad client base that includes corporations, governments, institutions, and individuals. We also enter into transactions for our own account.

J.P. Morgan and its subsidiaries use accounting and reporting policies and practices that conform with U.S. generally accepted accounting principles.

BASIS OF PRESENTATION

CONSOLIDATION

Our consolidated financial statements include the accounts of J.P. Morgan and of subsidiaries in which we have more than 50% ownership. All material intercompany accounts and transactions are eliminated during consolidation.

For companies in which we have significant influence over operating and financing decisions (generally defined as owning a voting or economic interest of 20% to 50%), we use the equity method of accounting. These investments are included in Other assets, and our share of income or loss is included in Other revenue, with the exception of such investments held in our Equity Investments segment, where our share of income or loss is recorded in Investment securities revenue.

Assets that we hold in an agency or fiduciary capacity are not assets of J.P. Morgan. They are therefore not included in our "Consolidated balance sheet."

USE OF ESTIMATES IN THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Preparing our consolidated financial statements requires us to make estimates and assumptions that affect our reported assets and liabilities as well as the disclosure of contingent assets and liabilities. Our revenues and expenses are also affected. Actual results could be different from these estimates.

FAIR VALUE

We define fair value as the value at which positions could be closed out or sold in a transaction with a willing and knowledgeable counterparty over a period of time consistent with our trading or investment strategy.

The accounting for an asset or liability may differ based on the type of instrument and/or its use in a trading or investing strategy. Generally, the measurement framework recorded in financial statements is one of the following:

- Recorded at fair value on the balance sheet with changes in fair value recorded each period in the "Consolidated statement of income;"
- Recorded at fair value on the balance sheet with changes in fair value recorded each period in a separate component of stockholders' equity and as part of comprehensive income; or
- Recorded at cost (less other-than-temporary impairments) with changes in fair value not recorded in the financial statements but disclosed in the notes thereto.

Fair value is based on quoted market prices, where available. If listed prices or quotes are not available, fair value is based on internally developed models that primarily use market-based or independent information as inputs. Valuation adjustments are made, at times, based on defined methodologies that are applied consistently over time to ensure that positions are carried at the best estimate of fair value. Valuation adjustments include amounts to reflect counterparty credit quality, liquidity and concentration concerns, and ongoing servicing costs. Our valuation process is continually subject to a rigorous review which includes valuation model reviews and price testing to independent sources.

The following sections describe the methods used, by financial instrument, to determine fair value.

MARKETABLE SECURITIES

Fair value is based on listed market prices or broker or dealer price quotations. In limited circumstances, we adjust the quoted market price for concentration factors and contractual restrictions.

NONMARKETABLE SECURITIES

Fair value is based on valuation models and other financial information as determined by management. Information used to derive fair value includes prices of similar instruments and third-party indicators of fair value, which include recent financing transactions and prospective purchase offers. Valuation adjustments are made for liquidity concerns and other contractual restrictions.

DERIVATIVES

Fair value for derivatives is determined based on the following:

- position valuation substantially based on liquid market pricing as evidenced by exchange traded prices, broker-dealer quotations or related input factors which assume all counterparties have the same credit rating
- an adjustment of the resulting portfolio value to reflect the credit quality of individual counterparties that is substantially based on market prices for credit risk
- other pricing adjustments, including liquidity, ongoing servicing costs, and transaction hedging costs.

LOANS AND LENDING COMMITMENTS

Fair value for loans that are actively traded is based on market quotes and prices of similar instruments. Valuation adjustments may be made for liquidity and concentration concerns. Fair value for non-traded loans and lending commitments is based on a discounted cash flows approach which uses rates based on credit spreads in various markets including credit derivatives, asset swaps, and bonds. Valuations are also adjusted to reflect collateral and third party guarantees.

LONG-TERM DEBT AND COMMERCIAL PAPER

Fair value for long-term debt and commercial paper issued is based on current LIBOR rates and does not consider changes in our own credit quality.

DEPOSITS AND OTHER INTEREST EARNING-ASSETS

Fair value for deposits and other interest-earning assets is based on prevailing market yield curves that closely reflect our interest-earning deposit and borrowing rates.

SHORT-TERM FINANCIAL INSTRUMENTS

Fair value for short-term financial instruments approximates their carrying value. These financial instruments include cash and due from banks, certain securities purchased under agreements to resell and federal funds sold, securities borrowed, accrued interest and accounts receivable, certain securities sold under agreements to repurchase and federal funds purchased, accounts payable, and accrued expenses. Instruments are generally classified as short-term if they have a maturity or repricing profile of 90 days or less.

FOREIGN CURRENCY TRANSLATION

Assets and liabilities denominated in foreign currencies are translated into U.S. dollars with period-end exchange rates. We translate revenues and expenses using exchange rates at the transaction date.

Gains and losses from translating the financial statements of a foreign operation where the functional currency is not the U.S. dollar are included in Accumulated other comprehensive income.

For foreign operations where the functional currency is the U.S. dollar, which include operations in highly inflationary environments, translation adjustments are reported in Other revenue.

PREMIUMS AND DISCOUNTS

We generally recognize amortization of premiums and accretion of discounts as Interest expense or Interest revenue over the life of the instrument.

COMPREHENSIVE INCOME

Comprehensive income is defined as the change in equity of an entity excluding such transactions with stockholders as the issuance of common or preferred stock, payment of dividends, and purchase of treasury shares. Comprehensive income has two major components: net income, as reported in the "Consolidated statement of income," and other comprehensive income as reported in the "Consolidated statement of changes in stockholders' equity." Other comprehensive income includes such items as unrealized gains and losses on available-for-sale securities and foreign currency translation. Comprehensive income does not include changes in the fair value of nonmarketable securities, traditional credit products, and other assets generally carried at cost.

RECLASSIFICATIONS

We have reclassified certain amounts from previous years to conform with our 1999 presentation.

DEBT INVESTMENT SECURITIES

Debt investment securities are carried at fair value and classified as "available-for-sale." This means they may be sold in response to or in anticipation of changes in interest rates and prepayment risk, liquidity considerations, and other factors. Any unrealized gains and losses, including the effect of any related hedges, are reported net as increases or decreases to accumulated other comprehensive income.

Realized gains and losses are included in Investment securities revenue. We generally use the specific identification method to determine our gain or loss when a security is sold. Also included in Investment securities revenue are write-downs due to impairments in value that are other-than-temporary.

EQUITY INVESTMENT SECURITIES

Marketable equity investment securities are classified as "available-for-sale" and are recorded at fair value on the "Consolidated balance sheet." Unrealized gains and losses, including the effect of any related hedges, are reported net as increases or decreases to accumulated other comprehensive income. Nonmarketable equity investment securities are carried at cost on the "Consolidated balance sheet." Carrying values are reduced for other-than-temporary impairments in value. In accordance with specialized industry accounting principles, securities held in subsidiaries registered as small business investment companies (SBICs) are carried at fair value.

Investment securities revenue includes realized gains and losses on equity investment securities, generally computed by the average cost method, changes in the fair value of securities held in SBICs, other-than-temporary impairments in value, and related dividend income.

TRADING ACCOUNT ASSETS AND LIABILITIES, INCLUDING DERIVATIVES

Trading account assets include securities purchased that we own ("long" positions). Trading account liabilities include securities that we have sold to other parties but do not own ourselves. These securities are "short" positions, and we are obligated to purchase them at a future date. Trading positions are carried at fair value on the "Consolidated balance sheet" and recorded on a trade date basis. We recognize changes in the fair value of trading positions as they occur in Trading revenue. Trading account assets and liabilities include derivatives used for trading purposes, which we carry at fair value on the "Consolidated balance sheet." We recognize changes in the fair value of trading derivatives as they occur in Trading revenue. In certain businesses, brokerage and exchange expenses are included in Trading revenue. Reported unrealized gains and losses include the effect of master netting agreements as permitted under Financial Accounting Standards Board (FASB) Interpretation No. 39.

DERIVATIVES USED FOR NONTRADING PURPOSES

We use derivatives as an end-user to hedge exposures, modify the interest rate characteristics of related balance sheet instruments, or meet longer-term investment objectives. These derivatives are not included in trading account assets and liabilities.

Derivatives used as hedges must be effective at reducing the risk associated with the exposure being hedged. Each derivative must be designated as a hedge at the beginning of the contract and must be highly correlated with the underlying hedged item for the life of the contract.

Swaps used to modify the interest rate characteristics of non-trading-related balance sheet instruments must be linked to the related asset or liability, with the terms of the swap generally equal to those of the related asset or liability, at the beginning and throughout the life of the contract. We generally defer unrealized gains and losses on all these derivative contracts.

Derivatives used to hedge or modify the interest rate characteristics of debt investment securities are carried at fair value; unrealized gains and losses on these derivatives are recorded in Accumulated other comprehensive income.

The interest component associated with derivatives used as hedges or to modify the interest rate characteristics of assets and liabilities is recognized over the contract's life in Net interest revenue.

Cash margin requirements associated with futures contracts and option premiums for contracts used as hedges are recorded in Other assets or Other liabilities.

When a contract is settled or terminated, the cumulative change in the fair value is recorded as an adjustment to the carrying value of the underlying asset or liability and recognized in Net interest revenue over the asset's or liability's expected remaining life. If the underlying instrument is sold, we immediately recognize the cumulative change in the derivative's value in the component of earnings relating to the underlying instrument.

Prior to January 1, 1998, we used risk-adjusting swaps - interest rate swaps that replicated the cash flows of nonamortizing cash instruments - in a manner similar to debt investment securities, to achieve a desired overall interest rate profile. They did not contain leveraged or imbedded option features. Interest revenue and expense from these swaps were accrued over the life of the agreement and included in Net interest revenue. We carried risk-adjusting swaps at whichever amount was lower: the aggregate cost or fair value. Aggregate unrealized net valuation adjustments, if any, were recorded in Other revenue.

SECURITIES FINANCING TRANSACTIONS

Securities purchased under agreement to resell (resale agreements) and Securities sold under agreements to repurchase (repurchase agreements) are generally treated as collateralized financing transactions and are carried at the amounts the securities will be subsequently sold or repurchased, plus accrued interest. Where appropriate, resale and repurchase agreements with the same counterparty are reported on a net basis. We take possession of securities purchased under resale agreements. On a daily basis, we monitor the market value of the underlying collateral, which consists primarily of U.S. government and agency securities, and request additional collateral from our counterparties when necessary.

Securities borrowed and securities lent (recorded in Other liabilities for borrowed money) are recorded at the amount of cash collateral advanced or received. Securities borrowed consist primarily of government and equity securities. We monitor the market value of the securities borrowed and lent on a daily basis and call for additional collateral when appropriate. Fees received or paid are recorded in Interest revenue or Interest expense.

LOANS

Loans are generally reported at the principal amount outstanding. Purchased loans are reported at the remaining unpaid principal net of any unamortized discount or premium. Loan origination fees are deferred and recognized as an adjustment to yield over the life of the loan. We report loans held-for-sale at either cost or fair value, whichever is lower. Loans held for trading purposes are included in trading account assets and are carried at fair value with gains and losses included in Trading revenue. Interest revenue is accrued on the unpaid principal balance and is included in Interest revenue.

IMPAIRED LOANS

A loan is impaired when, after we have considered current information and events, it is probable that we will be unable to collect all amounts, including principal and interest, according to the contractual terms of the agreement. We consider the following in identifying impaired loans:

- A default has occurred or is expected to occur,
- The payment of principal and/or interest or other cash flows is greater than 90 days past due, or
- Management has serious doubts about the collectibility of future cash flows, even if the loan is currently performing.

Once we identify a loan as impaired, management regularly measures impairment in accordance with Statement of Financial Accounting Standards (SFAS) No. 114, as amended by SFAS No. 118. We measure impairment of a loan based on the present value of expected future cash flows, on an observable market value, or on the fair value of any collateral. If the resulting value is less than the recorded investment (book value) in the impaired loan, an allowance is established for the amount deemed uncollectible; if the impairment is considered highly certain, the exposure is charged off against the allowance.

Generally, when a loan becomes impaired, interest stops accruing and any previously accrued but unpaid interest on the loan is reversed against the current period's interest revenue. When we doubt that we can collect the remaining recorded investment, any interest received is applied first against the recorded investment until paid in full, second as a recovery to the allowance up to any previously charged off amounts on the impaired loan, and third as interest revenue. When we deem it highly certain that we will collect the remaining recorded investment, interest revenue is recorded on a cash basis as payments are received.

An impaired loan is restored to performing status when principal and interest are deemed to be fully collectible in accordance with the contractual terms of the loan agreement. Once an impaired loan is returned to performing status, any previous allowance allocated is removed, interest accrues according to the original terms of the contract, and principal payments are applied first to the loan balance until paid in full, then as recoveries of charge-offs, and finally as revenue.

ALLOWANCES FOR CREDIT LOSSES

We maintain allowances to absorb credit losses inherent in our traditional extensions of credit that are probable and can be reasonably estimated. They include an allowance for loan losses and an allowance for credit losses on lending commitments that include commitments to extend credit, standby letters of credit, and guarantees.

Our credit review procedures are designed to identify as early as possible counterparty, country, industry, and product exposures that require special monitoring. These procedures make up our asset quality review (AQR) process - a systematic, bottom-up review of exposures that management uses to estimate probable credit losses and determine the appropriateness of our related allowances.

The AQR process determines the appropriate allowances based on an estimate of probable losses for specific counterparties and a statistical model estimate of expected losses on our remaining performing portfolio. Accordingly, in determining the appropriate level of our allowances, we focus on the following components at each reporting period, if applicable, for each allowance:

- Specific counterparty: an estimate of probable losses related to specific counterparties experiencing particular credit issues determined in accordance with SFAS No. 114 for loans and SFAS No. 5 for lending commitments.
- Expected loss: a statistical estimate of the probable loss inherent in our performing portfolio of traditional credit products, net of recoveries, determined in accordance with SFAS No.5. The estimate takes into account the amount and duration of exposures, counterparty ratings, historical default information, current market trends, and recovery rates. The expected loss component excludes exposures covered by the specific counterparty component discussed above and is intended to recognize probable losses on a portfolio basis that have not yet been specifically identified.

  In 1999 we revised our expected credit loss model for calculating expected credit losses to incorporate factors for estimating loss previously included in our specific country, industry, expected loss, and general components of our allowances. The revised model uses a combination of historical data and current market spreads in deriving the default probabilities used to determine the expected loss. The combination of these two sources of credit information is appropriate because each one on its own has its limitations: Historical experience is often a lagging indicator of loss and market spreads may overestimate loss in volatile times. Historical default data uses a long time series - 15 to 20 years. As a result, current changes in credit conditions often do not significantly affect historical default grids in a timely manner, because the impact of recent events is lessened when combined with data over a long time series. To compensate for this, we use the credit pricing inherent in current market spreads in our model. Taken together, historical default data and market spreads provide a more balanced estimate of expected loss. The model initially determines the amount of expected loss inherent in our portfolio. Management then applies its judgment as to the appropriateness of the final allowance level by reviewing other information at the allowance measurement date. This review is based on a structured process that documents the precise environmental factors used (e.g., industry, geographical, economic, and political) to make the appropriate decision.

The AQR Committee regularly reviews specific counterparties and determines any credit actions (placement on impaired status, specific allocation, or charge-off) that should be taken. The senior members of the AQR Committee also review the expected loss calculations of the existing performing portfolio and other risk factors. The committee's review results in a quarterly determination of our allowances for credit losses and of whether or not provisions or reversals of provisions are necessary. This review is performed separately for each allowance classification - loans and lending commitments - and on a component-by-component basis within each allowance. Provisions or reversals of provisions related to loans and lending commitments are reflected in Net interest revenue and Other revenue, respectively.

PREMISES AND EQUIPMENT

Premises and equipment, including leasehold improvements, are stated at cost less accumulated depreciation and amortization. We generally compute depreciation using the straight-line method over the estimated useful life of an asset. For leasehold improvements, we use the straight-line method over the lesser of the lease term or the estimated economic useful life of the improvement.

Effective January 1, 1999, in compliance with Statement of Position 98-1, we capitalize certain costs associated with the acquisition or development of internal-use software. Previously, these costs would have been expensed as incurred. Once the software is ready for its intended use, we begin to amortize capitalized costs on a straight-line basis over its expected useful life. This period generally does not exceed three years. The restatement of previous years' financial statements was not allowed.

COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARIES

Company-obligated mandatorily redeemable preferred securities of subsidiaries (trust preferred securities) are accounted for as a liability on our "Consolidated balance sheet." Dividends (or distributions) on trust preferred securities are treated as interest and expensed on an accrual basis. Interest related to the trust preferred securities is included in Interest expense.

FEE REVENUE

Advisory and underwriting fees include securities underwriting revenues as well as merger and acquisition, private placement, advisory, and loan syndication fees. Underwriting revenues are represented net of syndicate expenses and are recorded on a trade date basis. All other fees are recognized as revenue when the related services are performed. In addition, we recognize credit arrangement and syndication fees as revenue after satisfying certain retention, timing, and yield criteria.

Investment management fees and revenue from Fees and commissions are recognized when the related service is performed. We recognize commitment fees as revenue in the period in which the unused commitment is available.

STOCK OPTIONS AND STOCK AWARDS

We have elected to account for our stock-based compensation plans in accordance with Accounting Principles Board (APB) No. 25 as permitted by SFAS No. 123. Stock-based compensation plans include stock options, restricted stock awards, stock bonus awards, stock unit awards, and deferred stock payable in stock.

We account for stock option awards in accordance with the intrinsic-value-based method of APB No. 25, rather than the fair-value-based method of SFAS No. 123. In accordance with APB No. 25, we do not record compensation expense for stock options that are granted without any intrinsic value. For disclosure purposes, we include in the "Notes to consolidated financial statements" the pro forma effects on net income and earnings per share, as if we had recorded the compensation cost related to stock options using the fair-value-based method. Refer to note 30 for further information.

For other stock-based compensation awards, compensation expense is recorded over the period in which employees perform services to which the award relates.

INCOME TAXES

J.P. Morgan and its eligible subsidiaries file a consolidated U.S. federal income tax return. We use the asset and liability method required by SFAS No. 109 to provide income taxes on all transactions recorded in the consolidated financial statements. This requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets or liabilities for book purposes and for tax purposes. Accordingly, we determine a deferred tax liability or asset for each temporary difference based on the tax rates that we expect to be in effect when the underlying items of income and expense are to be realized. Our expense for income taxes includes the current and deferred portions of that expense. We establish a valuation allowance to reduce deferred tax assets to the amount we expect to be realized.

STATEMENT OF CASH FLOWS

For J.P. Morgan's "Consolidated statement of cash flows," we define our cash and cash equivalents as those amounts included in Cash and due from banks. We classify cash flows from investment securities, including securities available-for-sale, as investing activities. Cash flows from sales of investment securities with remaining lives of more than one year when purchased and less than 90 days when sold, mandatory redemptions, and calls are classified as proceeds from maturities. We classify cash flows from derivative transactions used as hedges in the same manner as the items being hedged.

ACCOUNTING DEVELOPMENTS

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

In June 1998 the FASB issued SFAS No. 133, which will require us to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through earnings. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged asset, liability, or firm commitment through earnings or be recognized in Other comprehensive income until the hedged item affects earnings. If the change in fair value or cash flows of a derivative designated as a hedge is not effectively offset, as defined, by the change in value or cash flows of the item it is hedging, this difference will be immediately recognized in earnings.

Due to the significant uncertainties surrounding the FASB's evolving interpretation of SFAS No. 133 implementation issues, we have not been able to determine the specific impact of SFAS No. 133 on our earnings and financial position. Based on our current hedging strategies, the activities that would be most affected by the new standard would be those of our Proprietary Investing and Trading segment, which uses derivatives to hedge its investment portfolio, deposits, and issuance of debt, as well as those in our Credit Portfolio segment, which uses credit derivatives to hedge credit risk, and to a lesser extent, other derivatives to hedge interest rate risk. Pursuant to SFAS No. 137, we are required to adopt SFAS No. 133 effective January 1, 2001. At the time these financial statements were issued, the FASB was preparing to issue an amendment to SFAS No. 133. A final amendment is not expected to be issued until May 2000. As such, we cannot estimate the impact of SFAS No. 133 on our earnings and financial position until the final rules are available.

2. ESTIMATING THE FAIR VALUE OF FINANCIAL INSTRUMENTS
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The following table presents the carrying value and fair value of J.P. Morgan's financial instruments as of December 31, 1999 and 1998 in accordance with SFAS No. 107. Accordingly, certain amounts which are not considered financial instruments, including premises and equipment as well as investments under the equity method of accounting, are excluded from the table. Refer to note 1 for detailed information on how we estimate the fair value of financial instruments.

In billions: December 31	1999 Carrying value	1999 Fair value	1999 Appreciation/ (depreciation)	1998 Carrying value	1998 Fair value	1998 Appreciation/ (depreciation)
FAIR VALUE THROUGH EARNINGS						
Financial assets:						
Trading account assets:(a)						
Cash securities	$ 73.9	$ 73.9	$ --	$ 65.8	$ 65.8	$ --
Derivative receivables	43.7	43.7	--	48.1	48.1	--
Equity investments - SBICs	0.6	0.6	--	0.2	0.2	--
Financial liabilities:						
Trading account liabilities:(a)						
Cash securities	35.4	35.4	--	26.0	26.0	--
Derivative payables	45.0	45.0	--	44.7	44.7	--
FAIR VALUE THROUGH EQUITY						
Financial assets:						
Debt investment securities	14.3	14.3	--	36.2	36.2	--
Equity investments - marketable securities	0.6	0.6	--	0.6	0.6	--
CARRIED AT COST (APPROXIMATES FAIR VALUE)						
Financial assets:						
Securities purchased under agreements to resell and federal funds sold	36.0	36.0	--	31.7	31.7	--
Securities borrowed	34.7	34.7	--	30.8	30.8	--
Loans, net(b)	8.2	8.2	--	7.2	7.2	--
Other financial assets, including cash and due from banks, accrued interest and accounts receivable, and other assets	17.8	17.8	--	14.1	14.1	--
Financial liabilities:						
Noninterest-bearing deposits	1.4	1.4	--	1.8	1.8	--
Securities sold under agreements to repurchase and federal funds purchased	59.7	59.7	--	63.4	63.4	--
Other financial liabilities, including securities lent, accounts payable and other liabilities ..	18.7	18.7	--	15.2	15.2	--
CARRIED AT COST						
Financial assets:						
Interest-earning deposits with banks	2.3	2.3	--	2.4	2.4	--
Loans, net(c)	18.3	18.4	0.1	17.8	17.4	(0.4)
Related derivatives	--	0.1	0.1	--	0.3	0.3
Equity investments - nonmarketable securities ...	0.5	0.6	0.1	0.4	0.5	0.1
Other financial assets	6.4	6.4	--	2.1	2.1	--
Financial liabilities:						
Interest-bearing deposits	43.9	44.2	(0.3)	53.2	53.2	--
Related derivatives	--	(0.1)	0.1	--	(0.3)	0.3
Commercial paper	11.9	11.9	--	6.6	6.6	--
Other liabilities for borrowed money	7.2	7.2	--	7.5	7.5	--
Long-term debt	24.3	24.1	0.2	27.6	28.5	(0.9)
Related derivatives	--	0.3	(0.3)	--	(0.4)	0.4
Other financial liabilities	0.7	0.7	--	2.8	2.9	(0.1)
Allowance - lending commitments	0.1	--	0.1	0.1	--	0.1
Company-obligated mandatorily redeemable preferred securities of subsidiaries	1.2	1.1	0.1	1.2	1.3	(0.1)
Related derivatives	--	0.1	(0.1)	--	(0.1)	0.1
Lending commitments(c)	--	(0.2)	(0.2)	--	(0.2)	(0.2)
Net depreciation before considering income taxes			(0.1)			(0.4)

(a) Refer to note 16 for detailed information on financial instruments, including derivatives, used for trading purposes.

(b) Includes loans from Euroclear-related and Private banking activities.

(c) In 1999 we refined the valuation technique used to estimate the fair value of our traditional credit products, which include loans, commitments to extend credit, standby letters of credit, and guarantees, to better reflect how we currently manage these exposures. The revised technique utilizes a discounted cash flows approach which uses rates based on credit spreads in various markets including credit derivatives, asset swaps, and bonds. Previously, we estimated the fair value of these products based on secondary loan spreads. Prior-period amounts have been restated.

3. BUSINESS SEGMENTS

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in assessing performance. In accordance with SFAS No. 131, we have presented results based on the segments as reviewed separately by the chief operating decision maker, our chairman and chief executive officer, as well as other members of senior management. Each segment is defined by the products and services it provides globally to our clients or the activities it undertakes solely for our own account.

J.P. Morgan's segments, or activities, are Investment Banking, Equity Investments, Equities, Interest Rate and Foreign Exchange Markets, Credit Markets, Credit Portfolio, Proprietary Investing and Trading, and Asset Management Services. In addition to the activities of our proprietary positioning group, the Proprietary Investing and Trading segment comprises the following separately managed investments: a proprietary emerging markets portfolio, a credit investment securities portfolio, and our investment in Long-Term Capital Management, L.P. - the first two of these have been discontinued and our remaining investment in Long-Term Capital Management, L.P. is expected to be repaid in the first quarter of 2000.

The assessment of segment performance by senior management includes a review for each segment of pretax economic value added, pretax income, revenues, and expenses, as well as related trends among these items. We define economic value added (EVA) as operating income, adjusted to reflect certain segments on a total return basis, less preferred stock dividends and a charge for the cost of equity capital. At the business level, EVA is currently evaluated on a pretax basis, while at the firm level EVA is assessed after the impact of taxes. To arrive at the charge for equity capital for each segment, we multiply its allocated required economic capital by its market-based cost of equity (or hurdle rate), with the exception of our Credit Portfolio segment whose cost of equity is based on market pricing for credit risk. The cost of equity for each business activity is separately determined from observable market returns of publicly held investments. To arrive at the charge for equity capital for J.P. Morgan consolidated, we multiply the firm's equity by its market-based cost of equity, which is currently estimated at 10.5%.

Our management reporting system and policies were used to determine income (revenues minus expenses) attributable to each segment. Earnings on stockholders' equity were allocated based on management's estimate of the economic capital of each segment. Overhead, which represents costs associated with various support functions that exist for the benefit of the firm as a whole, is allocated to each segment based on that segment's expenses. Transactions between segments are recorded within segment results as if conducted with a third party and are eliminated in consolidation.

The accounting policies of our segments are, in all material respects, consistent with those described in note 1, except for management reporting policies related to the tax-equivalent adjustment. For purposes of comparability, segment results include an adjustment to gross-up tax-exempt revenue to a taxable basis; this adjustment is eliminated in consolidation. In addition, in arriving at pretax EVA an adjustment is made to record certain segments on a total return basis; the Proprietary Investing and Trading segment is the only segment significantly affected by this adjustment (see footnote 6 to the segment results table below.)

Our economic capital allocation model estimates the amount of equity required by each business activity and the firm as a whole. Business economic capital is estimated as if each activity were conducted as a stand-alone operating entity. This estimate is based, to the extent possible, on observations of the capital structures and risk profiles of public companies or benchmarks. In particular, for our markets and asset management activities, required economic capital is based on the revenue volatility and fixed expenses of public U.S. investment banks and asset management companies, respectively; for Credit Portfolio, capital is based on a simulation of unexpected credit losses; and, for Equity Investments, capital is equal to the carrying value of the portfolio. Diversification of Morgan's portfolio of businesses is reflected as a reduction to the consolidated level of required equity and is a factor in assessing the appropriate level of capitalization of the firm. The benefit of diversification is not allocated to the segments.

The following table presents segment results for the years ended December 31, 1999, 1998, and 1997.

In millions	Invest-ment Banking	Equity Invest-ments	Equities	Interest Rate and Foreign Exchange Markets	Credit Markets
1999					
Net interest revenues	$ 6	$(11)	$ 118	$ 428	$ 287
Trading revenue	232	--	615	1 246	785
Advisory and underwriting fees	971	6	173	61	387
Investment management fees	--	15	--	--	--
Fees and commissions	(19)	--	431	163	26
Investment securities revenue	(1)	634(12)	(5)	(9)	1
Other revenue	7	2	85	120	40
Total noninterest revenues	1 190	657	1 299	1 581	1 239
Total revenues	1 196	646	1 417	2 009	1 526(1)
Total operating expenses	921	145	944	1 232	850
Total pretax income(8)	275	501	473	777	676
Pretax EVA	212	296	312	345	452
Total assets at year-end (in billions)	--	2	27	93	22
Average required economic capital	405	1 479	716	2 027	1 053
1998					
Net interest revenues	$ --	$(7)	$ 107	$ 58	$ 198
Trading revenue	187	1	108	1 729	45
Advisory and underwriting fees	811	7	138	50	368
Investment management fees	--	--	--	--	--
Fees and commissions	--	--	331	111	4
Investment securities revenue	--	345	--	--	--
Other revenue	3	--	15	116	13
Total noninterest revenues	1 001	353	592	2 006	430
Total revenues	1 001	346	699	2 064	628(1)
Total operating expenses	710	49	776	1 283	729
Total pretax income(8)	291	297	(77)	781	(101)
Pretax EVA	233	143	(231)	330	(492)
Total assets at year-end (in billions)	--	1	19	86	20
Average required economic capital	349	1 201	658	2 138	2 096
1997					
Net interest revenues	$ 5	$(8)	$ 15	$ 309	$ 207
Trading revenue	133	--	92	1 259	325
Advisory and underwriting fees	633	10	142	41	295
Investment management fees	--	--	--	--	--
Fees and commissions	--	--	202	68	(4)
Investment securities revenue	--	407	--	--	--
Other revenue	3	4	8	93	19
Total noninterest revenues	769	421	444	1 461	635
Total revenues	774	413	459	1 770	842
Total operating expenses	686	48	692	1 277	719
Total pretax income(8)	88	365	(233)	493	123
Pretax EVA	26	194	(373)	138	(226)
Total assets at year-end (in billions)	--	1	21	84	26
Average required economic capital	351	1 353	562	1 484	1 754

In millions	Credit Portfolio	Proprietary Investing and Trading	Asset Manage-ment Services	Corporate	Consol-idated
1999					
Net interest revenues	$ 562(2)	$ 205(5)	$ 105	$ 16	$ 1 716

Trading revenue	188	(41)	42	48	3 115
Advisory and underwriting fees	2	--	35	(5)	1 630
Investment management fees	--	--	1 026	(6)	1 035
Fees and commissions	98	2	97	48	846
Investment securities revenue	--	(300)	(1)	13	332
Other revenue	(67)	163(12)	51(12)	(219)	182
Total noninterest revenues	221	(176)	1 250	(121)	7 140
Total revenues	783	29(3)(6)	1 355	(105)	8 856
Total operating expenses	154	152	1 121	223	5 742
Total pretax income(8)	629	(123)	234	(328)(7)	3 114
Pretax EVA	183	(443)	161	(211)(9)	1 307(11)
Total assets at year-end (in billions)	59	37	10	11	261
Average required economic capital	3 020	1 821	561	(1 252)(10)	9 830
1998					
Net interest revenues	$ 346(2)	$ 314(5)	$ 99	$ 56	$ 1 171
Trading revenue	(75)	318	42	7	2 362
Advisory and underwriting fees	6	--	25	(4)	1 401
Investment management fees	--	--	894	(13)	881
Fees and commissions	109	(1)	97	97	748
Investment securities revenue	--	(109)	--	(31)	205
Other revenue	4	141(12)	7(12)	(112)	187
Total noninterest revenues	44	349	1 065	(56)	5 784
Total revenues	390	663(3)(4)(6)	1 164	--	6 955
Total operating expenses	145	157	1 100	589	5 538
Total pretax income(8)	245	506	64	(589)(7)	1 417
Pretax EVA	(449)	(186)	3	242(9)	(407)(11)
Total assets at year-end (in billions)	65	56	7	7	261
Average required economic capital	4 611	2 527	559	(1 803)(10)	12 336
1997					
Net interest revenues	$ 546(2)	$517(5)	$ 124	$ 157	$ 1 872
Trading revenue	(28)	265	41	50	2 137
Advisory and underwriting fees	--	--	25	(23)	1 123
Investment management fees	--	--	808	(16)	792
Fees and commissions	178	2	87	114	647
Investment securities revenue	--	32	--	(30)	409
Other revenue	4	78	22	9	240
Total noninterest revenues	154	377	983	104	5 348
Total revenues	700	894(3)(6)	1 107	261	7 220
Total operating expenses	122	154	1 043	325	5 066
Total pretax income(8)	578	740	64	(64)(7)	2 154
Pretax EVA	17	308	(7)	(67)(9)	10(11)
Total assets at year-end (in billions)	62	46	7	15	262
Average required economic capital	5 302	876	549	(2 846)(10)	9 385

(1) Revenues related to the structuring of tax-advantaged loans and structured credit products for Credit Portfolio were $48 million in 1999 and 1998. These amounts are eliminated in consolidation.

(2) The adjustment to gross up Credit Portfolio's revenue to a taxable basis was $27 in million 1999, $26 million in 1998 and $24 million in 1997. These amounts are eliminated in consolidation.

(3) Revenues from our credit investment securities portfolio were ($14 million) in 1999, ($129 million) in 1998, and $45 million in 1997. Revenues from our proprietary emerging markets portfolio were ($80 million) in 1998 and $22 million in 1997. Expenses for these portfolios were not significant.

(4) Includes $35 million of gains related to the sale of investment securities to Interest Rate Markets. This amount is eliminated in consolidation.

(5) The adjustment to gross up Proprietary Investing and Trading's tax-exempt revenues to a taxable basis was $142 million in 1999, $119 million in 1998, and $84 million in 1997. These amounts are eliminated in consolidation.

(6) Total return revenues, which combine reported revenues and the change in net unrealized appreciation/depreciation, were $31 million in 1999, $424 million in 1998, and $657 million in 1997.

(7) We classify the revenues and expenses of Corporate into three broad categories:

- Corporate research and development initiatives that involve strategic investments in new client segments or services, but are managed separately from existing business lines. Expenses related to this area totaled $71 million in 1999.

- Other corporate revenues and expenses that are recurring but unallocated to the business segments, including but not limited to: the results of hedging anticipated net foreign currency revenues and expenses across all business segments; corporate-owned life insurance; certain equity earnings in affiliates; and consolidation and management reporting offsets to certain revenues and expenses recorded in the business segments. Excluding consolidation and management reporting offsets, recurring revenues were ($173 million) in 1999, ($330 million) in 1998 and $18 million in 1997. Consolidation and management reporting offsets - which comprises offsets to certain amounts recorded in the segments, including the allocation of earnings on equity out of Corporate into the segments, adjustments to bring segments to a tax-equivalent basis, and other management accounting adjustments - were ($223 million) in 1999, ($171 million) in 1998 and ($110 million) in 1997.

- Nonrecurring items not allocated to the segments - including gains on the sale of businesses, revenues and expenses associated with businesses that have been sold or are in the process of being discontinued, including revenues and expenses related to Euroclear activities, special charges, and other one-time corporate items. Nonrecurring revenues were $41 million in 1999, $189 million in 1998 and $65 million in 1997. Significant nonrecurring revenue items include the following: third quarter of 1998 pretax gain of $56 million related to the sale of the firm's investment management business in Australia; second quarter of 1998 pretax gain of $131 million related to the sale of the firm's global trust and agency services business. Nonrecurring expenses in 1998 include $358 million in special charges taken in connection with the restructuring of business activities and other productivity initiatives. Corporate includes revenues, expenses and pretax income related to Euroclear activities in 1999, 1998, and 1997, respectively, as follows: revenues - $251 million, $312 million, and $288 million; expenses - $35 million, $51 million, and $56 million; and pretax income - $216 million, $261 million, and $232 million.

(8) The table below provides an estimate of the total noncash amounts (net provision for credit losses, depreciation, amortization, stock award plans, and write-downs on investment securities) included in the pretax income of each segment for the years ended December 31, 1999, 1998, and 1997.

In millions	1999	1998	1997
Investment Banking	$ 202	$ 121	$ 112
Equity Investments	232	95	44
Equities	133	76	71
Interest Rate and Foreign Exchange Markets	170	104	119
Credit Markets	117	74	94
Credit Portfolio	(164)	59	13
Proprietary Investing and Trading	352	554	225
Asset Management Services	167	142	111
Corporate	141	25	23
Total	1 350	1 250	812

(9) Corporate pretax EVA in 1998 excludes $171 million of special items included in pretax income related to the sale of businesses and restructuring charges (note 7). Pretax EVA for Corporate includes the cost of equity adjustment related to the following items, among others: assets and investments not allocated to the segments (note 10a), the diversification effect, and excess/shortfall capital.

(10) The following table provides a reconciliation of average common equity to

required capital for the last three years.

In millions	1999	1998	1997
Average common equity	$10 953	$10 816	$10 659
Trust preferred securities	1150	1150	1150
Fixed and adjustable preferred stock	444	444	444
Other adjustments	(95)	(88)	350
Total available capital	12 452	12 322	12 603
Total required economic capital of business segments	11 082	14 139	12 231
Corporate(a)	1 487	1 463	288
Diversification	(2 739)	(3 266)	(3 134)
Total required capital	9 830	12 336	9 385
Excess available capital	2 622	(14)	3 218

(a) Includes capital related to goodwill, Euroclear, retirement plans and other corporate assets.

(11) Consolidated after tax EVA (pretax EVA x (1-effective tax rate)) was $863 million in 1999, ($272 million) in 1998, and $7 million in 1997.

(12) Includes share of income/loss on investments carried under the equity method of accounting and related goodwill amortization as follows: Equity Investments - $50 million (1999) and $ 4 million (1997); Proprietary Investing and Trading - ($6 million) (1999) and $26 million (1998); and Asset Management Services - $39 million (1999) and ($4 million) (1998).

4. RESTRUCTURING OF BUSINESS ACTIVITIES

Results for 1998 include pretax charges totaling $358 million ($215 million after tax); this reflects a first-quarter pretax charge of $215 million ($129 million after tax) and a fourth-quarter pretax charge of $143 million ($86 million after tax).

During the first quarter of 1998, the firm announced a plan to restructure certain sales and trading functions in Europe, refocus our investment banking and equities businesses in Asia, and rationalize resources throughout the firm. The related charge reflected severance-related costs of $140 million recorded in Employee compensation and benefits associated with the reduction of our staff by approximately 900 positions; $70 million in Net occupancy, primarily related to lease termination fees, estimated losses on sublease agreements, and the write-off of various leasehold improvements and equipment, primarily in Europe; and $5 million in Technology and communications related to equipment write-offs. During the fourth quarter of 1998, we revised our estimates of remaining costs under the plan and reduced the liability by $7 million; this adjustment was recorded in Net occupancy. Excluding certain long-term commitments of $32 million associated with severance and real estate, the reserve related to this charge was substantially utilized as of December 31, 1998.

During the fourth quarter of 1998, the firm incurred an additional charge related to cost reduction programs that are part of its productivity initiatives. The charge reflected severance-related costs of $101 million recorded in Employee compensation and benefits associated with reducing staff by approximately 800 positions. It also reflected $42 million (net of the $7 million adjustment discussed above) in Net occupancy primarily related to estimated losses on sublease agreements and the write-off of various leasehold improvements and furniture and fixtures in several European locations. During the fourth quarter of 1999, we revised our estimates of real estate costs and reduced the liability by $25 million; this adjustment was recorded in Net occupancy. Excluding certain long-term commitments of $9 million associated with severance and real estate, the reserve related to this charge was substantially utilized as of December 31, 1999.

The special charges primarily affected all client-focused activities, predominantly in Europe and North America, as defined by our reported segments in note 3.

Additional costs associated with these initiatives did not meet the requirement for inclusion in the first- or fourth-quarter charge and were expensed as incurred.

5. BUSINESS CHANGES AND DEVELOPMENTS

EUROCLEAR

On September 1, 1999, J.P. Morgan and the Boards of Euroclear Clearance System PLC and Euroclear Clearance System Societe Cooperative announced that they had signed a letter of intent to create a new, market-owned European bank to operate all aspects of the Euroclear System. This agreement-in-principle anticipates the formation of a European bank in Brussels to succeed J.P. Morgan as operator and banker for the Euroclear System, facilitating Euroclear's strategy to maintain its leadership and capitalize on partnership opportunities as market forces reshape the settlement infrastructure in Europe. J.P. Morgan will remain as operator and banker of Euroclear until the successor bank is established, a process that is expected to take up to 18 months from January 1, 2000. The management and staff of Euroclear, comprising approximately 1,200 J.P. Morgan employees, will transfer to the new entity.

Under the existing Operating Agreement, income from clearance and settlement operations is earned by Euroclear Clearance System Societe Cooperative, while J.P. Morgan retains earnings from providing banking services to the System's participants. Under the agreement-in-principle, J.P. Morgan will continue to receive pretax banking income for three years from January 1, 2000, with a minimum of $195 million and maximum of $295 million per year, whether the income is earned by J.P. Morgan prior to the changeover to the new bank or afterward by the new bank. After the new bank becomes operational, it will also pay J.P. Morgan for certain transition costs and for any assets and know-how that are transferred to it.

Until the new bank becomes operational, J.P. Morgan will continue to record pretax banking income over the period during which it is earned. Upon the changeover to the new bank, J.P. Morgan will recognize as income, on that date, all expected amounts due over the remaining contract period, plus any gain on assets transferred to the new bank. This amount will be subsequently adjusted based on the determination of the final pretax banking income of Euroclear as specified in the definitive agreement.

Prior to the changeover to the successor bank, all funds due J.P. Morgan under the agreement-in-principle will be received as earned. Following the changeover, 50% of all funds due to J.P. Morgan will be paid as earned. The remaining 50% will be paid in monthly installments over the period ending six years after the signing of the definitive agreement. The successor bank will have the option of prepaying its obligation for the remaining period at the higher of $245 million per year or the average of the actual annual income (subject to the floor and cap noted above), for the portion of the three-year period preceding the prepayment.

Pretax income from Euroclear-related activities reported by J.P. Morgan was $216 million for 1999, $261 million for 1998, and $232 million for 1997.

OCCUPANCY

On December 23, 1998, the City and State of New York and the New York Stock Exchange announced their intention to build a new Exchange on land currently occupied by J.P. Morgan facilities at 15 Broad Street, 23 Wall Street, and 37 Wall Street in New York City. We do not anticipate any disruption to our operations, or any material impact to the firm's financial statements, as a result of this transaction.

SALE OF INVESTMENT MANAGEMENT BUSINESS IN AUSTRALIA

In July 1998 we completed the sale of our investment management business in Australia to Salomon Smith Barney Asset Management (a subsidiary of Citigroup), resulting in a net gain of $56 million ($34 million after tax) recorded in Other revenue. The sale will not have a material effect on our ongoing earnings.

SALE OF GLOBAL TRUST AND AGENCY BUSINESS

In June 1998 we completed the sale of our global trust and agency services business to Citibank (a wholly owned subsidiary of Citigroup), resulting in a net gain of $131 million ($79 million after tax) which is recorded in Other revenue. The sale will not have a material effect on our ongoing earnings.

6. INTEREST REVENUE AND EXPENSE

The table below presents an analysis of interest revenue and expense obtained from on- and off-balance-sheet financial instruments. Interest revenue and expense associated with derivative financial instruments are included with related balance sheet instruments. These derivative financial instruments are used as hedges or to modify the interest rate characteristics of assets and liabilities and include swaps, forwards, futures, options, and debt securities forwards.

In millions	1999	1998	1997
INTEREST REVENUE			
Deposits with banks	$ 254	$ 294	$ 199
Debt investment securities(a)	1 588	1 456	1 557
Trading account assets	3 727	4 344	4 275
Securities purchased under agreements to resell and federal funds sold	1 609	2 031	2 059
Securities borrowed	1 833	2 088	1 784
Loans	1 670	2 109	2 029
Other sources(b)	289	319	450
Total interest revenue	10 970	12 641	12 353
INTEREST EXPENSE			
Deposits	2 253	2 823	2 753
Trading account liabilities	1 174	1 541	1 652
Securities sold under agreements to repurchase and federal funds purchased	3 030	3 846	3 532
Other borrowed money	1 466	1 613	1 447
Long-term debt	1 506	1 537	1 097
Total interest expense	9 429	11 360	10 481
Net interest revenue	1 541	1 281	1 872

(a) Interest revenue from debt investment securities included taxable revenue of $1,485 million, $1,335 million, and $1,462 million and revenue exempt from U.S. income taxes of $103 million, $121 million, and $95 million in 1999, 1998, and 1997, respectively.

(b) Primarily risk-adjusting swaps for the year ended December 31, 1997. Refer to note 1.

Net interest revenue associated with derivatives used for purposes other-than-trading was approximately $1 million in 1999, $159 million in 1998, and $177 million in 1997. As of December 31, 1999 and 1998, approximately $34 million of net deferred gains and $249 million of net deferred losses, respectively, on closed derivative contracts used for purposes other-than-trading were recorded on the "Consolidated balance sheet." These amounts primarily relate to closed hedge contracts included in the amortized cost of the debt investment portfolio as of December 31, 1999 and 1998. The amount of net deferred gains or losses on closed derivative contracts changes from period to period, primarily due to the amortization of such amounts to Net interest revenue. These changes are also influenced by the execution of our investing strategies, which may result in the sale of the underlying hedged instruments and/or termination of hedge contracts. Net deferred (losses) gains on closed derivative contracts as of December 31, 1999, are expected to amortize into Net interest revenue as follows: ($3 million) in 2001; $0.2 million in 2002; $0.2 million in 2003; $0.6 million in 2004; and approximately $36 million thereafter.

7. TRADING REVENUE

The following table presents trading revenue by principal product grouping for 1999, 1998, and 1997.

In millions	1999	1998	1997
Fixed income	$1 594	$1 330	$1 578
Equities	971	367	226
Foreign exchange	550	665	333
Total trading revenue	3 115	2 362	2 137
Trading-related net interest revenue	699	309	529
Combined total	3 814	2 671	2 666

Fixed-income trading revenue includes the results of making markets in both developed and emerging countries in government securities, U.S. government agency securities, corporate debt securities, money market instruments, interest rate and currency swaps, and options and other derivatives. Equities trading revenue includes the results of making markets in global equity securities; equity derivatives such as swaps, options, futures, and forward contracts; and convertible debt securities. Foreign exchange trading revenue includes the results of making markets in spot and option contracts, and in short-term interest rate products in order to help clients manage their foreign currency exposure. Foreign exchange also includes the results from commodity transactions in spot, forward, and option contracts, and in swaps.

8. ADVISORY AND UNDERWRITING FEES

In millions	1999	1998	1997
Advisory fees	$ 778	$ 643	$ 476
Underwriting revenue and syndication fees	852	758	647
Total	1 630	1 401	1 123

Advisory fees include revenues earned from advising clients on such corporate strategies as mergers and acquisitions, privatizations, and changes in capital structures. Underwriting revenue includes fees from both debt and equity underwriting. Syndication fees include revenue earned from the arrangement and syndication of credit facilities.

9. INVESTMENT MANAGEMENT FEES

In millions	1999	1998	1997
Investment advisory fees	$ 737	$499	$423
Trust fees	298	382	369
Total	1 035	881	792

Investment advisory fees include revenues earned from commissions charged for investment advice given to individuals, institutions, pension funds, and sovereign governments. Trust fees include revenues earned from commissions charged for the administration of pension and personal trusts, and estates.

10. FEES AND COMMISSIONS

In millions	1999	1998	1997
Operational services fees:			
Commissions	$615	$519	$351
Custody and securities handling	32	49	65
Other fees	67	65	66
Credit related fees:			
Loan commitments	91	88	82
Letters of credit and guarantees	48	53	58
Securities lending and indemnifications	30	34	29
Other fees	(37)	(60)	(4)
Total	846	748	647

Commissions include fees earned on brokerage services for futures, options, and equity securities, securities clearing services, and fees earned on international depository receipts. Custody and securities handling revenues primarily include fees from safekeeping transactions and brokerage execution fees. Other fees include revenues earned from cash management services, account service fees, and other operational service fees.

Loan commitment fees include revenues from lending commitments. We also earn fees by providing standby letters of credit and guarantees. Securities lending and indemnification revenues include fees earned in connection with securities borrowing and lending transactions where the borrower provides no cash collateral. Other fees primarily include amounts paid to purchase credit protection on loans and lending commitments.

11. INVESTMENT SECURITIES REVENUE

In millions	1999	1998	1997
DEBT INVESTMENT SECURITIES			
Gross realized gains from sales of securities	$173	$105	$128
Gross realized losses from sales of securities	(467)	(225)	(102)
Net gains on maturities, calls, and mandatory redemptions	1	8	5
Write-downs for other-than-temporary impairments in value	-	(28)	(29)
Net debt investment securities (loss) revenue	(293)	(140)	2
EQUITY INVESTMENT SECURITIES			
Gross realized gains from marketable available-for-sale securities	13	334	262
Gross realized gains from nonmarketable securities	310	68	144
Net appreciation in SBIC securities	433	2	4
Write-downs for other-than-temporary impairments in value	(207)	(89)	(37)
Dividend and other income	76	30	34
Net equity investment securities revenue	625	345	407
Total investment securities revenue	332	205	409

12. OTHER REVENUE AND OTHER EXPENSES

OTHER REVENUE

In millions	1999	1998	1997
Foreign currency hedging gains/loss(a)	$105	($ 57)	$135
Equity earnings in certain affiliates, including related goodwill amortization	39	47	40
Reversal of provisions for credit losses	-	60	-
Gain on sale of businesses (see note 5)	-	187	-
Other(b)	38	(50)	65
Total other revenue	182	187	240

(a) Includes gains and losses on hedges of anticipated foreign currency revenues and expenses. These gains and losses are partially offset by the impact of exchange rate movements on reported revenues and expenses over the year.

(b) Includes losses on loan sales of approximately $30 million in 1999 and $45 million in 1998.

OTHER EXPENSES

In millions	1999	1998	1997
Professional services	$127	$123	$135
Marketing and business development	184	169	200
Other outside services	187	187	180
Other	106	197	166
Total other expenses	604	676	681

13. INVESTMENT IN AMERICAN CENTURY

In January 1998, we completed the purchase of a 45% economic interest in American Century Companies, Inc. (American Century) for $965 million. American Century is a no-load U.S. mutual fund company selling directly to individuals. The investment is accounted for under the equity method of accounting and recorded in Other assets. The excess of our investment over our share of equity (i.e., goodwill) in American Century was approximately $795 million at the time of purchase. This amount is being amortized on a straight-line basis over a period of 25 years resulting in annual amortization expense of approximately $32 million. As of December 31, 1999 and 1998, goodwill totaled $731 million and $763 million, respectively. Our share of equity income in American Century and the amortization of goodwill related to this investment is recorded in Other revenue. The results of this investment are included in the Asset Management Services segment.

14. CASH AND DUE FROM BANKS

J.P. Morgan is required to maintain non-interest-earning reserve balances with U.S. Federal Reserve banks and various foreign central banks. Such balances, which are based principally on deposits outstanding, are included in Cash and due from banks. As of December 31, 1999 and 1998, required reserves were $566 million and $260 million, respectively. Average required reserves were $387 million in 1999 and $293 million in 1998.

15. INVESTMENT SECURITIES

DEBT INVESTMENT SECURITIES

The following table presents the gross unrealized gains and losses and a comparison of the cost, along with the fair and carrying value of our available-for-sale debt investment securities as of December 31, 1999, 1998, and 1997. The gross unrealized gains or losses on each debt investment security include the effects of any related hedge. See note 17 for additional detail of gross unrealized gains and losses associated with open derivative contracts used to hedge debt investment securities.

In millions: December 31	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
1999				
U.S. Treasury	$ 2 303	$ 31	$ 3	$ 2 331
U.S. government agency, principally mortgage-backed	9 090	44	241	8 893
U.S. state and political subdivision	2 093	205	166	2 132
U.S. corporate and bank debt	76	-	-	76
Foreign government(a)	740	-	-	740
Foreign corporate and bank debt	5	1	-	6
Other	108	-	-	108
Total debt investment securities	14 415	281	410	14 286

In millions: December 31	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
1998				
U.S. Treasury	$ 620	$130	$ 1	$ 749
U.S. government agency, principally mortgage-backed	32 458	34	117	32 375
U.S. state and political subdivision	1 800	174	31	1 943
U.S. corporate and bank debt	200	2	5	197
Foreign government(a)	376	-	9	367
Foreign corporate and bank debt	536	2	55	483
Other	117	1	-	118
Total debt investment securities	36 107	343	218	36 232

In millions: December 31	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
1997				
U.S. Treasury	$ 1 035	$142	$ 1	$ 1 176
U.S. government agency, principally mortgage-backed	16 779	126	75	16 830
U.S. state and political subdivision	1 440	184	10	1 614
U.S. corporate and bank debt	428	1	2	427
Foreign government(a)	784	5	14	775
Foreign corporate and bank debt	1 929	2	99	1 832
Other	112	2	-	114
Total debt investment securities	22 507	462	201	22 768

(a) Primarily includes debt of countries that are members of the Organization for Economic Cooperation and Development.

As of December 31, 1999, there were no securities of a single issuer, excluding the U.S. Treasury and U.S. government agencies, whose fair value exceeded 10% of stockholders' equity.

The following table displays the maturities and related weighted-average rates of available-for-sale debt investment securities as of December 31, 1999.

In millions: December 31	Within one year	After one year but within five years	After five years but within 10 years	After 10 years	Total
U.S. Treasury	$2 003	$ 64	$ 157	$ 79	$ 2 303
U.S. government agency, principally mortgage-backed(a)	60	252	7 502	1 276	9 090
U.S. state and political subdivision	236	272	169	1 416	2 093
U.S. corporate and bank debt	7	-	59	10	76
Foreign government	732	8	-	-	740
Foreign corporate and bank debt	-	-	5	-	5
Other	-	-	-	108	108
Total debt investment securities, at cost	3 038	596	7 892	2 889	14 415
Fair value	3 040	610	7 764	2 872	14 286
Net unrealized gains/(losses)	2	14	(128)	(17)	(129)
Average rate on debt investment securities, at cost(b)	4.57%	6.74%	6.73%	7.46%	6.42%

(a) Mortgage-backed securities are included based on their weighted-average lives, which reflect anticipated future prepayments based on a consensus of dealers in the market.

(b) Average rates represent the weighted average as of December 31, 1999, and include the effects of various hedging transactions. Average rates do not give effect to unrealized gains and losses that are reflected as a component of stockholders' equity. U.S. state and political subdivision securities have been adjusted to a taxable-equivalent basis.

EQUITY INVESTMENT SECURITIES

Equity investment securities are generally owned by J.P. Morgan Capital Corporation, a wholly owned nonbank subsidiary of J.P. Morgan. Many of these equity investment securities are subject to legal, regulatory, and contractual restrictions that limit our ability to dispose of them freely.

The following table shows gross unrealized gains and losses, a comparison of the cost, fair value and carrying value of marketable, nonmarketable, and SBIC securities portfolios of J.P. Morgan consolidated. A substantial portion of these are included in our Equity Investments segment.

In millions: December 31	Marketable	Nonmarketable	SBIC securities
Accounting (see note 1)	Fair value through equity	Cost	Fair value through earnings
1999			
Cost	$390	$547	$287
Gross unrealized gains	170	70	342
Gross unrealized losses	(1)	(5)	(1)
Net unrealized gains	169(a)	65(b)	341(c)
Fair value	559	612	628
Carrying value on balance sheet	559	547	628

In millions: December 31	Marketable	Nonmarketable	SBIC securities
Accounting (see note 1)	Fair value through equity	Cost	Fair value through earnings
1998			
Cost	$446	$439	$172
Gross unrealized gains	143	124	6
Gross unrealized losses	(34)	(20)	(3)
Net unrealized gains	109(a)	104(a)	3
Fair value	555	543	175
Carrying value on balance sheet	555	439	175

In millions: December 31	Marketable	Nonmarketable	SBIC securities
Accounting (see note 1)	Fair value through equity	Cost	Fair value through earnings
1997			
Cost	$207	$338	$108
Gross unrealized gains	436	158	7
Gross unrealized losses	(9)	(22)	(2)
Net unrealized gains	427(d)	136(a)	5
Fair value	634	474	113
Carrying value on balance sheet	634	338	113

(a) Primarily relates to investments in the telecommunications and financial services industries.

(b) Primarily relates to investments in the financial services and media industries.

(c) Primarily relates to investments in the telecommunications industries.

(d) Primarily relates to investments in the insurance industry.

16. TRADING ACCOUNT ASSETS AND LIABILITIES

The following table presents the fair and carrying value of trading account assets and trading account liabilities as of December 31, 1999 and 1998. It also includes the average balances for the years then ended.

	1999		1998	
In millions: December 31	Carrying value	Average balance	Carrying value	Average balance
TRADING ACCOUNT ASSETS				
U.S. Treasury	$ 9 369	$ 9 072	$ 18 262	$ 11 758
U.S. government agency	14 142	13 847	6 040	10 194
Foreign government	19 152	18 670	20 163	28 858
Corporate debt and equity	24 494	19 638	16 862	20 908
Other securities	6 777	7 494	4 445	8 771
Interest rate and currency swaps	15 073	16 717	18 129	21 846
Credit derivatives	290	753	1 401	1 167
Foreign exchange contracts	2 168	2 857	4 132	4 849
Interest rate futures and forwards	280	49	259	202
Equity and commodity contracts	6 185	4 825	3 310	2 911
Purchased option contracts	19 662	19 015	20 893	13 668
	117 592	112 937	113 896	125 132
TRADING ACCOUNT LIABILITIES				
U.S. Treasury	8 484	5 768	5 786	8 934
Foreign government	10 894	12 415	10 213	14 291
Corporate debt and equity	10 901	8 942	7 752	9 365
Other securities	5 162	3 120	2 209	2 546
Interest rate and currency swaps	14 871	13 968	16 375	18 424
Credit derivatives	1 035	879	1 228	1 467
Foreign exchange contracts	2 038	3 178	4 396	4 870
Interest rate futures and forwards	226	700	1 323	979
Equity and commodity contracts	4 760	3 554	2 951	2 681
Written option contracts	22 046	19 498	18 410	13 889
	80 417	72 022	70 643	77 446

TRADE DATE RECEIVABLES/PAYABLES

Amounts receivable and payable for securities that have not reached their contractual settlement dates in our trading and investing activities are recorded net in the "Consolidated balance sheet." Amounts receivable for securities sold of $14.0 billion were netted against amounts payable for securities purchased of $8.0 billion. This produced a net trade date receivable of $6.0 billion, recorded in Accrued interest and accounts receivable as of December 31, 1999. In 1998 amounts receivable for securities sold of $9.8 billion were netted against amounts payable for securities purchased of $9.0 billion. This produced a net trade date receivable of $0.8 billion.

17. DERIVATIVES

In general, derivatives are contracts or agreements whose values are derived from changes in interest rates, foreign exchange rates, credit spreads, prices of securities, or financial or commodity indices. The timing of cash receipts and payments for derivatives is generally determined by contractual agreement. Derivatives are either standardized contracts executed on an exchange or privately negotiated contracts. Futures and option contracts are examples of standard exchange-traded derivatives. Forward, swap, and option contracts are examples of privately negotiated derivatives. Privately negotiated derivatives are generally not traded like securities. In the normal course of business, however, they may be terminated or assigned to another counterparty if the original holder agrees. We use derivatives for trading or other-than-trading purposes. Other-than-trading purposes are primarily related to our investing activities.

Interest rate swaps are contractual agreements to exchange periodic interest payments at specified intervals. The notional amounts of interest rate swaps are not exchanged; they are used solely to calculate the periodic interest payments. Currency swaps generally involve exchanging principal (the notional amount) and periodic interest payments in one currency for principal and periodic interest payments in another currency.

Credit derivatives include credit default swaps and related swap and option contracts. Credit default swaps are contractual agreements that provide insurance against a credit event of one or more referenced credits. The nature of the credit event is established by the protection buyer and seller at the inception of the transaction. Events include bankruptcy, insolvency, and failure to meet payment obligations when due. The protection buyer pays a periodic fee in return for a contingent payment by the protection seller following a credit event. The contingent payment is typically the loss - the difference between the notional and the recovery amount incurred by the creditor of the reference credit as a result of the event.

Foreign exchange contracts involve an agreement to exchange one country's currency for another at an agreed-upon price and settlement date. Most of the contracts reported in the following table are forward contracts.

Interest rate futures are standardized exchange-traded agreements to receive or deliver a specific financial instrument at a specific future date and price. Forward rate agreements provide for the payment or receipt of the difference between a specified interest rate and a reference rate at a future settlement date. Debt security forwards include to-be-announced and when-issued securities contracts.

Equity and commodity contracts include swaps and futures in the equity and commodity markets and commodity forward agreements. Equity swaps are contractual agreements to receive the appreciation or depreciation in value based on a specific strike price on an equity instrument in return for paying another rate, which is usually based on equity index movements or interest rates. Commodity swaps are contractual commitments to exchange the fixed price of a commodity for a floating price. Equity and commodity futures are exchange-traded agreements to receive or deliver a financial instrument or commodity at a specific future date and price. Equity and commodity forwards are privately negotiated agreements to purchase or sell a specific amount of a financial instrument or commodity at an agreed-upon price and settlement date.

An option provides the option purchaser, for a fee, the right - but not the obligation - to buy or sell a security at a fixed price on or before a specified date. The option writer is obligated to buy or sell the security if the purchaser chooses to exercise the option. These options include contracts in the interest rate, foreign exchange, equity, and commodity markets. Interest rate options include caps and floors.

The following table presents notional amounts for trading and other-than-trading derivatives, based on management's intent and ongoing usage. A summary of the on-balance-sheet credit exposure, which is represented by the net positive fair value associated with trading derivatives and recorded in Trading account assets, is also included in the following table. Our on-balance-sheet credit exposure takes into consideration $94.0 billion and $107.6 billion of master netting agreements in effect as of December 31, 1999 and 1998, respectively.

	Notional amounts		On-balance-sheet credit exposure	
In billions: December 31	1999	1998	1999	1998
Interest rate and currency swaps:				
Trading	$4 338.2	$3 736.7		
Other-than-trading(a)(b)	63.6	65.4		
Total interest rate and currency swaps	4 401.8	3 802.1	$15.0	$18.1
Credit derivatives:				
Trading	155.6	59.5		
Other-than-trading(a)	16.8	4.1		
Total credit derivatives	172.4	63.6	0.3	1.4
Foreign exchange spot, forward, and futures contracts:				
Trading	426.6	565.4		
Other-than-trading(a)	18.8	37.6		
Total foreign exchange spot, forward, and futures contracts	445.4	603.0	2.2	4.1
Interest rate futures, forward rate agreements, and debt securities forwards:				
Trading	924.7	1 458.3		
Other-than-trading	36.7	8.7		
Total interest rate futures, forward rate agreements, and debt securities forwards	961.4	1 467.0	0.3	0.3
Equity and commodity swaps, forward and futures contracts, all trading	94.5	86.0	6.2	3.3
Purchased options:(c)				
Trading	1 275.3	1 291.5		
Other-than-trading(a)	10.3	0.5		
Total purchased options	1 285.6	1 292.0	19.7	20.9
Written options, all trading(d)	1 515.2	1 544.0	-	-
Total on-balance-sheet credit exposure			43.7	48.1

(a) Derivatives used as hedges of other-than-trading positions may be transacted with third parties through independently managed J.P. Morgan derivative dealers that function as intermediaries for credit and administrative purposes. In such cases, the terms of the third-party transaction (notional, duration, currency, etc.) are matched with the terms of the internal trade to ensure that the hedged risk has been offset with a third party. If such terms are not matched or a third-party trade is not transacted, the intercompany trade is eliminated in consolidation.

(b) As of December 31, 1999 and 1998, the notional amounts of derivative contracts used for purposes other-than-trading conducted in the foreign exchange markets, primarily forward contracts, amounted to $24.6 billion and $42.7 billion, respectively. As of December 31, 1999, these contracts were primarily denominated in the following currencies: Euro $7.7 billion, Japanese yen $5.6 billion, Swiss franc $3.0 billion, British pound $2.5 billion, and Canadian dollar $1.4 billion. As of December 31, 1998, these contracts were primarily denominated in the following currencies: German deutsche mark $5.6 billion, French franc $5.4 billion, Japanese yen $4.6 billion, British pound $3.6 billion, Euro $3.2 billion, Swiss franc $3.1 billion, and Italian lira $2.7 billion.

(c) As of December 31, 1999 and 1998, purchased options used for trading purposes included $950.8 billion and $987.1 billion, respectively, of interest rate options; $161.9 billion and $200.9 billion, respectively, of foreign exchange options; and $162.6 billion and $103.5 billion, respectively, of commodity and equity options. Only interest rate options are used for purposes other-than-trading. Purchased options executed on an exchange amounted to $204.1 billion and $269.5 billion, privately negotiated contracts amounted to $1,081.5 billion and $1,022.5 billion as of December 31, 1999 and 1998, respectively.

(d) As of December 31, 1999 and 1998, written options included $1,167.5 billion and $1,239.4 billion, respectively, of interest rate options; $186.8 billion and $196.7 billion, respectively, of foreign exchange options; and $160.9 billion and $107.9 billion, respectively, of commodity and equity options. Written options executed on an exchange amounted to $200.7 billion and $395.9 billion, and privately negotiated contracts amounted to $1,314.5 billion and $1,148.1 billion as of December 31, 1999 and 1998, respectively.

Derivatives are used to hedge or modify the interest rate characteristics of debt investment securities, loans, deposits, other liabilities for borrowed money, long-term debt, and other financial assets and liabilities. Net unrealized gains and losses associated with such derivatives contracts amounted to ($1 million) and $785 million as of December 31, 1999 and 1998, respectively. Gross unrealized gains and gross unrealized losses associated with open derivatives contracts used for these purposes as of December 31, 1999 and 1998, are presented in the following table. Such amounts primarily relate to interest rate and currency swaps used to hedge or modify the interest rate characteristics of long-term debt; debt investment securities, principally mortgage-backed securities; deposits; and other financial instruments.

In millions: December 31	Gross unrealized gains	Gross unrealized losses	Net unrealized gains/(losses)
1999			
Long-term debt	$ 294	$551	($257)
Debt investment securities	192	39	153
Deposits	181	49	132
Other financial instruments	153	182	(29)
Total	820	821	(1)
1998			
Long-term debt	$ 554	$133	$421
Debt investment securities	13	25	(12)
Deposits	343	16	327
Other financial instruments	242	193	49
Total	1 152	367	785

The following table presents notional and on-balance-sheet credit exposure by maturity.

NOTIONAL AMOUNT (TRADING AND OTHER-THAN-TRADING)

In billions: December 31	Within one year	After one year but within five years	After five years	Total 1999
Interest rate and currency swaps	$1 179.1	$1 877.6	$1 345.1	$4 401.8
Credit derivatives	19.2	142.9	10.3	172.4
Foreign exchange spot, forward, and futures contracts	429.3	15.6	0.5	445.4
Interest rate futures, forward rate agreements, and debt securities forwards	800.2	160.9	0.3	961.4
Equity and commodity swaps, forward and futures contracts.	81.4	11.5	1.6	94.5
Purchased option contracts	458.8	611.9	214.9	1 285.6
Written option contracts	458.3	787.9	269.0	1 515.2

ON-BALANCE-SHEET CREDIT EXPOSURE (TRADING)

In billions: December 31	Within one year	After one year but within five years	After five years	Total 1999
Interest rate and currency swaps	$4.0	$6.4	$4.6	$15.0
Credit derivatives	0.1	0.1	0.1	0.3
Foreign exchange spot, forward, and futures contracts	2.1	0.1	-	2.2
Interest rate futures, forward rate agreements, and debt securities forwards	0.2	0.1	-	0.3
Equity and commodity swaps, forward and futures contracts ..	5.3	0.8	0.1	6.2
Purchased option contracts	7.0	9.3	3.4	19.7

After considering the effect of collateral and purchased credit protection, as of December 31, 1999 no individual industry exceeded 10% of total on-balance-sheet derivative credit exposure, with the exception of banks (39%). In addition, no individual country exceeded 10% of total on-balance-sheet derivative credit exposure, with the exception of the United States (35%). On a regional basis, exposures were 35% to North America, 53% to Europe, 10% to Asia Pacific, and 2% to Latin America.

18. LOANS

INDUSTRY OR TYPE OF BORROWER

The table below provides loan detail by industry and location of the borrower or, in the case of guaranteed loans, the industry and location of the guarantor. The table does not consider collateral or purchased credit protection.

In millions: December 31	1999	1998
DOMESTIC		
Commercial and industrial	$ 8 459	$ 5 755
Financial institution:		
Banks	234	934
Other financial institutions	2 097	2 183
Real estate	2 731	1 787
Other, primarily individuals and including U.S. state and political subdivisions	1 881	3 776
	15 402	14 435
FOREIGN		
Commercial and industrial	8 252	5 834
Financial institution:		
Banks	1 664	2 507
Other financial institutions	453	846
Real estate	169	418
Governments and official institutions	396	917
Other, primarily individuals	513	538
	11 447	11 060
Total loans	26 849	25 495

MATURITY PROFILE OF LOAN PORTFOLIO

The following table shows our loan portfolio by maturity and industry of borrower as of December 31, 1999.

	Maturing			
In millions: December 31	Within one year	After one year but within five	After five years	Total
Commercial and industrial	$ 7 186	$ 7 854	$1 671	$16 711
Financial institution:				
Banks	1 708	171	19	1 898
Other financial institutions	918	663	969	2 550
Real estate	319	1 189	1 392	2 900
Foreign governments and official institutions	103	182	111	396
Other, primarily individuals and including U.S. state and political subdivisions	1 675	599	120	2 394
Total loans	11 909	10 658	4 282	26 849

INTEREST RATE STRUCTURE OF LOAN PORTFOLIO

The table below shows our loan portfolio based on interest rate structure as of December 31, 1999.

In millions: December 31	Maturing: Within one year	Maturing: After one year but within five	Maturing: After five years	Total
Loans at fixed rates of interest	$ 2 263	$ 853	$1 584	$ 4 700
Loans at floating rates of interest	9 646	9 805	2 698	22 149
Total loans	11 909	10 658	4 282	26 849

LOAN CONCENTRATIONS

As of December 31, 1999 no individual industry exceeded 10% of total loans, after considering the effect of cash and marketable securities collateral and purchased credit protection, with the exception of real estate (17%) and other financial institutions (11%). In addition, as of December 31, 1999 no individual country exceeded 10% of total loans, with the exception of the United States (54%) and the United Kingdom (11%). On a regional basis, exposures were 54% to North America, 32% to Europe, 8% to Latin America and 6% to Asia Pacific.

LOANS HELD FOR SALE

Included in Loans are loans held for sale of approximately $3.2 billion as of December 31, 1999, compared with $2.8 billion as of December 31, 1998. These loans are recorded on the balance sheet at the lower of cost or fair value and are primarily to borrowers in the U.S. in various industries.

19. OTHER CREDIT-RELATED PRODUCTS

Lending commitments include commitments to extend credit, standby letters of credit and guarantees. The contractual amounts of these instruments represent the amount at risk should the contract be fully drawn upon, the client default, and the value of the collateral become worthless.

The total contractual amount of credit-related financial instruments does not represent the future liquidity requirements, since we expect a significant amount of commitments to expire or mature without being drawn. The credit risk associated with these instruments varies according to each client's creditworthiness and the value of any collateral held. Commitments to extend credit generally require clients to meet certain credit-related terms and conditions before drawdown. Market risk for commitments to extend credit, standby letters of credit, and guarantees, while not significant, may arise as availability of and access to credit markets change.

The following table summarizes the contractual amount of credit-related instruments as of December 31.

In billions: December 31	1999	1998
Commitments to extend credit	$69.3	$73.0
Standby letters of credit and guarantees	13.8	15.9
Total lending commitments	83.1	88.9

We also have securities lending indemnifications associated with our Euroclear-related activities of $5.6 billion and $4.1 billion as of December 31, 1999 and 1998, respectively. As of December 31, 1999 and 1998, J.P. Morgan held cash and other collateral in full support of these securities lending indemnifications.

After considering the effect of collateral and purchased credit protection, as of December 31, 1999 no individual industry exceeded 10% of total lending commitments, with the exception of other financial institutions (11%). In addition, no individual country exceeded 10% of total lending commitments, with the exception of the United States (86%). On a regional basis, exposures were 86% to North America, 13% to Europe, and 1% to Asia Pacific.

PURCHASE OF CREDIT PROTECTION

Since December 1997, we have entered into three Synthetic Collateralized Loan Obligations that has allowed us to reduce the credit risk on a portfolio of counterparties totaling approximately $20 billion in notional amount. This was accomplished using credit default swaps, whereby the credit risk is transferred into the capital markets via a special purpose entity, without us having to sell the assets or change their composition. The structures provide protection at the counterparty level, that is, protection is provided on all exposures to a referenced counterparty versus on a specific loan, commitment or derivative transaction to that counterparty. We have retained the first risk of loss equity tranche in these transactions totaling $224 million. As a result of these structures, we were able to reduce economic capital by approximately $406 million as of December 31, 1999. These structures have also allowed us to reduce our risk-adjusted assets by approximately $4.8 billion as of December 31, 1999, thereby increasing our Tier I and Total risk-based capital ratios by 31 basis points (0.31%) and 45 basis points (0.45 %), respectively. In particular, these transactions have allowed us to convert the credit risk associated with $20 billion of diversified exposure on our balance sheet - as described in the following table - from various lower credit ratings to that we believe is equivalent to a AAA+ counterparty.

Counterparty rating	Notional exposure
AAA	$ 1 058
AA	3 869
A	8 432
BBB	5 282
BB	1 020
B	271
CCC and below	342
Total	20 274

The notional exposures in the above table are diversified by counterparty in the following industries: banks - $2,731 million; nonbank financial institutions - $2,930 million; governments - $855 million; commercial and industrial - $5,222 million; cyclical $4,609 million; and non-cyclical - $3,927 million.

In addition to the above transactions, during 1999 the firm executed a collateralized loan obligation transaction, whereby we participated out to third parties approximately $2.3 billion of traditional credit product exposure. This transaction resulted in a decrease of $60 million in economic capital. In 1999, the firm also entered into single name credit default swaps to hedge some of the credit exposure arising from our traditional lending and the derivatives activities. As of December 31, 1999, the total outstanding notional amount of single name credit default swaps where the firm had bought protection was approximately $15 billion.

20. IMPAIRED LOANS

The following table shows impaired loans - net of charge-offs - as of December 31.

In millions: December 31	1999(a)	1998(a)(b)	1997(a)(b)
Commercial and industrial	$54	$ 25	$ 56
Banks	-	-	28
Other	23	97	29
Total impaired loans	77	122	113
Allowance for impaired loans	24	34	50

(a) Impaired loans for which no SFAS No. 114 reserve was deemed necessary were $22 million, $15 million, and $9 million as of December 31, 1999, 1998, and 1997, respectively. As of December 31, 1999, approximately 40% of impaired loans were measured for impairment using observable market prices, 40% using the fair value of collateral, and the remainder using the present value of future cash flows.

(b) Certain reclassifications were made to conform with the categorization used in Bank regulatory filings.

An analysis of the effect of impaired loans - net of charge-offs - on interest revenue for 1999, 1998, and 1997 is presented in the following table.

In millions	1999	1998	1997
Interest revenue that would have been recorded if accruing	$ 10	$6	$ 9
Net interest revenue recorded:			
Related to the current period	-	5	3
Related to prior periods	-	-	2
(Negative) impact of impaired loans on interest revenue	(10)	(1)	(4)

Interest that would have been recorded if accruing represents $5 million, $3 million, and $4 million from borrowers in the U.S., and $5 million, $3 million, and $5 million from borrowers outside the U.S. in 1999, 1998, and 1997, respectively. Interest revenue recorded represents $3 million and $6 million from borrowers in the U.S., and $2 million and ($1 million) from borrowers outside the U.S. in 1998 and 1997, respectively.

As of December 31, 1999 and 1998, loans of $29 million and $38 million, respectively, were over 90 days past due (principal or interest) and still accruing interest, but not considered impaired.

For 1999, 1998, and 1997, the average recorded investments in impaired loans amounted to $110 million, $78 million, and $99 million, respectively.

The following table presents impaired loans - net of charge-offs - organized by the location of the counterparty.

In millions: December 31	1999	1998(a)	1997(a)
COUNTERPARTIES IN THE U.S.:			
Commercial and industrial	$18	$ 16	$ 12
Other	13	83	16
	31	99	28
COUNTERPARTIES OUTSIDE THE U.S.:			
Commercial and industrial	36	9	44
Banks	-	-	28
Other	10	14	13
	46	23	85
Total impaired loans	77	122	113

(a) Certain reclassifications were made to conform with the categorization used in Bank regulatory filings.

The following table presents an analysis of the changes in impaired loans.

In millions	1999	1998	1997
IMPAIRED LOANS, JANUARY 1	$122	$113	$120
Additions to impaired loans	141	252	123
Less:			
Repayments of principal, net of additional advances.	(45)	(40)	(21)
Impaired loans returning to accrual status	(86)	(39)	(48)
Charge-offs:(a)			
Commercial and industrial	(16)	(46)	(21)
Banks and other financial institutions	(1)	(83)	(17)
Other	(30)	(26)	(2)
Interest and other credits	(8)	(9)	(7)
Sales and swaps of loans	-	-	(14)
IMPAIRED LOANS, DECEMBER 31	77	122	113

(a) Charge-offs include losses on loan sales of $105 million for 1998 with a carrying value of $1.1 billion. The carrying value of loans sold is not included in the above table.

Lending commitments to counterparties considered impaired totaled $65 million and $18 million at December 31, 1999 and 1998, respectively.

21. ALLOWANCES FOR CREDIT LOSSES

Our allowances for credit losses include an allowance for loan losses and an allowance for credit losses on lending commitments.

The following table summarizes the activity of the allowance for loan losses during the last three years.

In millions	1999	1998	1997
BEGINNING BALANCE, JANUARY 1	$ 470	$ 546	$566
(Reversal of provision)/provision for loan losses in the U.S.	(14)	60	-
(Reversal of provision)/provision for loan losses outside the U.S.	(161)	50	-
	(175)	110	-
Reclassifications in the U.S.	-	6	5
Reclassifications outside the U.S.	-	(56)	(25)
	-	(50)(a)	(20)(a)
Recoveries:			
Counterparties in the U.S.	4	13	20
Counterparties outside the U.S.	29	6	20
	33	19	40
Charge-offs:(b)			
Counterparties in the U.S.	(38)	(5)	(3)
Counterparties outside the U.S.:			
Commercial and industrial	(3)	(44)	(20)
Banks and other financial institutions	(1)	(83)	(17)
Other	(5)	(23)	-
	(47)	(155)	(40)
Net charge-offs(c)	(14)	(136)	-
ENDING BALANCE, DECEMBER 31	281	470	546
International portion of the allowance, December 31(d)	134	272	379

(a) Prior to July 1, 1998, changes, excluding charge-offs and recoveries, across balance sheet reserve or allowance captions - which included an adjustment for trading derivatives needed to determine fair value, an allowance for loan losses, and an allowance for credit losses on lending commitments - were shown as reclassifications. Reclassifications had no impact on net income and, accordingly, were not shown on the income statement. Subsequent to July 1, 1998, reclassifications across balance sheet captions for allowances are reflected as provisions and reversals of provisions in the "Consolidated statement of income." If reclassifications prior to July 1, 1998, were included in the "Consolidated statement of income," these captions would change as follows, with no impact on net income: In 1998, Provision for loan losses and Trading revenue would both decrease by $50 million; in 1997, Provision for loan losses would decrease by $20 million, Trading revenue would decrease by $35 million, and Other revenue would increase by $15 million.

(b) Charge-offs include losses on loan sales, primarily banks and other financial institutions, of $33 million and $105 million during 1999 and 1998, respectively.

(c) Net charge-offs as a percentage of average loans were 0.05% and 0.44% for 1999 and 1998, respectively.

(d) Not reflected in the above table are transfers to the international portion of the allowance from the domestic portion of $3 million, $43 million, and $32 million in 1999, 1998, and 1997, respectively.

The following table displays our allowance for loan losses by component as of December 31.

In millions: December 31	1999	1998	1997
Specific counterparty components in the U.S.	$ 11	$ 29	$ 55
Specific counterparty components outside the U.S.	13	5	51
Total specific counterparty	24	34	106
Expected loss(a)	257	436	440
Total	281	470	546

(a) During 1999, we revised our model for calculating expected credit losses to incorporate factors for estimating loss previously included in our country, expected loss, and general components of our allowances. For disclosure purposes, the country, expected loss, and general components of prior periods have been aggregated and included in the expected loss caption in the above table.

The following table summarizes the activity of the allowance for credit losses on lending commitments during the last three years.

In millions	1999	1998	1997
BEGINNING BALANCE, JANUARY 1	$125	$185	$200
Provision/(reversal of provision) for credit losses in the U.S.	18	(60)	-
Reversal of provision for credit losses outside the U.S.	(18)	-	-
	-	(60)	-
Reclassifications in the U.S.	-	-	-
Reclassifications outside the U.S.	-	-	(15)
	-	-	(15)
ENDING BALANCE, DECEMBER 31	125	125	185
International portion of the allowance, December 31(a)	46	69	107

(a) Not reflected in the above table are transfers (from)/to the international portion of the allowance to the domestic portion of ($5 million), ($27 million), and $33 million in 1999, 1998, and 1997, respectively.

The following table displays our allowance for credit losses on lending commitments by component as of December 31.

In millions: December 31	1999	1998	1997
Specific counterparty components in the U.S.	$ 19	$ 1	$ -
Specific counterparty components outside the U.S. .	3	2	2
Total specific counterparty	22	3	2
Expected loss(b)	103	122	183
Total	125	125	185

(b) During 1999, we revised our model for calculating expected credit losses to incorporate factors for estimating loss previously included in our country, expected loss, and general components of our allowances. For disclosure purposes, the country, expected loss, and general components of prior periods have been aggregated and included in the expected loss caption in the above table.

22. PREMISES AND EQUIPMENT

This table presents components of premises and equipment as of December 31.

In millions: December 31	1999	1998
Land	$ 118	$ 112
Buildings	1 134	1 130
Equipment and furniture	1 096	1 064
Capitalized software costs	143	-
Leasehold improvements	327	420
Property under financing obligation: land and building	474	488
Construction-in-progress	24	17
	3 316	3 231
Less: accumulated depreciation/amortization	1 319	1 350
	1 997	1 881

Beginning in 1999 we capitalized $143 million of software costs in accordance with SOP 98-1 (see note 1). Amortization related to these costs were $5 million.

Depreciation expense totaled $189 million in 1999, $208 million in 1998, and $185 million in 1997. No interest was capitalized in connection with various construction projects in 1999 or 1998. Refer to note 5.

23. DEPOSITS AND OTHER BORROWINGS

DEPOSITS

The table below presents deposits in offices in the U.S. and outside the U.S.

In millions: December 31	1999	1998
NON-INTEREST-BEARING DEPOSITS:		
In offices in the U.S.	$ 898	$ 1 242
In offices outside the U.S.	498	563
	1 396	1 805
INTEREST-BEARING DEPOSITS:		
In offices in the U.S.	4 209	7 724
In offices outside the U.S.	39 714	45 499
	43 923	53 223
Total deposits	45 319	55 028

Except for time deposits in 1997, no average balance in offices in the U.S. for any individual deposit category exceeded 10% of the average total deposits in 1999, 1998, or 1997. In 1997 the average balance for time deposits in offices in the U.S. was $7,350 million, and the average rate paid was 5.75%.

Average deposits in offices outside the U.S. are presented in the following table.

In millions	1999 Average balance	1999 Average rate paid	1998 Average balance	1998 Average rate paid	1997 Average balance	1997 Average rate paid
INTEREST-BEARING DEPOSITS						
From banks in foreign countries	$13 545	3.81%	$13 908	4.86%	$14 777	4.55%
From foreign governments and official institutions	8 813	4.70	12 787	5.04	13 656	5.15
Other time	19 061	4.61	19 992	4.96	15 461	5.02
On demand	2 581	4.14	2 357	4.74	2 360	2.69
Total interest-bearing deposits in offices outside the U.S.	44 000	4.35	49 044	4.95	46 254	4.79
NONINTEREST-BEARING DEPOSITS						
From banks in foreign countries	105		222		121	
From foreign governments and official institutions	2		-		2	
Other demand	445		562		329	
Total non-interest-bearing deposits in offices outside the U.S.	552		784		452	

Foreign-country-related deposits in offices in the U.S. totaled approximately $0.3 billion as of December 31, 1999; $0.8 billion as of December 31, 1998; and $0.6 billion as of December 31, 1997.

This table presents a profile of the maturities of time certificates of deposit and other time deposits in denominations of $100,000 or more as of December 31, 1999.

In millions: December 31, 1999	Within three months	After three months but within six	After six months but within one year	After one year	Total
OFFICES IN THE U.S.					
Time certificates of deposit	$ 1 824	$ 222	$200	$ 1	$ 2 247
Other time deposits	39	-	-	462	501
	1 863	222	200	463	2 748
OFFICES OUTSIDE THE U.S.					
Time certificates of deposit	4 557	678	99	252	5 586
Other time deposits	19 101	970	559	1 752	22 382
	23 658	1 648	658	2 004	27 968

PURCHASED FUNDS AND OTHER BORROWINGS

Purchased funds and other borrowings are detailed in the following table.

In millions	1999	1998	1997
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE			
Balance at year-end	$58 950	$62 784	$53 202
Average balance	60 928	68 534	63 163
Maximum month-end balance	69 315	82 740	73 447
Average interest rate:			
During year	4.89%	5.45%	5.24%
At year-end	4.37	4.76	5.99
FEDERAL FUNDS PURCHASED (DAY-TO-DAY)			
Balance at year-end	$ 743	$ 584	$4 602
Average balance	911	2 003	3 958
Maximum month-end balance	2 785	7 770	6 186
Average interest rate:			
During year	5.55%	5.63%	5.56%
At year-end	4.56	5.24	6.43
COMMERCIAL PAPER			
Balance at year-end	$11 854	$ 6 637	$6 622
Average balance	11 047	9 682	4 858
Maximum month-end balance	14 774	12 738	6 622
Average interest rate:			
During year	5.26%	5.57%	5.39%
At year-end	5.59	5.19	5.78
OTHER LIABILITIES FOR BORROWED MONEY			
Federal funds purchased (term):			
Balance at year-end	$590	$ 460	$1 465
Average balance	347	689	435
Maximum month-end balance	915	1 495	1 465
Average interest rate:			
During year	5.16%	5.66%	5.71%
At year-end	6.00	5.29	5.79
Other:			
Balance at year-end	$ 9 668	$12 055	$15 711
Average balance	10 141	13 620	17 813
Maximum month-end balance	13 559	16 407	20 107
Average interest rate:			
During year	7.63%	6.90%	6.02%
At year-end	7.67	6.39	4.78

We computed average interest rates during each year by dividing total interest expense by the average amount borrowed. Average interest rates at year-end are average rates for a single day and, as such, may reflect one-day market distortions that are not indicative of generally prevailing rates. Original maturities of securities sold under agreements to repurchase are usually not more than six months. Original maturities of commercial paper are generally not more than nine months. Other liabilities for borrowed money tend to have original maturities of one year or less.

24. LONG-TERM DEBT

The net proceeds from the issuance of J.P. Morgan's long-term debt may be used for general corporate purposes. This includes investing in equity and debt securities and advancing funds to our subsidiaries. We have the option to redeem certain debt, before it matures, at specified prices.

LONG-TERM DEBT QUALIFYING AS RISK-BASED CAPITAL

Long-term debt that qualifies as risk-based capital generally must be unsecured and subordinated with an original weighted-average maturity of at least five years. Subordinated debt would be junior in right of payment to all other indebtedness in the event of our liquidation. The following table presents long-term debt that qualifies as risk-based capital. It represents all our subordinated issues as of December 31.

	J.P. Morgan (parent)		Morgan Guaranty		Total debt outstanding	
In millions	Fixed rate	Floating rate	Fixed rate	Floating rate	1999	1998
CONTRACTUAL MATURITY DATE						
2000	$ -	$200	$ -	$ -	$ 200	$ 200
2002	200	446	211	-	857	859
2003	218	-	-	-	218	228
2004	671	-	-	-	671	662
2005 - 2009	2 535	294	-	-	2 829	1 833
Thereafter	1 101(a)	255	-	-	1 356	1 332
					6 131	5 114
Less: amortization for risk-based capital purposes(b)					(929)	(544)
Total long-term debt qualifying as risk-based capital					5 202	4 570

(a) Amounts include $323 million of outstanding zero-coupon notes as of December 31, 1999. The principal amount of these notes is $2,396 million, of which $10 million matures in 2017, $2,250 million matures in 2027, $100 million matures in 2028, and $36 million matures in 2038. The weighted-average yield to maturity on the notes, which do not bear interest, is 5.21%. The carrying value increases as the discount on the notes is accreted to interest expense.

(b) The balance of debt qualifying as risk-based capital is reduced 20% per year during each of the last five years prior to maturity.

LONG-TERM DEBT NOT QUALIFYING AS RISK-BASED CAPITAL

The following table presents long-term debt that does not qualify as risk-based capital. Most of the debt in this table is senior debt as of December 31. Senior debt has a higher claim on our assets than junior or subordinated debt.

	J.P. Morgan (parent)		Morgan Guaranty		Total debt outstanding	
In millions	Fixed rate	Floating rate	Fixed rate	Floating rate	1999	1998
CONTRACTUAL MATURITY DATE						
1999	$ -	$ -	$ -	$ -	$ -	$10 314
2000	1 745(a)	4 283	642	535	7 205	4 848(a)
2001	814	1 158	947	531	3 450	2 600
2002	-	754(d)	500	-	1 254	591
2003	351	168	323	-	842	902
2004	357	1 151	310	102	1 920	381
2005 - 2009	969(b)	430	-	689	2 088	1 536(b)
Thereafter	404(c)	158	264(e)	227	1 053	1 048(c)(f)
British pound financing obligation(g)					307	273
					18 119	22 493
Add: amortization for risk-based capital purposes(h)					929	544
Total long-term debt not qualifying as risk-based capital					19 048	23 037

(a) Amounts include 2.5% cumulative Series A Commodity-Indexed Preferred Securities (ComPS) with a face value of $50 million; a carrying value of $40.2 million and $50 million as of December 31, 1999 and 1998, respectively; and a maturity date, which may change as defined, of October 16, 2000. J.P. Morgan Index Funding Company I (JPMIFC),a wholly owned subsidiary of J.P. Morgan, is the issuer of the ComPS. The ComPS redemption price is indexed to the JPMCI Crude Oil Total Return Index and may be more or less than the face amount of the ComPS. The proceeds of the sale of ComPS and JPMIFC's common stock were used by JPMIFC to purchase $50 million, 2.5% Series A Intercompany Notes (Intercompany Notes) of Morgan Guaranty. The Intercompany Notes are the sole assets of JPMIFC and have the same terms as the ComPS. The obligations of J.P. Morgan under agreements with JPMIFC, as defined, constitute a full and unconditional guarantee, on a subordinated basis, of payments due on the ComPS.

(b) Includes notes maturing in 2008 - 2009 for which the interest rates were reset during 1998 for the following 10-year term based on the interest rate for 10-year U.S. Treasury securities at that time. The carrying amount of these notes was $425 million as of December 31, 1999 and 1998.

(c) Amounts include a convertible mortgage loan with a carrying value of $404 million and $405 million as of December 31, 1999 and 1998, respectively. The interest rate on the loan increases 0.5% every four years from 7%, as set in 1988, to 9% in 2004. After 2008, the rate will be fixed based on the interest rate for 10-year U.S. Treasury securities at that time. Beginning in 2008 the loan may be converted, at the option of the lender, into a 49% interest in the J.P. Morgan building at 60 Wall Street. If the loan is converted, J.P. Morgan will have the option to lease the property for seven 10-year terms. J.P. Morgan has the right to prepay the debt if the lender does not exercise the conversion option. The loan is collateralized by the 60 Wall Street building owned by Morgan Guaranty.

(d) Amounts include Series B Commodity-Indexed Preferred Securities (ComPS) with a face value of $70.2 million; a carrying value of $70.2 million at December 31, 1999; and a maturity date, which may change as defined, of March 4, 2002. J.P. Morgan Index Funding Company I (JPMIFC), a wholly owned subsidiary of J.P. Morgan, is the issuer of the ComPS. The proceeds of the sale of ComPS and JPMIFC's common stock were used by JPMIFC to purchase $70.2 million, Series B Intercompany Notes (Intercompany Notes) of Morgan Guaranty. The Intercompany Notes including those in note (a) above are the sole assets of JPMIFC and have the same terms as the ComPS. The obligations of J.P. Morgan under agreements with JPMIFC, as defined, constitute a full and unconditional guarantee, on a subordinated basis, of payments due on the CompPS.

(e) Amounts represent $264 million of outstanding zero-coupon notes as of December 31, 1999. The principal amount of these notes is $2,951 million. The weighted-average yield to maturity on the notes, which do not bear interest, is 16.51%. The carrying value increases as the discount on the notes is accreted to interest expense.

(f) Amounts represent $306 million of outstanding zero-coupon notes as of December 31, 1998. The principal amount of these notes is $3,221 million. The weighted-average yield to maturity on the notes, which do not bear interest, is 14.56%. The carrying value increases as the discount on the notes is accreted to interest expense.

(g) Represents the sale of a 52.5% interest in J.P. Morgan's office building complex in London. The transaction is treated as a financing obligation, which is being partly amortized over a 25-year period, corresponding with J.P. Morgan's initial lease term for the entire complex. A residual liability is maintained and is treated as a 25 year participating mortgage in accordance with the provisions of SOP 97-1. J.P. Morgan has renewal options to lease this space for an additional 50 years. The lease contains escalation clauses under which rental payments will be redetermined every five years, beginning after year 15. Interest on the financing obligation is imputed annually at an effective rate that varies depending on then-current rental rates in the London real estate market. The table below presents the aggregate amounts of minimum cash payments (at the December 31, 1999, exchange rate) to be applied to the financing obligation for each of the five years subsequent to December 31, 1999, and thereafter.

In millions	
2000	$25
2001	26
2002	27
2003	27
2004	27
Thereafter	411
Total cash payments	543
Less: interest	(236)
Balance outstanding at December 31, 1999	307

(h) The balance of debt qualifying as risk-based capital is reduced 20% per year during each of the last five years prior to maturity.

The long-term debt tables above include non-U.S.-dollar-denominated debt totaling $6,459 million and $4,943 million as of December 31, 1999 and 1998, respectively. Of this amount, $3,871 million and $4,189 million were fixed-rate instruments, while $2,588 million and $754 million were floating-rate instruments, as of December 31, 1999 and 1998, respectively.

Also included in these long-term debt tables are notes issued under J.P. Morgan's domestic and euro-medium term notes programs totaling $9,713 million and $9,884 million as of December 31, 1999 and 1998, respectively. Based solely on contractual terms, the weighted-average interest rate of these issues was 6.27% and 5.42% as of December 31, 1999 and 1998, respectively. Maturities of these issues as of December 31, 1999, range from 2000 to 2038.

The ranges of interest rates associated with long-term debt as of December 31 are summarized in the following table for 1999 and 1998. They are based on the yield to maturity for zero-coupon notes and contractual terms for all other issues.

	1999	1998
U.S. dollar fixed-rate issues	2.50 - 10.00%	2.50 - 10.00%
U.S. dollar floating-rate issues(a)	1.00 - 8.50	4.97 - 8.00
Non-U.S. dollar fixed-rate issues	1.00 - 22.00	2.00 - 22.00
Non-U.S. dollar floating-rate issues(a)	1.15 - 9.13	1.00 - 9.84

(a) Floating rates are determined by formulas and may be subject to certain minimum or maximum rates.

The weighted-average interest rate for total long-term debt was 7.81% and 6.50% as of December 31, 1999 and 1998, respectively. In order to modify exposure to interest rate and currency exchange rate movements, J.P. Morgan utilizes derivative instruments, primarily interest rate and currency swaps, in conjunction with some of its debt issues. The effect of these instruments used to modify this is included in the calculation of interest expense on the associated debt. The weighted-average interest rate for total long-term debt, including the effects of the related derivative instruments, was 6.20% and 5.51% as of December 31, 1999 and 1998, respectively.

25. INCOME TAXES

The following table presents the current and deferred portions of income tax expense included in the "Consolidated statement of income."

	1999			1998			1997		
In millions	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total
INCOME TAX EXPENSE (BENEFIT)									
U.S.	$ 392	($ 16)	$ 376	$ 20	($366)	($346)	$221	($151)	$ 70
Foreign	641	(24)	617	794	(53)	741	539	7	546
State and local	43	23	66	66	(7)	59	106	(33)	73
	1 076	(17)	1 059	880	(426)	454	866	(177)	689

The income tax (benefit)/expense related to net realized gains and write-downs for other-than-temporary impairments in value on debt and equity investment securities, excluding securities in SBICs, was ($77 million) in 1999, $60 million in 1998, and $137 million in 1997.

The table below presents the components of deferred tax assets and liabilities as of December 31 for 1999, 1998, and 1997.

In millions: December 31	1999	1998	1997
DEFERRED TAX ASSETS			
Compensation and benefits	$1 376	$1 173	$ 971
Foreign tax credit carry forward			
($130 expiring in 2003; $155 expiring in 2004)	285	200	-
Allowances for credit losses and other valuation adjustments	156	363	430
Write-down of equity investment securities	125	31	22
Foreign operations	52	105	62
Other	340	279	244
Total deferred tax assets before valuation allowance	2 334	2 151	1 729
Less: valuation allowance(a)	120	120	120
Total deferred tax assets	2 214	2 031	1 609
DEFERRED TAX LIABILITIES			
Gains on debt and equity investment securities	405	434	521
Unremitted earnings	150	104	91
Lease financing transactions	120	130	144
Other	174	129	165
Total deferred tax liabilities	849	797	921

(a) The valuation allowance is primarily related to the ability to recognize tax benefits associated with foreign operations.

J.P. Morgan recorded an income tax liability of $12 million, $87 million, and $256 million as of December 31, 1999, 1998, and 1997, respectively, related to the net unrealized gains on investment securities classified as available-for-sale.

The following table displays a reconciliation of the difference between the expected U.S. statutory income tax rate and J.P. Morgan's effective income tax rate.

Percentage of pretax income	1999	1998	1997
U.S. statutory tax rate	35.0%	35.0%	35.0%
Increase (decrease) due to:			
State and local taxes, net of U.S. income tax effects	1.4	2.7	2.2
Tax-exempt income	(3.3)	(7.7)	(4.9)
Other	0.9	2.0	(0.3)
Effective tax rate	34.0	32.0	32.0

26. COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARIES

In November 1996 JPM Capital Trust I (Trust I) issued $750 million of cumulative capital securities (trust preferred securities) with a fixed rate of 7.54%. In January 1997 JPM Capital Trust II (Trust II) issued $400 million of trust preferred securities with a fixed rate of 7.95%. Trust I and Trust II are wholly owned subsidiaries of J.P. Morgan.

The trust preferred securities:

- have a stated value and liquidation preference of $1,000 per share

- have no voting rights

- qualify as tier 1 capital under current Federal Reserve guidelines

Trust I used the proceeds from the sale of its 7.54% trust preferred securities and the sale of its common stock to J.P. Morgan to purchase $773.2 million of 7.54% junior subordinated debentures (intercompany debentures) of J.P. Morgan. Trust II used the proceeds from the sale of its 7.95% trust preferred securities and the sale of its common stock to J.P. Morgan to purchase $412.4 million of intercompany debentures of J.P. Morgan. The intercompany debentures are unsecured and rank subordinate and junior in right of payment to all other debt, liabilities, and obligations of J.P. Morgan. Therefore, their claim on J.P. Morgan's assets comes after all of J.P. Morgan's other obligations are fulfilled. The intercompany debentures represent the sole assets of Trust I and Trust II.

Interest on each of the trust preferred securities is cumulative, payable semiannually, and fully and unconditionally guaranteed by J.P. Morgan - but only if, and to the extent that, the semiannual interest payments are made on the intercompany debentures by J.P. Morgan. The obligations of J.P. Morgan under the trust agreements, as defined, constitute a full and unconditional guarantee by J.P. Morgan of the trusts' obligations under the trust preferred securities issued.

The $773.2 million 7.54% intercompany debentures mature on January 15, 2027. Upon approval from the Federal Reserve, J.P. Morgan has the right to redeem the 7.54% intercompany debentures, starting on January 15, 2007. They can be redeemed at 103.77% of the stated liquidation preference amount on or after January 15, 2007, with this price declining 0.377% per year until January 15, 2017. After January 15, 2017, the price will equal 100% of the stated liquidation preference amount.

The $412.4 million 7.95% intercompany debentures mature on February 1, 2027. Upon approval from the Federal Reserve, J.P. Morgan has the right to redeem the 7.95% intercompany debentures, starting on February 1, 2007. They can be redeemed at 103.975% of the stated liquidation preference amount on or after February 1, 2007, with this price declining 0.398% per year until February 1, 2017. After February 1, 2017, the price will equal 100% of the stated liquidation preference amount.

Proceeds from any redemption or maturity of the intercompany debentures held by Trust I or Trust II would cause a mandatory redemption of the respective trust preferred securities of Trust I or Trust II,having an aggregate liquidation amount equal to the principal amount of respective intercompany debentures redeemed.

In accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 53, J.P. Morgan is not required to disclose separate financial statements for Trusts I and II because they are wholly owned, have no independent operations, and are issuing securities that contain a full and unconditional guarantee of their parent, J.P. Morgan.

The proceeds from the issuance of the 7.54% trust preferred securities were used in 1997 to purchase $750 million of J.P. Morgan common stock in the open market or through privately negotiated transactions. This action was approved by the Board of Directors in December 1996.

27. PREFERRED STOCK

Authorized shares of preferred stock totaled 10,000,000 as of December 31, 1999 and 1998. With the exception of fixed cumulative preferred stock, Series H shares, J.P. Morgan may redeem the outstanding preferred stock, in whole or in part, at its option, for the stated value plus accrued and unpaid dividends. The Series H shares may not be redeemed before March 31, 2006. All preferred stock has a dividend preference over other stock in the paying of dividends, holds a preference in the liquidation of assets, and is generally nonvoting. This table presents preferred stock outstanding as of December 31, 1999 and 1998.

	Authorized, issued, and outstanding shares		Dividend rate(a)	
	1999	1998	1999	1998
Adjustable rate cumulative preferred stock, Series A (stated value: $100 per share)	2 444 300	2 444 300	5.00%	5.00%
Variable cumulative preferred stock, Series B, C, D, E, and F (50 000 shares each series; stated value: $1 000 per share)	250 000	250 000	4.35-5.40	4.23-4.38
Fixed cumulative preferred stock, Series H (stated value: $500 per share)	400 000	400 000	6.63	6.63

(a) Series A: The quarterly dividend rate is determined by a formula based on the interest rates of certain actively traded U.S. Treasury obligations. In no event will the quarterly rate be less than 5.00% or greater than 11.50% per annum. The Series A preferred stock qualifies as tier I capital.

Series B, C, D, E, and F: Dividend rates for each series are determined periodically by either auction or remarketing. The dividend rates may not exceed certain maximums that are 110% to 200% of various market interest rates, depending on the prevailing credit rating of the instrument at the dividend determination dates and the duration of the then-current dividend periods. The dividend periods may vary from one day to 30 years, depending on the dividend determination method used. During 1999 and 1998 J.P. Morgan reset the dividend rates approximately every 49 days. The dividend rates stated above represent the range of those in effect at year-end. These series of preferred stock qualify as tier II capital.

Series H: The quarterly dividend rate is paid at the fixed rate of 6.625% per annum. The Series H preferred stock qualifies as tier I capital.

28. CAPITAL REQUIREMENTS

J.P. Morgan, its subsidiaries, and certain foreign branches of its bank subsidiary Morgan Guaranty Trust Company of New York are subject to regulatory capital requirements of U.S. and foreign regulators. Our primary federal banking regulator, the Board of Governors of the Federal Reserve System (Federal Reserve Board), establishes minimum capital requirements for J.P. Morgan, the consolidated bank holding company, and some of our subsidiaries, including Morgan Guaranty. These requirements ensure that banks and bank holding companies meet specific guidelines that involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under generally accepted accounting principles. Failure to meet these requirements can result in actions by regulators that could have a direct material impact on our financial statements. The capital of J.P. Morgan and our principal subsidiaries, Morgan Guaranty and J.P. Morgan Securities Inc. (JPMSI), exceeded the minimum requirements set by each regulator as of December 31, 1999.

J.P. Morgan's risk-based capital ratios are calculated in accordance with the Federal Reserve Board's market risk capital guidelines. These guidelines require our risk-based capital ratios to take into account general market risk and specific issuer risk of our debt and equity trading portfolios, as well as general market risk associated with all trading and nontrading foreign exchange and commodity positions. The guidelines, however, continue to exclude the effect of SFAS No. 115. The calculation of risk-based capital ratios for J.P. Morgan, the bank holding company, includes the capital and assets of JPMSI, our section 20 subsidiary.

CAPITAL RATIOS AND AMOUNTS

The following tables show the risk-based capital and leverage ratios and amounts for J.P. Morgan and Morgan Guaranty as of December 31, 1999 and 1998.

	1999		1998	
Dollars in millions: December 31	Amounts(a)	Ratios(b)	Amounts(c)	Ratios(b)
Tier I capital				
J.P. Morgan	$11 525	8.8%	$11 213	8.0%
Morgan Guaranty	10 508	9.2	10 337	8.7
Total risk-based capital				
J.P. Morgan	16 935	12.9	16 454	11.7
Morgan Guaranty	13 863	12.1	14 251	12.0
Leverage				
J.P. Morgan		4.7		3.9
Morgan Guaranty		6.7		5.3

(a) For capital adequacy purposes, J.P. Morgan and Morgan Guaranty required minimum tier I capital of $5.3 billion and $4.6 billion, respectively, as of December 31, 1999. The required minimum total risk-based capital for J.P. Morgan and Morgan Guaranty was $10.5 billion and $9.1 billion, respectively, as of December 31, 1999.

(b) Pursuant to Federal Reserve Board guidelines, the minimum tier I capital, total risk-based capital, and leverage ratios are 4%, 8%, and 3%, respectively, for bank holding companies and banks.

(c) For capital adequacy purposes, J.P. Morgan and Morgan Guaranty required minimum tier I capital of $5.6 billion and $4.8 billion, respectively, as of December 31, 1998. The required minimum total risk-based capital for J.P. Morgan and Morgan Guaranty was $11.2 billion and $9.5 billion, respectively, as of December 31, 1998.

J.P. MORGAN RISK-BASED CAPITAL

The following table shows the components of J.P. Morgan's risk-based capital as of December 31, 1999 and 1998.

	December 31(a)	
In millions	1999	1998
Common stockholders' equity	$10 703	$10 422
Adjustable and fixed-rate cumulative preferred stock	444	444
Company-obligated mandatorily redeemable preferred securities of subsidiaries	1 150	1 150
Less: investments in certain subsidiaries and goodwill(b)	772	803
TIER I CAPITAL	11 525	11 213
Variable cumulative preferred stock	248	248
Long-term debt qualifying as risk-based capital	5 202	4 570
Qualifying allowances for credit losses and other valuation adjustments	432	906
Less: investments in certain subsidiaries(b)	472	483
TIER II CAPITAL	5 410	5 241
TOTAL RISK-BASED CAPITAL	16 935	16 454

(a) Certain amounts are adjusted to reflect regulatory rules.

(b) Certain portions of our investments in certain subsidiaries are deducted from both tier I and tier II capital.

CAPITAL CATEGORIES

Bank regulators use five capital category definitions for regulatory supervision purposes. The categories range from "well capitalized" to "critically undercapitalized." A bank is considered well capitalized if it has minimum tier I capital, total capital, and leverage ratios of 6%, 10%, and 5%, respectively, under standards provided by the regulatory framework for prompt corrective action and the Federal Reserve Board.

Bank holding companies also have guidelines that determine the capital levels at which they shall be considered well capitalized. According to these guidelines, a bank holding company is considered well capitalized if it has minimum tier I capital, total capital, and leverage ratios of 6%, 10%, and 3%, respectively.

As of December 31, 1999 and 1998, the ratios of J.P. Morgan and Morgan Guaranty exceeded the minimum standards required for a well capitalized bank holding company and bank, respectively. Management is aware of no conditions or events that have occurred since December 31, 1999, which would change J.P. Morgan's and

Morgan Guaranty's well capitalized status.

RISK-ADJUSTED ASSETS

The following table sets forth the consolidated risk-adjusted assets of J.P. Morgan.

In billions: December 31	1999 Balance sheet	1999 Risk-adjusted balance	1998 Balance sheet	1998 Risk-adjusted balance
Cash and due from banks and interest-earning deposits with banks	$ 4.8	$ 1.6	$ 3.6	$ 0.9
Debt investment securities	14.3	1.9	36.2	3.0
Equity investment securities	1.7	1.3	1.2	1.1
Trading account assets(a)	117.6	48.8	113.9	61.1
Resale agreements and federal funds sold	36.0	5.9	31.7	5.2
Securities borrowed	34.7	14.5	30.8	12.7
Loans, net	26.6	23.3	25.0	19.3
Premises and equipment, net	2.0	2.0	1.9	1.9
Accrued interest and accounts receivable and other assets	23.2	10.8	16.8	11.9
Lending commitments		19.8		21.7
Securities lending indemnifications and other credit commitments		1.5		1.4
Total	260.9	131.4	261.1	140.2

(a) Also includes amount of risk adjusted assets related to credit risk associated with nontrading derivatives, which is not significant.

NET CAPITAL REQUIREMENT OF JPMSI

J.P. Morgan Securities Inc. (JPMSI) is subject to the Securities and Exchange Commission (SEC) Uniform Net Capital Rule, which requires it to maintain a minimum net capital. JPMSI has elected to compute its net capital requirement in accordance with the Alternative Method under SEC Rule 15c3-1(a)(ii), which requires a broker or dealer to maintain at all times net capital, as defined, at the greater of $1 million or 2% of aggregate debit items arising from customer transactions.

As of December 31, 1999 and 1998, JPMSI had net capital, as defined under such rules, of $1,117 million and $1,023 million, respectively, compared with net capital requirements of $127 million and $76 million, respectively. As a result, JPMSI had excess net capital of $990 million and $947 million as of December 31, 1999 and 1998, respectively.

29. EMPLOYEE BENEFITS

DEFINED BENEFIT PLANS

We have noncontributory defined benefit pension plans covering most of our regular employees. In addition, certain U.S. employees hired before February 1, 1989, may be eligible for postretirement health care and life insurance when they retire, though we have no contractual obligation to provide this coverage. Our cost to provide postretirement benefits to non-U.S. employees has not been material.

Pension plan assets are managed by trustees and are invested primarily in fixed-income securities, listed stocks, and commingled pension trust funds. Other postretirement benefit obligations are funded with corporate-owned life insurance (COLI) purchased on the lives of eligible employees and retirees. Assets of the COLI policy are held in a separate account with the insurance company. The insurance company invests the cash value of the policy in equities, bonds, and other debt securities. While we own the COLI policy, the COLI proceeds (death benefits, withdrawals, and other distributions) may be used only to reimburse J.P. Morgan for its net postretirement claim payments and related administrative expenses.

Assets of our funded pension plans exceeded their accumulated benefit obligations as of September 30, 1999 and 1998 (the dates of the actuarial valuations). Accumulated benefit obligations for unfunded pension plans were $59 million as of September 30, 1999, and $66 million as of September 30, 1998. The benefit obligations projected for these unfunded pension plans were $62 million and $70 million as of September 30, 1999 and 1998, respectively.

The following tables present information related to our benefit plans, including amounts recorded on the "Consolidated balance sheet" and the components of net periodic benefit cost. Settlement gains resulted mainly from the conversion of several pension plans from defined benefit to defined contribution. Curtailment gains reflect reduced liabilities due to employee terminations.

	Pension benefits		Other postretirement benefits	
In millions	1999	1998	1999	1998
RECONCILIATION OF BENEFIT OBLIGATION				
Benefit obligation, beginning of year	$1 468	$1 345	$ 218	$ 210
Service cost	52	63	4	5
Interest cost	91	94	14	15
Participant contributions	1	--	--	--
Benefits paid	(113)	(67)	(9)	(10)
Actuarial (gains)/losses	(125)	84	(25)	15
Plan amendments	--	10	(5)	(12)
Settlements	--	(53)	--	--
Curtailments	(5)	(17)	(2)	(5)
Effect of foreign exchange rates	(5)	9	--	--
Benefit obligation at end of year	1 364	1 468	195	218
RECONCILIATION OF FAIR VALUE OF PLAN ASSETS				
Fair value of plan assets, beginning of year	1 645	1 555	222	168
Actual return on plan assets	239	78	43	18
Employer contributions	19	84	81	40
Participant contributions	1	--	--	--
Benefits paid	(110)	(64)	--	--
Plan expense	(2)	--	--	--
COLI proceeds	--	--	(13)	(4)
Settlements	--	(16)	--	--
Effect of foreign exchange rates	(8)	8	--	--
Fair value of plan assets at end of year	1 784	1 645	333	222
FUNDED STATUS				
Funded status as of September 30	419	177	137	4
Unrecognized net actuarial (gains)	(312)	(84)	(124)	(85)
Unrecognized prior service cost	30	34	(13)	(12)
Unrecognized net asset at transition	(6)	(14)	--	--
Fourth-quarter expense	(1)	(6)	--	--
Fourth-quarter contributions	7	6	(3)	79
Fourth-quarter net benefit claims	--	--	2	2
Net amount recognized	137	113	(1)	(12)

The following table provides the amounts recognized in the "Consolidated balance sheet" as of December 31 of both years.

	Pension benefits		Other postretirement benefits	
In millions	1999	1998	1999	1998
Prepaid benefit cost recorded in Other assets	$ 230	$ 213	$ 16	$ --
Accrued benefit liability recorded in Accounts payable and accrued expenses	(93)	(100)	(17)	(12)
Net amount recognized	137	113	(1)	(12)

The following table provides the components of net periodic benefit cost for the plans reflected in Employee compensation and benefits in the "Consolidated statement of income" for fiscal years 1999, 1998, and 1997.

	Pension benefits			Other postretirement benefits		
In millions	1999	1998	1997	1999	1998	1997
Service cost	$ 52	$ 62	$ 56	$ 4	$ 5	$ 4
Interest cost	91	94	90	14	15	15
Expected return on plan assets	(130)	(119)	(112)	(24)	(15)	(11)
Amortization of:						
Net transition assets	(8)	(7)	(7)	--	--	--
Prior service cost	3	2	2	(4)	--	--
Net actuarial gains	(1)	(2)	(2)	(4)	(5)	(4)
Net periodic benefit cost	7	30	27	(14)	--	4
Curtailment gains	(5)	(11)	--	(2)	(5)	--
Settlement gains	--	(14)	--	--	--	--
Net periodic benefit cost after curtailments and settlements	2	5	27	(16)	(5)	4

The following table shows the assumptions used in the measurement of the firm's benefit obligation.

	Pension benefits			Other postretirement benefits		
	1999	1998	1997	1999	1998	1997
WEIGHTED-AVERAGE ASSUMPTIONS AS OF SEPTEMBER 30						
Discount rate	7.0%	6.3%	7.0%	7.5%	6.5%	7.3%
Expected return on plan assets	8.7	8.7	8.7	9.0	9.0	9.0
Rate of compensation increase	3.6	3.6	4.7	3.6	3.8	4.8

For measurement purposes, a 10.0% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2000. The rate was assumed to decrease gradually each year to a rate of 5.5% in 2010 and to remain at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A 1% change in assumed health care cost trend rates would have the following effects:

In millions	1% increase	1% decrease
Effect on annual expense	$ 2	$ (1)
Effect on benefit obligations	15	(12)

DEFINED CONTRIBUTION PLANS

J.P. Morgan maintains several defined contribution pension plans. The most significant is the Deferred Profit Sharing/401(k) Plan, covering substantially all U.S. employees. We contribute to this plan based on our financial performance, and participants may make pretax contributions to tax-deferred investment portfolios. Non-U.S. defined contribution plans are administered in accordance with local laws. Total expense, which represents J.P. Morgan's contribution for these plans, was $53 million for 1999, $28 million for 1998, and $27 million for 1997.

30. STOCK OPTIONS AND STOCK AWARDS

J.P. Morgan's stock option and stock award plans provide for the grant of stock-related awards to key employees, including stock options, restricted stock awards, stock bonus awards, stock unit awards, and deferred stock payable in stock.

To satisfy awards granted under stock option and stock award plans, we may make common stock available from authorized but unissued shares. We may also purchase shares in the open market at various times during the year. Shares available for future grants under the Stock Incentive Plans totaled 9,110,950 as of December 31, 1999. A portion of these shares may be made available from treasury shares. Shares authorized for future grants under the Stock Bonus Plan represent 6.5% of outstanding shares. All shares authorized under the Stock Bonus Plan must be settled in treasury shares. Compensation cost recognized for our stock award plans in the "Consolidated statement of income" for 1999, 1998, and 1997 was $659 million, $327 million, and $381 million, respectively.

If we had determined compensation cost for our stock-based compensation plans based on fair value at the award grant dates consistent with the method of SFAS No. 123, the net income and earnings per share for 1999, 1998 and 1997 would approximate the pro forma amounts in the following table.

In millions, except share data		1999	1998	1997
Net income(a)	As reported	$2 055	$963	$1 465
	Pro forma	1 962	913	1 418
Basic earnings per share	As reported	$11.16	$5.08	$7.71
	Pro forma	10.65	4.81	7.46
Diluted earnings per share	As reported	$10.39	$4.71	$7.17
	Pro forma	9.91	4.45	6.94

(a) For pro forma purposes, the fair value of stock option awards is amortized over the relative vesting periods; the fair value of other stock awards is generally expensed entirely in the year of performance to which it relates. As of December 31, 1999, 1998, and 1997, the unamortized expense, net of taxes, of nonvested options for pro forma purposes was $145 million, $96 million, and $62 million, respectively.

STOCK OPTIONS

Stock options under the Stock Incentive and Stock Bonus Plans are issued to employees at exercise prices not less than the market value of the stock on the grant date. In accordance with APB Opinion No. 25 and related Interpretations, no compensation cost has been recognized for fixed stock option plans. Stock options are generally exercisable one to five years following the date of grant and have a life of 10 years from the date of grant. Options generally vest ratably over the vesting period, which approximates 3 years on average.

J.P. Morgan uses a modified Black-Scholes option-pricing model to estimate the fair value of each option grant. We use this method because employee stock options are much different from traded options and because changes in subjective assumptions can materially affect the fair value estimate. The modified Black-Scholes model takes into account the estimated lives of the options and an expected dividend yield based on historical dividend rate increases.

The following weighted-average assumptions were used as inputs to the modified Black-Scholes model for grants in 1999, 1998, and 1997, respectively:

- dividend-yield of 2.94%, 2.93%, and 3.26%
- five year monthly historical volatility of 26.1%, 19.3%, and 16.7%
- risk-free interest rate of 5.71%, 5.57%, and 6.35%
- expected life of seven years

A summary of our stock option activity and related information follows.

	1999 Shares	1999 Weighted-average exercise price	1998 Shares	1998 Weighted-average exercise price	1997 Shares	1997 Weighted-average exercise price
Outstanding at beginning of year	26 733 243	$ 86.75	25 078 738	$ 74.02	25 072 115	$ 64.45
Granted	6 338 697	135.25	5 307 392	129.98	4 687 145	107.80
Exercised	(4 161 894)	64.15	(3 283 539)	58.38	(4 554 749)	55.88
Forfeited	(586 038)	117.93	(366 455)	96.59	(125 773)	80.41
Expired	--	--	(2 893)	31.31	--	--
Outstanding at year-end	28 324 008	100.28	26 733 243	86.75	25 078 738	74.02
Exercisable at year-end	15 208 644	79.37	15 210 649	68.11	15 669 676	61.87
Weighted-average fair value of options granted during the year		37.70		29.23		22.60

The following table summarizes information about stock options outstanding and exercisable as of December 31, 1999.

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted-average remaining contractual life (years)	Weighted-average exercise price	Number exercisable	Weighted-average exercise price
$31-$61	4 650 243	3.86	$ 58.31	4 646 078	$ 58.31
$65-$85	7 864 306	4.66	74.20	6 664 306	72.25
$100-$136	15 809 459	8.61	125.60	3 898 260	116.65

Stock options are generally granted in the middle of the year.

RESTRICTED STOCK AWARDS

Under the Stock Incentive and Stock Bonus Plans, we provide restricted stock awards in the form of share credits. Each share credit is equivalent to one share of J.P. Morgan common stock. Restricted stock awards generally become fully vested on the fifth anniversary of the award date.

The participant may receive the award payment as soon as the award has become vested, but it may be deferred pursuant to the participant's election or as specified by the committee of the Board of Directors that administers the plans, in each case subject to the discretion of such committee.

As of December 31, 1999, total share credits granted were 3,597,066, representing previously granted restricted stock awards; as of December 31, 1998 and 1997, this amount was 3,584,551 share credits and 3,585,911 share credits, respectively. These share credits include credits attributable to dividend equivalents. For the 1999 award year, 609,813 share credits were granted at the weighted-average fair value of $121.59 per share. For the 1998 and 1997 award years, 222,693 and 422,594 share credits were granted at the weighted-average fair value of $107.00 and $102.67 per share, respectively.

STOCK BONUS AWARDS

Under the Stock Incentive and Stock Bonus Plans, we provide stock bonus awards that are substantially similar to restricted stock awards, except that stock bonus awards granted since 1997 generally become fully vested on the second anniversary of the award date and are subject to an additional three-year holding period. (Stock bonus awards made before 1997 generally become fully vested on the third anniversary of the award date.) The participant may receive the award payment as soon as the award has become vested and the holding period, if applicable, has been satisfied, but it may be deferred pursuant to the participant's election or as specified by the committee of the Board of Directors administering the plans, in each case subject to the discretion of such committee.

As of December 31, 1999, 1998, and 1997, share credits representing previously granted stock bonus awards totaled 9,984,230, 8,348,763, and 5,890,648, respectively. These share credits include credits attributable to dividend equivalents. For the 1999 award year, 4,852,015 share credits were granted at the weighted-average fair value of $122.90 per share. For the 1998 and 1997 award years, 2,484,849 and 3,079,353 share credits were granted at the weighted-average fair values of $107.29 and $101.47 per share, respectively.

STOCK UNIT AWARDS

Under the Stock Bonus Plan, we provide stock unit awards that are similar to restricted stock and stock bonus awards. However, the value of a stock unit award, not including the value of dividend equivalents accrued on the award, will never exceed (though it may be less than) the dollar value of the original award. Stock unit awards granted since 1997 generally become fully vested on the second anniversary of the award date and are subject to an additional three-year holding period. Stock unit awards granted before 1997 generally become fully vested on the third anniversary of the award date. The participant may receive the award payment as soon as the award has become vested and the holding period, if applicable, has been satisfied.

As of December 31, 1999, 1998, and 1997, share credits representing previously granted stock units totaled 384,645, 421,991, and 324,382, respectively. These share credits include credits attributable to dividend equivalents. For the 1999 award year, 118,800 share credits were granted at the weighted-average fair value of $123.28 per share. For the 1998 and 1997 award years, 75,741 and 172,459 share credits were granted at the weighted-average fair value of $106.84 and $101.47 per share, respectively.

DEFERRED STOCK PAYABLE IN STOCK

J.P. Morgan's Incentive Compensation Plans allow eligible employees to defer all or a portion of their current annual incentive compensation into several types of accounts - including a J.P. Morgan common stock account. Deferral amounts are not subject to forfeiture. The amounts that employees defer into the J.P. Morgan common stock account are converted into share credits. They earn dividend equivalents during the deferral period. Commencing in the year following retirement or termination of employment, a participant's balance in the J.P. Morgan common stock account is distributed in the form of J.P. Morgan common stock.

As of December 31, 1999 and 1998, share credits payable in stock - including share credits attributable to dividend equivalents - totaled 2,397,620 and 2,426,232 credits, respectively. For the 1999 award year, 117,946 share credits were granted at the weighted-average fair value of $126.63 per share. For the 1998 and 1997 award years, 56,646 and 259,690 share credits were granted at the weighted-average fair value of $105.06 and $112.85 per share, respectively.

Except for options, stock awards are generally granted in January following the award year. In January 2000 5,146,223 share credits representing stock awards other than options were granted.

PERFORMANCE PLAN

In July 1998 the firm adopted the 1998 Performance Plan of J.P. Morgan & Co. Incorporated and Affiliated Companies ("Performance Plan"). Awards granted under the Performance Plan will be earned based on the achievement of firmwide performance goals (including significantly improved risk-adjusted returns, earnings growth, and expense management) during the 1998 - 2000 performance period. Unless determined otherwise, the awards, if any, will be paid in cash in January 2001.

31. EARNINGS PER SHARE

Basic EPS is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding, which includes contingently issuable shares for which all necessary conditions for issuance have been satisfied. Diluted EPS includes the determinants of basic EPS and, in addition, takes into account dilutive potential common shares that were outstanding during the period.

The following table presents the computation of basic and diluted EPS for the years ended December 31.

Dollars in millions, except share data	1999	1998	1997
Net Income	$2 055	$963	$1 465
Preferred stock dividends and other	(35)	(35)	(36)
Numerator for basic and diluted earnings per share - income available to common stockholders	2 020	928	1 429
Denominator for basic earnings per share - weighted-average shares	180 967 767	182 437 574	185 241 295
Effect of dilutive securities:			
Options(a)	5 065 978(b)	5 789 576(c)	6 893 623
Other stock awards(d)	8 373 051	8 914 892	7 109 024
Other(e)	16 000	59 016	74 373
	13 455 029	14 763 484	14 077 020
Denominator for diluted earnings per share - weighted-average number of common shares and dilutive potential common shares	194 422 796	197 201 058	199 318 315
Basic earnings per share	$11.16	$5.08	$7.71
Diluted earnings per share	10.39	4.71	7.17

Earnings per share amounts are based on actual numbers before rounding.

(a) The dilutive effect of stock options was computed using the treasury stock method. This method computes the number of incremental shares by assuming the issuance of outstanding stock options, reduced by the number of shares assumed to be repurchased from the issuance proceeds, using the average market price of our common stock for the period. The related tax benefits are also considered.

(b) Options to purchase 6,055,500 shares of our common stock at $135.72 per share were outstanding as of December 31, 1999, but were not included in the computation of diluted EPS. The inclusion of such options using the treasury stock method would have an antidilutive effect on the diluted EPS calculation because the options' exercise price was greater than the average market price of our common shares for 1999. These options expire on July 15, 2009.

(c) Options to purchase 5,110,500 shares of our common stock at $130.94 per share were outstanding as of December 31, 1998, but were not included in the computation of diluted EPS. The inclusion of such options using the treasury stock method would have an antidilutive effect on the diluted EPS calculation because the options' exercise price was greater than the average market price of our common shares for 1998. These options expire on July 15, 2008.

(d) Weighted-average incremental shares for other stock awards include restricted stock and stock bonus awards. The related tax benefits are also considered. See note 30 for further information.

(e) Includes the dilutive effect of the 4.75% convertible debentures for 1998 and 1997, which matured at the end of 1998. 1999 includes the dilutive effect of transactions related to the purchase of treasury shares.

32. COMMITMENTS AND CONTINGENT LIABILITIES

PLEDGED ASSETS
Excluding mortgaged properties, assets on the "Consolidated balance sheet" of approximately $102.5 billion as of December 31, 1999, and approximately $93.1 billion as of December 31, 1998, were pledged as collateral for borrowings, to qualify for fiduciary powers, to secure public monies as required by law, and for other purposes.

RESALE AND REPURCHASE AGREEMENTS
As of December 31, 1999 and 1998, we had commitments to enter into future resale agreements of $4.3 billion and $5.4 billion, respectively; and commitments to enter into future repurchase agreements of $1.2 billion and $6.3 billion, respectively.

SEGREGATED ASSETS

In compliance with rules and regulations established by domestic and foreign regulators, cash of $1,656 million and $1,068 million and securities with a market value of $3,031 million and $3,207 million were segregated in special bank accounts for the benefit of securities and futures brokerage customers as of December 31, 1999 and 1998, respectively.

RENTAL EXPENSE AND COMMITMENTS

Operating expenses include net rentals of $87 million in 1999, $143 million in 1998, and $83 million in 1997.

As of December 31, 1999, our minimum rental commitments for noncancelable leases of premises and equipment are $1,043 million in aggregate. Certain leases contain renewal options and escalation clauses. For each of the five years after December 31, 1999, our minimum rental commitments for noncancelable leases of premises and equipment are:

- $111 million in 2000
- $94 million in 2001
- $82 million in 2002
- $76 million in 2003
- $70 million in 2004

SUBSIDIARY AND AFFILIATE OBLIGATIONS

In the ordinary course of business, J.P. Morgan guarantees the performance of certain obligations of certain subsidiaries and affiliates. We do not expect that these agreements will have a material effect on the results of our operations.

LEGAL ACTION

Various legal actions and proceedings are pending against or involve J.P. Morgan and our subsidiaries. After reviewing with counsel all actions and proceedings pending against or involving us, management considers that the outcome of such matters will not have a material adverse effect on J.P. Morgan's financial condition.

33. INTERNATIONAL OPERATIONS

For financial reporting purposes, we divide our operations into domestic and international components. As these operations are highly integrated, estimates and subjective assumptions have been made to apportion revenue and expense between domestic and international components. In 1999, we changed our estimates and assumptions to be consistent with the allocations used for our business segments as reported in Note 3. Prior period amounts have been restated to reflect this allocation methodology.

ASSETS

In general, we distribute assets on the basis of counterparty location, with the exception of premises and equipment, which is allocated to the region in which the asset is recorded.

REVENUES AND EXPENSES

- Client-focused revenues are allocated between the regions responsible for managing the client relationship and the regions responsible for product execution and risk management

- Revenues from proprietary investing and trading activities and equity investments are allocated based on the location of the risk taker

- Expenses are allocated based on the estimated cost associated with servicing each region's client base. Corporate revenues and expenses are allocated primarily to the region in which they are recorded. Certain centrally managed expenses are allocated based on the underlying activity.

Assets as of December 31 and results for the years ended December 31, 1999, 1998, and 1997 were distributed among domestic and international operations as presented in the following table.

In millions	Total assets	Total revenues(a)	Total expenses	Pretax income	Income tax expense	Net income
1999						
Europe(b)	$ 91 404	$3 166	$1 806	$1 360	$ 544	$ 816
Asia-Pacific	16 444	675	533	142	57	85
Latin America(c)	9 874	793	263	530	212	318
Total international operations	117 722	4 634	2 602	2 032	813	1 219
Domestic operations(d)	143 176	4 222	3 140	1 082	246	836
Total	260 898	8 856	5 742	3 114	1 059	2 055
1998						
Europe(b)	$ 86 144	$2 376(e)	$1 979(g)	$ 397	$ 159	$ 238
Asia-Pacific	15 215	866(f)	548(g)	318	127	191
Latin America(c)	11 556	268	232(g)	36	14	22
Total international operations	112 915	3 510	2 759	751	300	451
Domestic operations(d)	148 152	3 445	2 779(g)	666	154	512
Total	261 067	6 955	5 538	1 417	454	963
1997						
Europe(b)	$ 88 018	$2 476	$1 713	$ 763	$ 305	$ 458
Asia-Pacific	22 791	936	507	429	171	258
Latin America(c)	12 885	390	234	156	63	93
Total international operations	123 694	3 802	2 454	1 348	539	809
Domestic operations(d)	138 465	3 418	2 612	806	150	656
Total	262 159	7 220	5 066	2 154	689	1 465

(a) Includes net interest revenue and noninterest revenues.

(b) Includes the Middle East and Africa.

(c) Includes Mexico, Central America, and South America.

(d) Includes the United States, Canada, and the Caribbean. Total assets, revenue and expenses relate substantially to United States operations for all years.

(e) Includes 1998 second-quarter net pretax gain of $131 million related to the sale of our global trust and agency services business. Refer to note 5.

(f) Includes 1998 third-quarter net pretax gain of $56 million related to the sale of our investment management business in Australia. Refer to note 5.

(g) Total expenses include 1998 special charges of $358 million, which was recorded as follows: $183 million in Europe, $22 million in Asia-Pacific, $3 million in Latin America, and $150 million in domestic operations. Refer to note 4.

The table below presents the composition of international assets as of December 31.

In millions: December 31	1999	1998	1997
Interest-earning deposits with banks:			
At overseas branches or subsidiaries of U.S. banks	$ 613	$ 241	$ 23
Other	1 710	1 455	1 832
Loans, net	11 313	12 723	17 797
Investment securities	1 451	642	2 580
Trading account assets	69 902	74 609	73 328
Other assets	32 733	23 245	28 134
Total international assets	117 722	112 915	123 694

34. CERTAIN RESTRICTIONS: SUBSIDIARIES

Under the Federal Reserve Act and New York State law, certain legal restrictions limit the amount of dividends that Morgan Guaranty - a state member bank - can declare. The most restrictive test requires approval of the Federal Reserve Board if Morgan Guaranty's declared dividends exceed the net profits for the current year combined with the preceding two years' net profits. The calculation of the amount available for payment of dividends is based on net profits reduced by the amount of dividends declared. As of December 31, 1999, the cumulative retained net profits for the years 1999 and 1998 available for distribution as dividends in 2000 without approval of the Federal Reserve Board were approximately $48 million, excluding the net income earned in 2000.

The Federal Reserve Board may prohibit the payment of dividends if it determines that circumstances relating to the financial condition of a bank are such that the payment of dividends would be an unsafe and unsound practice.

U.S. federal law also places restrictions on certain types of transactions engaged in by insured banks and their subsidiaries with certain affiliates, including, in the case of Morgan Guaranty, J.P. Morgan and its non-banking subsidiaries. "Covered transactions" are limited to 20% of capital and surplus, as defined, and covered transactions with any one such affiliate are limited to 10% of capital and surplus. These transactions include loans and extensions of credit to such an affiliate; purchases of assets from such an affiliate; and any guarantees, acceptances, and letters of credit issued on behalf of such an affiliate. Such loans, extensions of credit, guarantees, acceptances, and letters of credit must be collateralized. In addition, a wide variety of transactions engaged in by insured banks and their subsidiaries with such affiliates must be made on terms and under circumstances that are at least as favorable to the bank or subsidiary concerned as those prevailing at the time for comparable transactions with nonaffiliated companies.

Certain other subsidiaries are subject to various restrictions, mainly regulatory requirements, that may limit cash dividends and advances to J.P. Morgan and that establish minimum capital requirements.

35. CONDENSED FINANCIAL STATEMENTS OF J.P. MORGAN (PARENT)

Presented below are the condensed statements of income, balance sheet, and cash flows for J.P. Morgan & Co. Incorporated, the parent company.

J.P. MORGAN (PARENT) STATEMENT OF INCOME

In millions	1999	1998	1997
REVENUES			
Equity in undistributed earnings of subsidiaries	$ 402	$ 212	$ 855
Dividends from subsidiaries:			
Bank	1 449	472	404
Other	177	264	201
Total equity in earnings of subsidiaries	2 028	948	1 460
Interest from subsidiaries	1 422	1 298	739
Other interest revenue	40	38	53
Advisory and underwriting fees - allocations from subsidiaries	178	141	125
Service fees from subsidiaries	338	250	248
Investment securities revenue	135	46	--
Other revenue	7	7	3
Total revenues	4 148	2 728	2 628
EXPENSES			
Interest (includes $93 in 1999, $94 in 1998, and $101 in 1997 to subsidiaries)	1 693	1 525	891
Employee compensation and benefits	375	248	245
Other expenses	119	139	129
Total expenses	2 187	1 912	1 265
Income before income taxes	1 961	816	1 363
Income tax benefit	(94)	(147)	(102)
Net income	2 055	963	1 465

J.P. MORGAN (PARENT) BALANCE SHEET

In millions	December 31 1999	1998
ASSETS		
Interest-earning deposits with subsidiary bank	$ 1 548	$ 591
Debt investment securities available-for-sale carried at fair value	1 296	993
Equity investment securities	--	10
Investments in subsidiaries:		
Bank	10 595	10 478
U.S. broker-dealer	1 011	746
Other nonbank	1 043	1 065
Advances to subsidiaries:		
Bank	3 761	3 728
U.S. broker-dealer(a)	2 797	6 690
Other nonbanks, primarily securities-related(b)	18 989	9 565
Accrued interest and accounts receivable, primarily from subsidiary bank	340	362
Other assets (includes $3 332 in 1999 and $2 990 in 1998 related to corporate-owned life insurance contracts; $1 206 in 1999 and $1 095 in 1998 related to deferred tax assets)	5 595	4 636
Total assets	46 975	38 864
LIABILITIES AND STOCKHOLDERS' EQUITY		
Securities sold under agreements to repurchase	121	--
Commercial paper	11 485	6 127
Other liabilities for borrowed money	964	148
Accounts payable and accrued expenses	2 099	1 829
Long-term debt not qualifying as risk-based capital	13 440	13 365
Other liabilities	1 130	511
	29 239	21 980
Long-term debt qualifying as risk-based capital	5 111	4 437
Intercompany debentures(c)	1 186	1 186
Total liabilities	35 536	27 603
Total stockholders' equity	11 439	11 261
Total liabilities and stockholders' equity	46 975	38 864

(a) As of December 31, 1999 and 1998, $1.7 billion and $5.7 billion, respectively, of these advances was collateralized by marketable securities, primarily U.S. government and agency securities.

(b) As of December 31, 1999 and 1998, $18.4 billion and $7.6 billion, respectively, of marketable equity and government agency securities were available as collateral for these advances.

(c) Consists solely of junior subordinated debentures issued to JPM Capital Trust I and Trust II. Refer to note 26.

J.P. MORGAN (PARENT) STATEMENT OF CASH FLOWS

In millions	1999	1998	1997
NET INCOME	$ 2 055	$ 963	$ 1 465
Adjustments to reconcile to cash provided by operating activities:			
Equity in undistributed (earnings) of subsidiaries	(402)	(212)	(855)
Net (decrease) due to changes in other balance sheet amounts	(44)	(93)	(54)
Net investment securities (gains) included in cash flows from investing activities	(136)	(46)	--
CASH PROVIDED BY OPERATING ACTIVITIES	1 473	612	556
Net (increase) in interest-earning deposits with subsidiary bank	(957)	(152)	(237)
Debt investment securities:			
Proceeds from sales and maturities	1 421	2 330	1 394
Purchases	(1 489)	(2 373)	(1 161)
Net (increase) in advances to subsidiaries	(5 522)	(5 605)	(3 461)
Capital from (to) subsidiaries	2	(252)	(26)
Net payments for insurance contracts	(231)	(703)	(453)
Other changes, net	(154)	(33)	(41)
CASH USED IN INVESTING ACTIVITIES	(6 930)	(6 788)	(3 985)
Net increase (decrease) in securities sold under agreements to repurchase	121	(351)	(154)
Net increase in commercial paper	5 357	19	2 660
Net increase (decrease) in other liabilities for borrowed money	827	(390)	515
Long-term debt:			
Proceeds	3 780	9 655	3 302
Payments	(2 666)	(1 848)	(1 754)
Intercompany debentures:			
Proceeds	--	--	413
Capital stock issued or distributed	276	179	245
Capital stock purchased	(2 144)	(755)	(1 500)
Dividends paid	(731)	(707)	(673)
Cash receipts from subsidiaries for common stock issuable	637	338	370
Other changes, net	--	36	5
CASH PROVIDED BY FINANCING ACTIVITIES	5 457	6 176	3 429
DECREASE IN CASH AND DUE FROM BANKS	--	--	--
Cash disbursements for interest and taxes	1 856	1 267	827

36. SELECTED CONSOLIDATED QUARTERLY FINANCIAL DATA (UNAUDITED)

J.P. Morgan & Co. Incorporated

In millions, except share data	1999				1998			
Three months ended	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Interest revenue	$2 717	$2 783	$2 713	$2 757	$3 024	$3 249	$3 106	$3 262
Interest expense	2 379	2 394	2 288	2 368	2 701	2 917	2 816	2 926
Provision for loan losses	--	--	--	--	85	25	--	--
Reversal of provision for loan losses ..	(25)	(45)	(105)	--	--	--	--	--
Net interest revenue after loan loss provisions	363	434	530	389	238	307	290	336
Total noninterest revenues	1 826	1 551	1 661	2 102	1 266	994(a)	1 863(a)	1 661
Total revenue, net	2 189	1 985	2 191	2 491	1 504	1 301	2 153	1 997
Total operating expenses	1 417	1 341	1 417	1 567	1 391(b)	1 099	1 416	1 632(b)
Income before income taxes	772	644	774	924	113	202	737	365
Income taxes	263	202	270	324	24	46	256	128
NET INCOME	509	442	504	600	89	156	481	237
PER COMMON SHARE								
Net income:								
Basic	$ 2.83	$ 2.39	$ 2.71	$ 3.24	$ 0.44	$ 0.81	$ 2.57	$ 1.26
Diluted	2.63	2.22	2.52	3.01	0.42	0.75	2.36	1.15
Dividends declared	1.00	0.99	0.99	0.99	0.99	0.95	0.95	0.95
Price range per common share on the composite tape:								
High	$ 142	$ 146	$146-3/4	$126-7/16	$115-7/8	$133-9/16	$148-11/16	$138-13/16
Low	106-1/2	112-13/16	123-15/16	99-1/4	74-1/2	84-5/8	116-15/16	98-13/16
Closing price per common share at quarter-end	126-5/8	115-1/2	140-1/2	123-3/8	105-1/16	84-5/8	117-1/16	134-5/16

The principal market on which the company's common stock is traded is the New York Stock Exchange.

(a) Refer to note 5.

(b) Refer to note 4.

The 1999 fourth-quarter results are discussed in J.P. Morgan's earnings release dated January 18, 2000, which has been filed with the Securities and Exchange Commission on Form 8-K.

(3) The unaudited consolidated balance sheet of J.P. Morgan and subsidiaries as of September 30, 2000 and 1999 and the unaudited consolidated statements of income, cash flows and changes in stockholders' equity of J.P. Morgan and subsidiaries for the nine months ended September 30, 2000 and 1999, and the consolidated statement of condition of Morgan Guaranty Trust Company of New York and its subsidiaries as of September 30, 2000 and 1999.

CONSOLIDATED STATEMENT OF INCOME
J.P. Morgan & Co. Incorporated
In millions, except share data

	Three months ended				
	September 30 2000	September 30 1999	Increase/ (Decrease)	June 30 2000	Increase/ (Decrease)
NET INTEREST REVENUE					
Interest revenue	$3,354	$2,783	$571	$3,244	$110
Interest expense	3,004	2,394	610	2,865	139
Net interest revenue	350	389	(39)	379	(29)
Reversal of provision for loan losses	(7)	(45)	38	(4)	(3)
Net interest revenue after loan loss provisions	357	434	(77)	383	(26)
NONINTEREST REVENUES					
Trading revenue	852	424	428	906	(54)
Advisory and underwriting fees	400	398	2	468	(68)
Investment management fees	284	270	14	303	(19)
Fees and commissions	233	206	27	232	1
Investment securities (loss) / revenue	(1)	271	(272)	128	(129)
Other revenue / (loss)	197 (a)	(18) (a)	215	59 (b)	138
Total noninterest revenues	1,965	1,551	414	2,096	(131)
Total revenues, net	2,322	1,985	337	2,479	(157)
OPERATING EXPENSES					
Employee compensation and benefits	1,118	889	229	1,097	21
Net occupancy	91	82	9	81	10
Technology and communications	247	229	18	246	1
Other expenses	153	141	12	236	(83)
Total operating expenses	1,609	1,341	268	1,660	(51)
Income before income taxes	713	644	69	819	(106)
Income taxes	199	202	(3)	277	(78)
Net income	514	442	72	542	(28)
PER COMMON SHARE					
Net income:					
Basic	$2.97	$2.39	$0.58	$3.10	($0.13)
Diluted	2.77	2.22	0.55	2.90	(0.13)
Dividends declared	1.00	0.99	0.01	1.00	-

(a) Includes a reversal of provision for credit losses on lending commitments of $29 million and $15 million for the three months ended September 30, 2000 and 1999, respectively.

(b) Includes a provision for credit losses on lending commitments of $37 million for the three months ended June 30, 2000.

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME
J.P. Morgan & Co. Incorporated
In millions, except share data

	Nine months ended September 30 2000	Nine months ended September 30 1999	Increase/ (Decrease)
NET INTEREST REVENUE			
Interest revenue	$9,629	$8,253	$1,376
Interest expense	8,447	7,050	1,397
Net interest revenue	1,182	1,203	(21)
Reversal of provision for loan losses	(11)	(150)	139
Net interest revenue after loan loss provisions	1,193	1,353	(160)
NONINTEREST REVENUES			
Trading revenue	2,708	2,361	347
Advisory and underwriting fees	1,411	1,245	166
Investment management fees	863	776	87
Fees and commissions	749	611	138
Investment securities revenue	284	201	83
Other revenue (a)	429	120	309
Total noninterest revenues	6,444	5,314	1,130
Total revenues, net	7,637	6,667	970
OPERATING EXPENSES			
Employee compensation and benefits	3,515	2,955	560
Net occupancy	254	244	10
Technology and communications	751	707	44
Other expenses	604	419	185
Total operating expenses	5,124	4,325	799
Income before income taxes	2,513	2,342	171
Income taxes	829	796	33
Net income	1,684	1,546	138
PER COMMON SHARE			
Net income:			
Basic	$9.64	$8.33	$1.31
Diluted	9.05	7.76	1.29
Dividends declared	3.00	2.97	0.03

(a) Includes a net provision for credit losses on lending commitments of $9 million and $20 million for the nine months ended September 30, 2000 and 1999, respectively.

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET
J.P. Morgan & Co. Incorporated

In millions, except share data	September 30 2000	December 31 1999
ASSETS		
Cash and due from banks	$ 881	$ 2,463
Interest-earning deposits with banks	5,156	2,345
Debt investment securities available-for-sale	5,050	14,286
Equity investment securities	1,484	1,734
Trading account assets:		
U.S. and foreign governments	64,611	42,663
Corporate debt and equity and other securities	40,268	31,271
Derivative receivables	35,549	43,658
Total trading account assets	140,428	117,592
Securities purchased under agreements to resell ($42,713 at September 2000 and $34,470 at December 1999) and federal funds sold	43,788	35,970
Securities borrowed	34,874	34,716
Loans, net of allowance for loan losses of $258 at September 2000 and $281 at December 1999	26,729	26,568
Accrued interest and accounts receivable	6,050	10,119
Premises and equipment, net of accumulated depreciation of $1,271 at September 2000 and $1,319 at December 1999	2,086	1,997
Other assets	15,155	13,108
Total assets	281,681	260,898
LIABILITIES		
Deposits (including interest-bearing deposits of $38,402 at September 2000 and $43,922 at December 1999)	40,184	45,319
Trading account liabilities:		
U.S. and foreign governments	30,675	19,378
Corporate debt and equity and other securities	14,976	16,063
Derivative payables	37,886	44,976
Total trading account liabilities	83,537	80,417
Securities sold under agreements to repurchase ($82,748 at September 2000 and $58,950 at December 1999) and federal funds purchased	83,267	59,693
Commercial paper	12,124	11,854
Other liabilities for borrowed money	12,813	10,258
Accounts payable and accrued expenses	10,366	10,621
Long-term debt not qualifying as risk-based capital	16,681	19,048
Other liabilities, including allowance for credit losses of $134 at September 2000 and $125 at December 1999	4,801	5,897
	263,773	243,107
Liabilities qualifying as risk-based capital:		
Long-term debt	4,796	5,202
Company-obligated mandatorily redeemable preferred securities of subsidiaries	1,150	1,150
Total liabilities	269,719	249,459
STOCKHOLDERS' EQUITY		
Preferred stock (authorized shares: 10,000,000)		
Adjustable rate cumulative preferred stock, $100 par value (issued: 2,444,300)	244	244
Variable cumulative preferred stock, $1,000 par value (issued and outstanding: 250,000)	250	250
Fixed cumulative preferred stock, $500 par value (issued and outstanding: 400,000)	200	200
Common stock, $2.50 par value (authorized shares: 500,000,000; issued: 200,998,455 at September 2000 and December 1999)	502	502
Capital surplus	1,211	1,249
Common stock issuable under stock award plans	2,157	2,002
Retained earnings	12,052	10,908
Accumulated other comprehensive income:		
Net unrealized gains on investment securities, net of taxes	25	44
Foreign currency translation, net of taxes	(15)	(18)
	16,626	15,381
Less: treasury stock (41,228,441 common shares and 15,000 preferred shares at September 2000, and 36,200,897 common shares at December 1999) at cost	4,664	3,942
Total stockholders' equity	11,962	11,439
Total liabilities and stockholders' equity	281,681	260,898

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
J.P. Morgan & Co. Incorporated

In millions: Nine months ended September 30	2000 Stockholders' Equity	2000 Compre-hensive Income	1999 Stockholders' Equity	1999 Compre-hensive Income
PREFERRED STOCK				
Adjustable-rate cumulative preferred stock balance, January 1 and September 30	$ 244		$ 244	
Variable cumulative preferred stock balance, January 1 and September 30	250		250	
Fixed cumulative preferred stock, January 1 and September 30	200		200	
Total preferred stock, September 30	694		694	
COMMON STOCK				
Balance, January 1 and September 30	502		502	
CAPITAL SURPLUS				
Balance, January 1	1,249		1,252	
Shares issued or distributed under dividend reinvestment plan, various employee benefit plans, and income tax benefits associated with stock options	(38)		(11)	
Balance, September 30	1,211		1,241	
COMMON STOCK ISSUABLE UNDER STOCK AWARD PLANS				
Balance, January 1	2,002		1,460	
Deferred stock awards, net	155		253	
Balance, September 30	2,157		1,713	
RETAINED EARNINGS				
Balance, January 1	10,908		9,614	
Net income	1,684	$1,684	1,546	$1,546
Dividends declared on preferred stock	(29)		(25)	
Dividends declared on common stock	(482)		(523)	
Dividend equivalents on common stock issuable	(29)		(26)	
Balance, September 30	12,052		10,586	
ACCUMULATED OTHER COMPREHENSIVE INCOME				
Net unrealized gains on investment securities:				
Balance, net of taxes, January 1	44		147	
Net unrealized gains/(losses) arising during the period, before taxes ($123 in 2000 and ($325) in 1999, net of taxes)	198		(550)	
Reclassification adjustment for net (gains)/losses included in net income, before taxes (($155) in 2000 and $69 in 1999, net of taxes)	(243)		118	
Change in net unrealized (losses) on investment securities, before taxes	(45)		(432)	
Income tax benefit	26		177	
Change in net unrealized gains / (losses) on investment securities, net of taxes	(19)	(19)	(255)	(255)
Balance, net of taxes, September 30	25		(108)	
Foreign currency translation:				
Balance, net of taxes, January 1	(18)		(46)	
Translation adjustment arising during the period, before taxes	6		(7)	
Income tax (expense) / benefit	(3)		7	
Translation adjustment arising during the period, net of taxes	3	3	-	-
Balance, net of taxes, September 30	(15)		(46)	
Total accumulated other comprehensive income, net of taxes, September 30	10		(154)	
LESS: TREASURY STOCK				
Balance, January 1	3,942		2,362	
Purchases	1,464		681	
Shares issued/distributed, primarily related to various employee benefit plans	(742)		(469)	
Balance, September 30	4,664		2,574	
TOTAL STOCKHOLDERS' EQUITY	11,962		12,008	
TOTAL COMPREHENSIVE INCOME		1,668		1,291

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
J.P. Morgan & Co. Incorporated

In millions	Nine months ended	
	September 30 2000	September 30 1999
NET INCOME	$1,684	$ 1,546
Adjustments to reconcile to cash provided by operating activities:		
Noncash items: provisions for credit losses, depreciation, amortization, deferred income taxes, stock award plans, and write-downs on investment securities	882	1,218
Net (increase)/decrease in assets:		
Trading account assets	(22,985)	7,259
Securities purchased under agreements to resell	(8,266)	(3,668)
Securities borrowed	(158)	(4,728)
Loans held for sale	156	1,485
Accrued interest and accounts receivable	4,062	858
Net increase/(decrease) in liabilities:		
Trading account liabilities	3,009	1,304
Securities sold under agreements to repurchase	23,766	(1,824)
Accounts payable and accrued expenses	(305)	542
Other changes in operating assets and liabilities, net	830	(2,569)
Net investment securities (gains), excluding SBICs, included in cash flows from investing activities	(257)	(31)
CASH PROVIDED BY OPERATING ACTIVITIES	2,418	1,392
Net (increase) decrease in interest-earning deposits with banks	(2,822)	222
Debt investment securities:		
Proceeds from sales	11,813	26,498
Proceeds from maturities, calls, and mandatory redemptions	2,021	6,267
Purchases	(4,582)	(21,416)
Net decrease (increase) in federal funds sold	425	(1,375)
Net (increase) in loans	(349)	(1,508)
Payments for premises and equipment	(181)	(227)
Other changes, net	(397)	(1,821)
CASH PROVIDED BY INVESTING ACTIVITIES	5,928	6,640
Net increase in noninterest-bearing deposits	384	227
Net (decrease) in interest-bearing deposits	(5,600)	(6,516)
Net (decrease) increase in federal funds purchased	(224)	216
Net increase in commercial paper	270	3,689
Other liabilities for borrowed money proceeds	4,774	8,552
Other liabilities for borrowed money payments	(4,685)	(11,877)
Long-term debt proceeds	4,924	5,356
Long-term debt payments	(7,253)	(7,389)
Capital stock issued or distributed	282	200
Capital stock purchased	(1,464)	(669)
Dividends paid	(517)	(549)
Other changes, net	(894)	1,087
CASH (USED IN) FINANCING ACTIVITIES	(10,003)	(7,673)
Effect of exchange rate changes on cash and due from banks	75	47
(DECREASE) INCREASE IN CASH AND DUE FROM BANKS	(1,582)	406
Cash and due from banks at December 31, 1999 and 1998	2,463	1,203
Cash and due from banks at September 30, 2000 and 1999	881	1,609
Cash disbursements made for:		
Interest	$ 8,868	$ 6,884
Income taxes	515	764

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CONDITION
Morgan Guaranty Trust Company of New York

In millions, except share data	September 30 2000	December 31 1999
ASSETS		
Cash and due from banks	$ 674	$ 2,382
Interest-earning deposits with banks	4,964	2,266
Debt investment securities available-for-sale	2,311	4,992
Trading account assets	89,366	84,786
Securities purchased under agreements to resell and federal funds sold	24,313	19,094
Securities borrowed	11,679	9,700
Loans, net of allowance for loan losses of $256 at September 2000 and $280 at December 1999	26,286	26,072
Accrued interest and accounts receivable	4,404	4,426
Premises and equipment, net of accumulated depreciation of $1,110 at September 2000 and $1,113 at December 1999	1,785	1,810
Other assets	12,482	12,138
Total assets	178,264	167,666
LIABILITIES		
Noninterest-bearing deposits:		
In offices in the U.S.	992	907
In offices outside the U.S.	791	501
Interest-bearing deposits:		
In offices in the U.S.	3,519	4,256
In offices outside the U.S.	36,716	42,052
Total deposits	42,018	47,716
Trading account liabilities	73,443	72,066
Securities sold under agreements to repurchase and federal funds purchased	26,297	13,610
Other liabilities for borrowed money	9,128	5,482
Accounts payable and accrued expenses	6,673	6,310
Long-term debt not qualifying as risk-based capital (includes $837 at September 2000 and $727 at December 1999 of notes payable to J.P. Morgan)	5,505	6,224
Other liabilities, including allowance for credit losses of $134 at September 2000 and $125 at December 1999	1,663	2,719
	164,727	154,127
Long-term debt qualifying as risk-based capital (includes $2,673 at September 2000 and $2,853 at December 1999 of notes payable to J.P. Morgan)	2,712	2,944
Total liabilities	167,439	157,071
STOCKHOLDER'S EQUITY		
Preferred stock, $100 par value (authorized shares: 2,500,000)	-	-
Common stock, $25 par value (authorized shares: 11,000,000; issued and outstanding 10,599,027)	265	265
Surplus	3,305	3,305
Undivided profits	7,231	6,975
Accumulated other comprehensive income:		
Net unrealized gains on investment securities, net of taxes	36	67
Foreign currency translation, net of taxes	(12)	(17)
Total stockholder's equity	10,825	10,595
Total liabilities and stockholder's equity	178,264	167,666

Member of the Federal Reserve System and the Federal Deposit Insurance Corporation.

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

J.P. Morgan & Co. Incorporated (J.P. Morgan) is the holding company for a group of subsidiaries that provide a range of financial services.

We serve a broad client base that includes corporations, governments, institutions, and individuals. We also enter into transactions for our own account.

J.P. Morgan and its subsidiaries use accounting and reporting policies and practices that conform with U.S. Generally Accepted Accounting Principles.

Basis of presentation

Our consolidated financial statements include the accounts of J.P. Morgan and of subsidiaries in which we have more than 50% ownership. All material intercompany accounts and transactions are eliminated during consolidation.

For companies in which we have significant influence over operating and financing decisions (generally defined as owning a voting or economic interest of 20% to 50%), we use the equity method of accounting. These investments are included in Other assets, and our share of income or loss is included in Other revenue, with the exception of such investments held in our Equity Investments segment, where our share of income or loss is recorded in Investment securities revenue.

Assets that we hold in an agency or fiduciary capacity are not assets of J.P. Morgan. They are therefore not included in our "Consolidated balance sheet."

The financial information as of and for the periods ended September 30, 2000 and 1999, and June 30, 2000, is unaudited. All adjustments which, in the opinion of management, are necessary for a fair presentation have been made and were of a normal, recurring nature. These unaudited financial statements should be read in conjunction with the audited financial statements included in J.P. Morgan's Annual report on Form 10-K for the year ended December 31, 1999. The nature of J.P. Morgan's business is such that the results of any interim period are not necessarily indicative of results for a full year. Certain prior year amounts have been reclassified to conform with the current presentation.

Accounting developments

Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities

In September 2000, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - a replacement of FASB Statement No. 125", which revises the standards for accounting for securitizations and other transfers of financial assets and collateral. SFAS No. 140 is effective for transfers occurring after March 31, 2001 and for disclosures relating to securitizations and collateral for fiscal years ending after December 15, 2000. We are currently in the process of evaluating the impact of adopting SFAS No. 140, and do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

Accounting for derivative instruments and hedging activities

In June 1998 the FASB issued SFAS No. 133, which will require us to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through earnings. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged asset, liability, or firm commitment through earnings or be recognized in Other comprehensive income until the hedged item affects earnings. If the change in fair value or cash flows of a derivative designated as a hedge is not effectively offset, as defined, by the change in value or cash flows of the item it is hedging, this difference will be immediately recognized in earnings.

Pursuant to SFAS No. 137, we are required to adopt SFAS No. 133 effective January 1, 2001. We assessed the impact of adopting the standard and Derivatives Implementation Group guidance at September 30, 2000, and concluded the effect was not material to J.P. Morgan's results of operations or financial position. The transition adjustment at January 1, 2001 could vary significantly from our estimate due to continuing Derivatives Implementation Group deliberations, market conditions and changes in business strategies. Adoption of this standard may cause volatility in quarterly earnings and equity, prospectively, due to the methods used to measure hedges and our decision to no longer apply hedge accounting to certain business strategies.

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying value and fair value of J.P. Morgan's financial instruments as of September 30, 2000 and December 31, 1999 in accordance with SFAS No. 107. Accordingly, certain amounts which are not considered financial instruments, including premises and equipment as well as investments under the equity method of accounting, are excluded from the table. Refer to note 1 of our 1999 Annual report for detailed information on how we estimate the fair value of financial instruments.

	September 30, 2000			December 31, 1999		
In billions	Carrying value	Fair value	Appreciation / (depreciation)	Carrying value	Fair value	Appreciation / (depreciation)
FAIR VALUE THROUGH EARNINGS						
Financial assets:						
Trading account assets:						
Cash securities	$104.9	$104.9	$-	$73.9	$73.9	$-
Derivative receivables	35.5	35.5	-	43.7	43.7	-
Equity investments - SBICs	0.5	0.5	-	0.6	0.6	-
Financial liabilities:						
Trading account liabilities:						
Cash securities	45.6	45.6	-	35.4	35.4	-
Derivative payables	37.9	37.9	-	45.0	45.0	-
FAIR VALUE THROUGH EQUITY						
Financial assets:						
Debt investment securities	5.1	5.1	-	14.3	14.3	-
Equity investments - marketable securities	0.2	0.2	-	0.6	0.6	-
CARRIED AT COST (APPROXIMATES FAIR VALUE)						
Financial assets:						
Securities purchased under agreements to resell and federal funds sold	43.8	43.8	-	36.0	36.0	-
Securities borrowed	34.9	34.9	-	34.7	34.7	-
Loans, net	8.9	8.9	-	8.2	8.2	-
Other financial assets, including cash and due from banks, accrued interest and accounts receivable, and other assets	12.9	12.9	-	17.8	17.8	-
Financial liabilities:						
Noninterest-bearing deposits	1.8	1.8	-	1.4	1.4	-
Securities sold under agreements to repurchase and federal funds purchased	83.3	83.3	-	59.7	59.7	-
Other financial liabilities, including securities lent, accounts payable and other liabilities	19.5	19.5	-	18.7	18.7	-
CARRIED AT COST						
Financial assets:						
Interest-earnings deposits with banks	5.2	5.2	-	2.3	2.3	-
Loans, net	17.8	17.7	(0.1)	18.3	18.4	0.1
Related derivatives	-	-	-	-	0.1	0.1
Equity investments - nonmarketable securities	0.8	0.8	-	0.5	0.6	0.1
Other financial assets	7.5	7.6	0.1	6.4	6.4	-
Financial liabilities:						
Interest-bearing deposits	38.4	38.5	(0.1)	43.9	44.2	(0.3)
Related derivatives	-	(0.1)	0.1	-	(0.1)	0.1
Commercial paper	12.1	12.1	-	11.9	11.9	-
Other liabilities for borrowed money	8.1	8.1	-	7.2	7.2	-
Long-term debt	21.5	21.4	0.1	24.3	24.1	0.2
Related derivatives	-	0.2	(0.2)	-	0.3	(0.3)
Other financial liabilities	-	-	-	0.7	0.7	-
Allowance - lending commitments	0.1	-	0.1	0.1	-	0.1
Company-obligated mandatorily redeemable preferred securities of subsidiaries	1.2	1.1	0.1	1.2	1.1	0.1
Related derivatives	-	0.1	(0.1)	-	0.1	(0.1)
Lending commitments	-	(0.1)	(0.1)	-	(0.2)	(0.2)
Net depreciation before considering income taxes			(0.1)			(0.1)

3. SEGMENTS

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in assessing performance. In accordance with SFAS No. 131, we have presented results based on the segments as reviewed separately by the chief operating decision maker, our chairman and chief executive officer, as well as other members of senior management. Each segment is defined by the products and services it provides globally to our clients or the activities it undertakes solely for our own account.

J.P. Morgan's segments, or activities, are Investment Banking, Equities, Interest Rate and Currency Markets, Credit Markets, Asset Management Services, Equity Investments, and Proprietary Positioning. During the second quarter of 2000, the firm announced organizational changes, which included the combination of our Credit Markets and Credit Portfolio segments into a single Credit Markets segment. In addition, revenue and expense allocations between Investment Banking and the other segments, primarily Equities and Credit Markets, have been changed to reflect the new organization. Prior period results have been restated.

The assessment of segment performance by senior management includes a review for each segment of pretax economic value added, pretax income, revenues, and expenses, as well as related trends among these items. We define economic value added (EVA) as operating income, adjusted to reflect certain segments on a total return basis, less preferred stock dividends and a charge for the cost of equity capital. At the business level, EVA is currently evaluated on a pretax basis, while at the firm level EVA is assessed after the impact of taxes. To arrive at the charge for equity capital for each segment, we multiply its allocated required economic capital by its market-based cost of equity (or hurdle rate), with the exception of our Credit Markets segment whose cost of equity incorporates market pricing for credit risk. The cost of equity for each business activity is separately determined from observable market returns of publicly held investments. To arrive at the charge for equity capital for J.P. Morgan consolidated, we multiply the firm's equity by its market-based cost of equity, which is currently estimated at 10.5%.

Our management reporting system and policies were used to determine income (revenues minus expenses) attributable to each segment. Earnings on stockholders' equity were allocated based on management's estimate of the economic capital of each segment. Overhead, which represents costs associated with various support functions that exist for the benefit of the firm as a whole, is allocated to each segment based on that segment's expenses. Transactions between segments are recorded within segment results as if conducted with a third party and are eliminated in consolidation.

The accounting policies of our segments are, in all material respects, consistent with those described in note 1 of our 1999 Annual report, except for management reporting policies related to the tax-equivalent adjustment and reporting certain segments on a total return basis. For purposes of comparability, segment results include an adjustment to gross-up tax-exempt revenue to a taxable basis; this adjustment is eliminated in consolidation. In addition, in arriving at pretax EVA an adjustment is made to record certain segments on a total return basis; the Proprietary Positioning segment is the only segment significantly affected by this adjustment (see footnote (c) to the segment results table below.)

Our economic capital allocation model estimates the amount of equity required by each business activity and the firm as a whole. Business economic capital is estimated as if each activity were conducted as a standalone operating entity. This estimate is based, to the extent possible, on observations of the capital structures and risk profiles of public companies or benchmarks. In particular, for our markets and asset management activities, required economic capital is based on the revenue volatility and fixed expenses of public U.S. investment banks and asset management companies, respectively; for Credit Markets, capital is based on a simulation of unexpected credit losses; and, for Equity Investments, capital is equal to the carrying value of the portfolio. Diversification of Morgan's portfolio of businesses is reflected as a reduction to the consolidated level of required equity and is a factor in assessing the appropriate level of capitalization of the firm. The benefit of diversification is not allocated to the segments.

The following table presents segment results for the three and nine months ended September 30, 2000 and 1999, respectively.

In millions	Investment Banking	Equities	Interest Rate and Currency Markets	Credit Markets	Asset Management Services	Equity Investments
THREE MONTHS ENDED SEPTEMBER 30, 2000						
Net interest revenues	$ 21	$ 36	$ 50	$124(a)	$31	$2
Trading revenue	88	241	291	94	17	-
Advisory and underwriting fees	315	21	17	61	4	2
Investment management fees	1	-	-	-	275	7
Fees and commissions	(4)	125	31	36	31	-
Investment securities revenue	1	-	1	-	-	5
Other revenue	4	25	36	31	32	(2)
Total noninterest revenues	405	412	376	222	359	12
Total revenues	426	448	426	346	390	14
Total operating expenses	368	263	282	189	302	28
Total pretax income	58	185	144	157	88	(14)
Pretax EVA	22	152	64	6	60	(115)
Total assets at period end (in billions)	1	27	106	70	13	1
Avg. required economic capital	918	708	1,616	4,181	620	1,523
THREE MONTHS ENDED SEPTEMBER 30, 1999						
Net interest revenues	93	30	79	126(a)	38	12
Trading revenue	10	111	155	148	7	-
Advisory and underwriting fees	257	3	15	113	8	2
Investment management fees	-	-	-	-	267	5
Fees and commissions	5	93	39	36	16	3
Investment securities revenue	-	1	(4)	(3)	1	320
Other revenue	1	14	37	5	13	(1)
Total noninterest revenues	273	222	242	299	312	329
Total revenues	366	252	321	425	350	341
Total operating expenses	292	168	288	153	276	52
Total pretax income	74	84	33	272	74	289
Pretax EVA	50	51	(65)	135	56	164
Total assets at period end (in billions)	1	19	101	69	9	2
Avg. required economic capital	517	524	2,012	3,716	565	1,488
NINE MONTHS ENDED SEPTEMBER 30, 2000						
Net interest revenues	43	82	295	403(a)	105	(3)
Trading revenue	195	873	756	511	54	(10)
Advisory and underwriting fees	1,044	97	43	221	22	5
Investment management fees	4	-	-	-	851	11
Fees and commissions	(7)	416	110	93	97	(4)
Investment securities revenue	14	-	-	12	-	314
Other revenue	11	68	95	4	77	(1)
Total noninterest revenues	1,261	1,454	1,004	841	1,101	315
Total revenues	1,304	1,536	1,299	1,244	1,206	312
Total operating expenses	1,160	821	896	615	905	99
Total pretax income	144	715	403	629	301	213
Pretax EVA	57	595	111	242	230	(2)
Total assets at period end (in billions)	1	27	106	70	13	1
Avg. required economic capital	730	734	1,712	3,864	595	1,689
NINE MONTHS ENDED SEPTEMBER 30, 1999						
Net interest revenues	102	71	308	625(a)	88	(4)
Trading revenue	133	431	975	790	29	-
Advisory and underwriting fees	852	33	41	298	18	9
Investment management fees	-	-	-	-	769	12
Fees and commissions	16	287	120	89	66	(3)
Investment securities revenue	(1)	-	(5)	1	-	320
Other revenue	-	70	91	(51)	32	(1)
Total noninterest revenues	1,000	821	1,222	1,127	914	337

Total revenues	1,102	892	1,530	1,752	1,002	333
Total operating expenses	893	546	968	633	801	79
Total pretax income	209	346	562	1,119	201	254
Pretax EVA	138	241	255	609	147	104
Total assets at period end (in billions)	1	19	101	69	9	2
Avg. required economic capital	521	598	2,042	4,225	553	1,377

In millions	Proprietary Positioning	Corporate	Consol-idated
THREE MONTHS ENDED SEPTEMBER 30, 2000			
Net interest revenues	$ 25(b)	$ 68	$357
Trading revenue	104	17	852
Advisory and underwriting fees	-	(20)	400
Investment management fees	-	1	284
Fees and commissions	-	14	233
Investment securities revenue	(10)	2	(1)
Other revenue	191	(120)	197
Total noninterest revenues	285	(106)	1,965
Total revenues	310(c)	(38)	2,322
Total operating expenses	72	105	1,609
Total pretax income	238	(143)(d)	713
Pretax EVA	235	(112)(e)	312
Total assets at period end (in billions)	52	12	282
Avg. required economic capital	347	(1,198)(f)	8,715
THREE MONTHS ENDED SEPTEMBER 30, 1999			
Net interest revenues	50(b)	6	434
Trading revenue	(32)	25	424
Advisory and underwriting fees	-	-	398
Investment management fees	-	(2)	270
Fees and commissions	1	13	206
Investment securities revenue	(45)	1	271
Other revenue	32	(119)	(18)
Total noninterest revenues	(44)	(82)	1,551
Total revenues	6(c)	(76)	1,985
Total operating expenses	37	75	1,341
Total pretax income	(31)	(151)(d)	644
Pretax EVA	(193)	(97)(e)	101
Total assets at period end (in billions)	41	13	255
Avg. required economic capital	1,503	(1,122)(f)	9,203
NINE MONTHS ENDED SEPTEMBER 30, 2000			
Net interest revenues	121(b)	147	1,193
Trading revenue	253	76	2,708
Advisory and underwriting fees	-	(21)	1,411
Investment management fees	-	(3)	863
Fees and commissions	2	42	749
Investment securities revenue	(64)	8	284
Other revenue	469	(294)	429
Total noninterest revenues	660	(192)	6,444
Total revenues	781(c)	(45)	7,637

Total operating expenses	181	447	5,124
Total pretax income	600	(492)(d)	2,513
Pretax EVA	582	(559)(e)	1,256
Total assets at period end (in billions)	52	12	282
Avg. required economic capital	444	(1,239)(f)	8,529

NINE MONTHS ENDED SEPTEMBER 30, 1999			
Net interest revenues	191(b)	(28)	1,353
Trading revenue	(37)	40	2,361
Advisory and underwriting fees	-	(6)	1,245
Investment management fees	-	(5)	776
Fees and commissions	2	34	611
Investment securities revenue	(126)	12	201
Other revenue	126	(147)	120
Total noninterest revenues	(35)	(72)	5,314
Total revenues	156(c)	(100)	6,667
Total operating expenses	112	293	4,325
Total pretax income	44	(393)(d)	2,342
Pretax EVA	(382)	(258)(e)	854
Total assets at period end (in billions)	41	13	255
Avg. required economic capital	2,111	(1,316)(f)	10,111

(a) The adjustment to gross up Credit Markets' revenue to a taxable basis was $11 million and $7 million for the three months ended September 30, 2000 and 1999, respectively. For the nine months ended September 30, 2000 and 1999, the adjustment was $26 million and $20 million, respectively. These amounts are eliminated in consolidation.

(b) The adjustment to gross up Proprietary Positioning's tax-exempt revenues to a taxable basis was $122 million and $37 million for the three months ended September 30, 2000 and 1999, respectively. For the nine months ended September 30, 2000 and 1999, the adjustment was $312 million and $105 million, respectively. These amounts are eliminated in consolidation.

(c) Total return revenues, which combine reported revenues and the change in net unrealized appreciation/depreciation, were $337 million and ($90) million for the three months ended September 30, 2000 and 1999, respectively. Total return for the nine months ended September 30, 2000 and 1999 was $849 million and $6 million, respectively.

(d) We classify the revenues and expenses of Corporate into three broad categories:

- Corporate research and development initiatives that involve strategic investments in new client segments or services, but are managed separately from existing business lines. Expenses related to this area totaled $43 million and $19 million for the three months ended September 30, 2000 and 1999, respectively. For the nine months ended September 30, 2000 and 1999, these expenses were $143 million and $34 million, respectively.
- Other corporate revenues and expenses that are recurring but unallocated to the business segments, including but not limited to: the results of hedging anticipated net foreign currency revenues and expenses across all business segments; corporate-owned life insurance; certain equity earnings in affiliates; and consolidation and management reporting offsets to certain revenues and expenses recorded in the business segments. Excluding consolidation and management reporting offsets, recurring revenues were ($38) million and ($101) million for the three months ended September 30, 2000 and 1999, respectively, and ($27) million and ($130) million for the nine months ended September 30, 2000 and 1999, respectively. Consolidating and management reporting offsets - which comprises offsets to certain amounts recorded in the segments, including the allocation of earnings on equity out of Corporate into the segments, adjustments to bring segments to a tax-equivalent basis, and other management accounting adjustments - were ($118) million and ($38) million for the three months ended September 30, 2000 and 1999, respectively, and ($304) million and ($170) million for the nine months ended September 30, 2000 and 1999, respectively.
- Nonrecurring items not allocated to segments - including gains on the sale of businesses, revenues and expenses associated with businesses that have been sold or are in the process of being discontinued, including revenues and expenses related to Euroclear activities, special charges, and other one-time corporate items. Nonrecurring revenues were $6 million for the three months ended September 30, 2000 and 1999, and $13 million for the nine months ended September 30, 2000 and 1999. Corporate includes revenues, expenses and pretax income related to Euroclear activities for the three months ended September 30, 2000 and 1999, respectively, as follows: revenues - $87 million and $58 million; expenses - $8 million; and pretax income - $79 million and $50 million. For the nine months ended September 30, 2000 and 1999, revenues, expenses and pretax income related to Euroclear-related activities were as follows: revenues - $244 million and $188 million; expenses - $21 million and $20 million,; and pretax income - $223 million and $168 million, respectively.

(e) Pretax EVA for Corporate includes the cost of equity adjustment related to the following items, among others: assets and investments not allocated to the segments [note (f)1], the diversification effect, and excess/shortfall capital.

(f) The following table provides a reconciliation of average common equity to required capital for the three and nine months ended September 30, 2000 and 1999, respectively.

	Three Months Ended		Nine Months Ended	
In millions	September 30, 2000	September 30, 1999	September 30, 2000	September 30, 1999
Average common equity	$11,030	$11,074	$10,853	$10,946
Trust preferred securities	1,150	1,150	1,150	1,150
Fixed and adjustable preferred stock	444	444	444	444
Other adjustments	(101)	(86)	(71)	(121)
Total available capital	12,523	12,582	12,376	12,419
Total required capital of business segments	9,913	10,325	9,768	11,427
Corporate (1)	1,272	1,491	1,282	1,484
Diversification	(2,470)	(2,613)	(2,521)	(2,800)
Total required capital	8,715	9,203	8,529	10,111
Excess available capital	3,808	3,379	3,847	2,308

(1) Includes capital related to goodwill, Euroclear, retirement plans and other corporate assets.

4. BUSINESS CHANGES AND DEVELOPMENTS

Merger Announcement

In September 2000, J.P. Morgan and The Chase Manhattan Corporation ("Chase") announced that they had entered into an agreement to merge (the "Merger") by forming a new corporation named J.P. Morgan Chase & Co. As part of the Merger, each share of J.P. Morgan common stock issued and outstanding immediately prior to the effective date will be converted into 3.7 fully paid and nonassessable shares of Chase common stock. In addition, each share of J.P. Morgan preferred stock will be converted into one share of a corresponding series of substantially identical J.P. Morgan Chase & Co. preferred stock. The Merger is expected to be accounted for by Chase as a pooling of interests and to be tax-free to J.P. Morgan and Chase stockholders. The Merger is expected to close by the end of the first quarter of 2001 but we are preparing to close by year-end 2000 if we have received the stockholder and regulatory approvals required to do so.

Euroclear

Effective January 1, 2000, J.P. Morgan and the Boards of Euroclear Clearance System PLC and Euroclear Clearance System Societe Cooperative executed a definitive agreement to create a new, market-owned European bank to operate all aspects of the Euroclear system. A new bank has been formed, based in Brussels and known as Euroclear Bank, to succeed J.P. Morgan as operator and banker for the Euroclear System. This new bank is expected to be ready to take over the operations from J.P. Morgan by December 31, 2000. The management and staff of Euroclear, comprising approximately 1,200 J.P. Morgan employees, will transfer to the new entity.

Under the existing Operating Agreement, income from clearance and settlement operations is earned by Euroclear Clearance System Societe Cooperative, while J.P. Morgan retains earnings from providing banking services to the System's participants. Under the definitive agreement, J.P. Morgan will continue to receive pretax banking income for three years from January 1, 2000, with a minimum of $195 million and maximum of $295 million per year, whether the income is earned by J.P. Morgan prior to the changeover to the new bank or thereafter by the new bank. After the new bank becomes operational, it will also pay J.P. Morgan for certain assets and know-how transferred to it.

Until the new bank becomes operational, J.P. Morgan will continue to record pretax banking income over the period during which it is earned. Upon the changeover to the new bank, J.P. Morgan will recognize as income on that date all expected minimum amounts due over the remaining part of the three-year contract period, plus any gain on assets transferred to the new bank. This amount will be subsequently adjusted based on the determination of the final pretax banking income of Euroclear as specified in the definitive agreement.

Prior to the changeover to the successor bank, all banking income due to J.P. Morgan under the agreement will be received as earned. Following the changeover, 50% of all banking income due to J.P. Morgan will be paid as earned and the remaining 50% will be paid in monthly installments over the period starting the next succeeding year and ending December 31, 2005. The successor bank will have the option of prepaying its obligation for the remaining portion of the three-year contract period at the higher of $245 million per year or the average of the actual annual income (subject to the floor and cap noted above) for the portion of the three-year period preceding the prepayment.

Pre-tax income from Euroclear-related activities reported by J.P. Morgan was $223 million for the first nine months of 2000, $216 million for the full year 1999, and $261 million for 1998.

5. INTEREST REVENUE AND EXPENSE

The table below presents an analysis of interest revenue and expense obtained from on- and off-balance-sheet financial instruments. Interest revenue and expense associated with derivative financial instruments are included with related balance sheet instruments. These derivative financial instruments are used as hedges or to modify the interest rate characteristics of assets and liabilities and include swaps, forwards, futures, options, and debt securities forwards.

	Third quarter		Nine months	
In millions	2000	1999	2000	1999
INTEREST REVENUE				
Deposits with banks	$ 84	$ 61	$ 237	$ 221
Debt investment securities (a)	99	402	447	1,266
Trading account assets	1,325	970	3,700	2,763
Securities purchased under agreements to resell and federal funds sold	641	407	1,792	1,188
Securities borrowed	584	456	1,605	1,374
Loans	498	415	1,447	1,249
Other sources	123	72	401	192
Total interest revenue	3,354	2,783	9,629	8,253
INTEREST EXPENSE				
Deposits	514	548	1,614	1,723
Trading account liabilities	534	298	1,399	866
Securities sold under agreements to repurchase and federal funds purchased	1,083	792	2,893	2,260
Other borrowed money	508	376	1,419	1,070
Long-term debt	365	380	1,122	1,131
Total interest expense	3,004	2,394	8,447	7,050
Net interest revenue	350	389	1,182	1,203

(a) Interest revenue from debt investment securities included taxable revenue of $91 million and $398 million and revenue exempt from U.S. income taxes of $8 million and $49 million for the three and nine months ended September 30, 2000, respectively. Interest revenue from debt investment securities included taxable revenue of $378 million and $1,187 million and revenue exempt from U.S. income taxes of $24 million and $79 million for the three and nine months ended September 30, 1999, respectively.

Net interest (expense) revenue associated with derivatives used for purposes other-than-trading was approximately ($7) million and ($59) million for the three and nine months ended September 30, 2000, compared with approximately ($11) million and $16 million for the three and nine months ended September 30, 1999. As of September 30, 2000, approximately $5 million of net deferred losses on closed derivative contracts used for purposes other-than-trading were recorded on the "Consolidated balance sheet." These amounts primarily relate to closed hedge contracts included in the amortized cost of the debt investment portfolio as of September 30, 2000. The amount of net deferred gains or losses on closed derivative contracts changes from period to period, primarily due to the amortization of such amounts to Net interest revenue. These changes are also influenced by the execution of our investing strategies, which may result in the sale of the underlying hedged instruments and/or termination of hedge contracts. Net deferred losses / (gains) on closed derivative contracts as of September 30, 2000, are expected to amortize into Net interest revenue as follows: ($3) million - remainder of 2000; ($9) million in 2001; ($5) million in 2002; ($5) million in 2003; ($1) million in 2004; and approximately $18 million thereafter.

6. TRADING REVENUE

The following table presents trading revenue by principal product grouping for the three and nine months ended September 30, 2000 and 1999.

	Third quarter		Nine months	
In millions	2000	1999	2000	1999
Fixed income	$510	$194	$1,538	$1,224
Equities	348	177	1,118	661
Foreign exchange	(6)	53	52	476
Total trading revenue	852	424	2,708	2,361
Trading-related net interest revenue	82	171	376	608
Combined total	934	595	3,084	2,969

Fixed-income trading revenue includes the results of making markets in both developed and emerging countries in government securities, U.S. government agency securities, corporate debt securities, money market instruments, interest rate and currency swaps, and options and other derivatives. Equities trading revenue includes the results of making markets in global equity securities; equity derivatives such as swaps, options, futures, and forward contracts; and convertible debt securities. Foreign exchange trading revenue includes the results of making markets in spot, forward, and option contracts, and in short-term interest rate products in order to help clients manage their foreign currency exposure. Foreign exchange also includes the results from commodity transactions in spot, forward, and option contracts, and in swaps.

7. ADVISORY AND UNDERWRITING FEES

	Third quarter		Nine months	
In millions	2000	1999	2000	1999
Advisory fees	$195	$204	$680	$560
Underwriting revenue and syndication fees	205	194	731	685
Total	400	398	1,411	1,245

Advisory fees include revenues earned from advising clients on such corporate strategies as mergers and acquisitions, privatizations, and changes in capital structures. Underwriting revenue includes fees from both debt and equity underwriting. Syndication fees include revenue earned from the arrangement and syndication of credit facilities.

8. INVESTMENT SECURITIES REVENUE

In millions	Third quarter 2000	Third quarter 1999	Nine months 2000	Nine months 1999
DEBT INVESTMENT SECURITIES				
Gross realized gains from sales of securities	$19	$55	$131	$162
Gross realized losses from sales of securities	(25)	(106)	(187)	(281)
Net gains on maturities, calls, and mandatory redemptions	-	-	-	1
Net debt investment securities (loss)	(6)	(51)	(56)	(118)
EQUITY INVESTMENT SECURITIES				
Gross realized gains from marketable available-for-sale securities	105	-	301	-
Gross realized gains from nonmarketable securities	10	141	14	150
Net (depreciation) / appreciation in SBIC securities	(100)	249	21	255
Write-downs for other-than-temporary impairments in value	(24)	(112)	(58)	(150)
Dividend and other income	14	44	62	64
Net equity investment securities revenue	5	322	340	319
Total investment securities (loss) / revenue	(1)	271	284	201

9. OTHER REVENUE AND OTHER EXPENSES

Other revenue

In millions	Third quarter 2000	Third quarter 1999	Nine months 2000	Nine months 1999
Foreign currency hedging gains (a)	$129	($45)	$222	$ 86
Equity earnings in certain affiliates, including related goodwill amortization	12	(7)	57	31
Reversal of provision / (provision) for credit losses	29	15	(9)	(20)
Other	27	19	159	23
Total other revenue	197	(18)	429	120

(a) Includes gains and losses on hedges of anticipated foreign currency revenues and expenses. These gains and losses are partially offset by the impact of exchange rate movements on reported revenues and expenses over the year.

Other expenses

In millions	Third quarter 2000	Third quarter 1999	Nine months 2000	Nine months 1999
Professional services	$39	$32	$132	$83
Marketing and business development	54	51	195	136
Other outside services	53	50	166	130
Other	7	8	111	70
Total other expenses	153	141	604	419

10. INVESTMENT IN AMERICAN CENTURY COMPANIES, INC.

In January 1998, we completed the purchase of a 45% economic interest in American Century Companies, Inc. (American Century) for $965 million. American Century is a no-load U.S. mutual fund company selling directly to individuals. The investment is accounted for under the equity method of accounting and recorded in Other assets. The excess of our investment over our share of equity (i.e., goodwill) in American Century was approximately $795 million at the time of purchase. This amount is being amortized on a straight-line basis over a period of 25 years resulting in annual amortization expense of approximately $32 million. As of September 30, 2000 and 1999, goodwill totaled $703 million and $735 million, respectively. Our share of equity income in American Century and the amortization of goodwill related to this investment is recorded in Other revenue. The results of this investment are included in the Asset Management Services segment.

11. INVESTMENT SECURITIES

DEBT INVESTMENT SECURITIES

The following table presents the gross unrealized gains and losses and a comparison of the cost, along with the fair and carrying value of our available-for-sale debt investment securities as of September 30, 2000. The gross unrealized gains or losses on each debt investment security include the effects of any related hedge. See note 13 for additional detail of gross unrealized gains and losses associated with open derivative contracts used to hedge debt investment securities.

In millions: September 30, 2000	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
U.S. Treasury	$ 339	$ 3	$ 1	$ 341
U.S. government agency, principally mortgage-backed	3,015	15	129	2,901
U.S. state and political subdivision	769	90	16	843
U.S. corporate and bank debt	10	1	-	11
Foreign government	833	-	-	833
Foreign corporate and bank debt	5	-	1	4
Other	108	9	-	117
Total debt investment securities	5,079	118	147	5,050

EQUITY INVESTMENT SECURITIES

Equity investment securities are generally owned by J.P. Morgan Capital Corporation, a wholly owned nonbank subsidiary of J.P. Morgan. Many of these equity investment securities are subject to legal, regulatory, and contractual restrictions that limit our ability to dispose of them freely.

The following table shows gross unrealized gains and losses, a comparison of the cost, fair value and carrying value of marketable, nonmarketable, and SBIC securities portfolios of J.P. Morgan consolidated. A substantial portion of these are included in our Equity Investments segment.

In millions: September 30, 2000	Marketable	Nonmarketable	SBIC securities
Accounting (a)	Fair value through equity	Cost	Fair value through earnings
Cost	$198	$774	$303
Gross unrealized gains	36	88	185
Gross unrealized losses	(12)	(13)	-
Net unrealized gains	24 (b)	75 (c)	185 (d)
Fair value	222	849	488
Carrying value on balance sheet	222	774	488

(a) See note 1 of our 1999 Annual Report.
(b) Primarily relates to investments in the telecommunications and financial services industries.
(c) Primarily relates to investments in the financial services and basic industries.
(d) Primarily relates to investments in the telecommunications industry.

12. TRADING ACCOUNT ASSETS AND LIABILITIES
The following table presents the fair and carrying value of trading account assets and trading account liabilities as of September 30, 2000. It also includes the average balances for the three and nine months ended September 30, 2000.

In millions:	Carrying value September 30 2000	Average Balance Third quarter 2000	Average Balance Nine months 2000
TRADING ACCOUNT ASSETS			
U.S. Treasury	$8,283	$6,200	$6,728
U.S. government agency	23,116	22,533	19,393
Foreign government	33,212	25,661	25,627
Corporate debt and equity	27,341	26,954	24,419
Other securities	12,927	11,224	9,278
Interest rate and currency swaps	16,273	13,605	15,657
Credit derivatives	1,185	996	780
Foreign exchange contracts	3,312	3,262	2,967
Interest rate futures and forwards	182	35	46
Equity and commodity contracts	2,999	1,539	3,841
Purchased option contracts	11,598	19,465	19,146
	140,428	131,474	127,882
TRADING ACCOUNT LIABILITIES			
U.S. Treasury	8,803	9,195	8,443
Foreign government	21,872	18,975	16,419
Corporate debt and equity	10,902	13,829	12,057
Other securities	4,074	6,622	5,349
Interest rate and currency swaps	15,054	11,422	14,211
Credit derivatives	1,164	997	816
Foreign exchange contracts	1,949	2,640	2,503
Interest rate futures and forwards	302	39	29
Equity and commodity contracts	4,189	1,629	2,920
Written option contracts	15,228	22,422	21,875
	83,537	87,770	84,622

Trade date receivables/payables
Amounts receivable and payable for securities that have not reached their contractual settlement dates in our trading and investing activities are recorded net in the "Consolidated balance sheet." Amounts receivable for securities sold of $42.6 billion were netted against amounts payable for securities purchased of $42.7 billion. This produced a net trade date payable of $100 million, recorded in Accounts payable and accrued expenses as of September 30, 2000.

13. DERIVATIVES
In general, derivatives are contracts or agreements whose values are derived from changes in interest rates, foreign exchange rates, credit spreads, prices of securities, or financial or commodity indices. The timing of cash receipts and payments for derivatives is generally determined by contractual agreement. Derivatives are either standardized contracts executed on an exchange or privately negotiated contracts. Futures and option contracts are examples of standard exchange-traded derivatives. Forward and swap contracts are examples of privately negotiated derivatives. Privately negotiated derivatives are generally not traded like securities. In the normal course of business, however, they may be terminated or assigned to another counterparty if the original holder agrees. We use derivatives for trading and non-trading purposes. Non-trading purposes are primarily related to our investing activities.

Interest rate swaps are contractual agreements to exchange periodic interest payments at specified intervals. The notional amounts of interest rate swaps are not exchanged; they are used solely to calculate the periodic interest payments. Currency swaps generally involve exchanging principal (the notional amount) and periodic interest payments in one currency for principal and periodic interest payments in another currency.

Credit derivatives include credit default swaps and related swap and option contracts. Credit default swaps are contractual agreements that provide insurance against a credit event associated with one or more referenced credits. The nature of the credit event is established by the protection buyer and seller at the inception of the transaction. Events include bankruptcy, insolvency, and failure to meet payment obligations when due. The protection buyer pays a periodic fee in return for a contingent payment by the protection seller following a credit event. The contingent payment is typically the loss - the difference between the notional and the recovery amount incurred by the creditor of the reference credit as a result of the event.

Foreign exchange contracts involve an agreement to exchange one country's currency for another at an agreed-upon price and settlement date. Most of the contracts reported in the table below are forward contracts.

Interest rate futures are standardized exchange-traded agreements to receive or deliver a specific financial instrument at a specific future date and price. Forward rate agreements provide for the payment or receipt of the difference between a specified interest rate and a reference rate at a future settlement date. Debt security forwards include to-be-announced and when-issued securities contracts.

Equity and commodity contracts include swaps and futures in the equity and commodity markets and commodity forward agreements. Equity swaps are contractual agreements to receive the appreciation or depreciation in value based on a specific strike price on an equity instrument in return for paying another rate, which is usually based on equity index movements or interest rates. Commodity swaps are contractual commitments to exchange the fixed price of a commodity for a floating price. Equity and commodity futures are exchange-traded agreements to receive or deliver a financial instrument or commodity at a specific future date and price. Equity and commodity forwards are privately negotiated agreements to purchase or sell a specific amount of a financial instrument or commodity at an agreed-upon price and settlement date.

An option provides the option purchaser, for a fee, the right - but not the obligation - to buy or sell a security at a fixed price on or before a specified date. The option writer is obligated to buy or sell the security if the purchaser chooses to exercise the option. These options include contracts in the interest rate, foreign exchange, equity, and commodity markets. Interest rate options include caps and floors.

The following table presents notional amounts for trading and non-trading derivatives, based on management's intent and ongoing usage. A summary of the on-balance-sheet credit exposure, which is represented by the net positive fair value associated with trading derivatives and recorded in Trading account assets, is also included in the following table. Our on-balance-sheet credit exposure of $35.5 billion reflects an $79.9 billion benefit due to the use of legally enforceable master netting agreements in effect as of September 30, 2000.

In billions: September 30, 2000	Notional amounts	On-balance-sheet credit exposure
Interest rate and currency swaps:		
Trading	$4,821.2	
Non-trading (a)(b)	31.6	
Total interest rate and currency swaps	4,852.8	$16.2
Credit derivatives:		
Trading	230.0	
Non-trading (a)	30.4	
Total credit derivatives	260.4	1.2
Foreign exchange spot, forward, and futures contracts:		
Trading	617.8	
Non-trading (a)(b)	22.6	
Total foreign exchange spot, forward, and futures contracts	640.4	3.3
Interest rate futures, forward rate agreements, and debt securities forwards:		
Trading	820.1	
Non-trading	4.2	
Total interest rate futures, forward rate agreements, and debt securities forwards	824.3	0.2
Equity and commodity swaps, forward and futures contracts, all trading	101.5	3.0
Purchased options: (c)		
Trading	1,035.1	
Non-trading (a)	2.7	
Total purchased options	1,037.8	11.6
Written options, all trading (d)	1,184.2	
Total on-balance-sheet credit exposure		35.5

(a) Derivatives used as hedges of non-trading positions may be transacted with third parties through independently managed J.P. Morgan derivative dealers that function as intermediaries for credit and administrative purposes. In such cases, the terms of the third-party transaction - notional, duration, currency, etc. - are matched with the terms of the internal trade to ensure the hedged risk has been offset with a third party. If such terms are not matched or a third-party trade is not transacted, the intercompany trade is eliminated in consolidation.

(b) The notional amounts of derivative contracts used for non-trading purposes, conducted in the foreign exchange markets, primarily forward contracts, amounted to $27.7 billion at September 30, 2000, and were primarily denominated in the following currencies: Japanese yen $8.1 billion, Euro $8.0 billion, Swiss franc $3.0 billion, French franc $3.0 billion, and Canadian dollar $1.8 billion.

(c) At September 30, 2000, purchased options used for trading purposes included $744.1 billion of interest rate options, $97.9 billion of foreign exchange options, and $193.1 billion of commodity and equity options. Options used for non-trading purposes are primarily interest rate options. Purchased options executed on an exchange amounted to $179.4 billion and those negotiated over-the-counter amounted to $858.4 billion at September 30, 2000.

(d) At September 30, 2000, written options included $894.8 billion of interest rate options, $98.4 billion of foreign exchange options, and $191.0 billion of commodity and equity options. Written option contracts executed on an exchange amounted to $217.5 billion and those negotiated over-the-counter amounted to $966.7 billion at September 30, 2000.

Derivatives are used to hedge or modify the interest rate characteristics of debt investment securities, loans, deposits, other liabilities for borrowed money, long-term debt, and other financial assets and liabilities. Net unrealized losses associated with such derivatives contracts amounted to approximately $100 million as of September 30, 2000. Gross unrealized gains and gross unrealized losses associated with open derivatives contracts used for these purposes as of September 30, 2000, are presented in the following table. Such amounts primarily relate to interest rate and currency swaps used to hedge or modify the interest rate characteristics of long-term debt; debt investment securities, principally mortgage-backed securities; deposits; and other financial instruments.

In billions: September 30, 2000	Gross unrealized gains	Gross unrealized (losses)	Net unrealized gains (losses)
Long-term debt	$0.2	($0.4)	($0.2)
Debt investment securities	--	(0.1)	(0.1)
Deposits	0.1	(--)	0.1
Other financial instruments	0.1	(--)	0.1
Total	0.4	(0.5)	(0.1)

14. LOANS
Included in Loans are loans held for sale of approximately $3.0 billion at September 30, 2000. These loans are recorded on the balance sheet at lower of cost or fair value and are primarily to borrowers in the U.S. in various industries.

15. OTHER CREDIT-RELATED PRODUCTS
Lending commitments include commitments to extend credit, standby letters of credit and guarantees. The contractual amounts of these instruments represent the amount at risk should the contract be fully drawn upon, the client default, and the value of the collateral become worthless.

The total contractual amount of credit-related financial instruments does not represent the future liquidity requirements, since we expect a significant amount of commitments to expire or mature without being drawn. The credit risk associated with these instruments varies according to each client's creditworthiness and the value of any collateral held. Commitments to extend credit generally require clients to meet certain credit-related terms and conditions before drawdown. Market risk for commitments to extend credit, standby letters of credit, and guarantees, while not significant, may arise as availability of and access to credit markets change.

The following table summarizes the contractual amount of credit-related instruments as of September 30.

In billions: September 30, 2000	
Commitments to extend credit	$69.6
Standby letters of credit and guarantees	15.5
Total lending commitments	85.1

We also have securities lending indemnifications associated with our Euroclear-related activities of $10.2 billion as of September 30, 2000. As of September 30, 2000, J.P. Morgan held cash and other collateral in full support of these securities lending indemnifications.

PURCHASE OF CREDIT PROTECTION

Since December 1997, we have entered into three Synthetic Collateralized Loan Obligations that have allowed us to reduce the credit risk on a portfolio of counterparties totaling approximately $20 billion in notional amount. This reduction was accomplished using credit default swaps, which transferred the credit risk into the capital markets. The structures provide protection on all exposures to a referenced counterparty. We have retained the first risk of loss equity tranche in these transactions totaling $195 million. As a result of these structures, we were able to reduce economic capital by approximately $477 million as of September 30, 2000. These structures have also allowed us to reduce our risk-adjusted assets by approximately $2.5 billion as of September 30, 2000, thereby increasing our Tier I and Total risk-based capital ratios by 15 basis points (0.15%) and 20 basis points (0.20%), respectively. As of September 30, 2000, these transactions have allowed us to shift the credit risk associated with $11.6 billion of diversified exposure on our balance sheet - as described in the following table - to what we believe is equivalent to AAA+ quality. The decrease from the original $20 billion notional amount reflects the settlement of certain underlying counterparty exposures.

Counterparty rating	Notional exposure
AAA	$ 569
AA	1,860
A	5,975
BBB	2,694
BB	485
B	25
CCC and below	10
Total	11,618

The notional exposures in the above table are diversified by counterparty in the following industries: banks - $1,139 million; nonbank financial institutions - $1,873 million; governments - $410 million; commercial and industrial - $3,217 million; cyclical $2,724 million; and non-cyclical - $2,255 million. North American counterparties are approximately 65% of the portfolio, European counterparties comprise 20% of the portfolio and the remaining 15% of the portfolio are Asia/Pacific counterparties.

The first table below summarizes the regional exposure, by industry category, after the benefit of master netting agreements and collateral (derivatives only), but before the benefit of purchased credit protection (i.e., credit derivatives, including synthetic CLOs). The second table summarizes regional exposure after the benefit of master netting agreements, collateral (derivatives only) and purchased credit protection. The amounts below exclude exposures related to the following: Private Banking and Euroclear-related activities, exchange-traded derivatives, and commercial mortgage-backed securities included in our Credit Markets segment.

BEFORE BENEFIT OF PURCHASED CREDIT PROTECTION:

	North America	Europe	Asia Pacific	Latin America	Total
Banks	$3,390	$10,744	$1,651	$ 51	$15,836
Non-Bank Financial Institutions	25,228	6,670	1,086	2	32,986
Governments	9,569	2,000	419	408	12,396
Cyclicals	20,884	4,559	1,358	77	26,878
Non-Cyclicals	7,800	5,736	163	140	13,839
Other (Basic Materials, Healthcare, Utility)	18,030	4,487	563	508	23,588
	84,901	34,196	5,240	1,186	125,523

AFTER BENEFIT OF PURCHASED CREDIT PROTECTION:

	North America	Europe	Asia Pacific	Latin America	Total
Banks	$3,079	$10,290	$1,277	$ 51	$14,697
Non-Bank Financial Institutions (a)	35,276	6,442	1,011	2	42,731
Governments	9,313	1,847	419	408	11,987
Cyclicals	18,815	4,020	1,241	77	24,153
Non-Cyclicals	5,790	5,494	159	140	11,583
Other (Basic Materials, Healthcare, Utility)	15,472	3,964	470	466	20,372
	87,745	32,057	4,577	1,144	125,523

(a) The effect of the synthetic CLOs was a shift in exposure from different regions and industries to a single, North American, non-bank financial institutions counterparty.

16. IMPAIRED LOANS

Total impaired loans, organized by the location of the counterparty - net of charge-offs - at September 30, 2000 are presented in the following table.

In millions: September 30	
COUNTERPARTIES IN THE U.S.	
Commercial and industrial	$ 20
Other	6
	26
COUNTERPARTIES OUTSIDE THE U.S.	
Commercial and industrial	93
Other	9
	102
TOTAL IMPAIRED LOANS	128
Allowance for impaired loans	71

Impaired loans for which no SFAS No. 114 reserve was deemed necessary were $18 million as of September 30, 2000. As of September 30, 2000, approximately 50% of impaired loans were measured using the present value of future cash flows, 30% of impaired loans were measured for impairment using observable market prices, and the remainder using the fair value of collateral.

The following table presents an analysis of the changes in impaired loans.

In millions	Third quarter 2000	Nine months 2000
IMPAIRED LOANS, BEGINNING PERIOD	$140	$77
Additions to impaired loans	8	86
Less:		
Repayments of principal, net of additional advances	(3)	(5)
Impaired loans returning to accrual status	-	-
Charge-offs:		
Commercial and industrial	(11)	(11)
Other, primarily other financial institutions	-	(6)
Interest and other credits	(6)	(13)
IMPAIRED LOANS, SEPTEMBER 30	128	128

An analysis of the effect of impaired loans - net of charge-offs - on interest revenue for the three and nine months ended September 30, 2000 is presented in the following table.

In millions	Third quarter 2000	Nine months 2000
Interest revenue that would have been recorded if accruing	$1	$9
Net interest revenue recorded related to the current period	-	-
Negative impact of impaired loans on interest revenue	1	9

For the three and nine months ended September 30, 2000, the average recorded investments in impaired loans was $129 million and $117 million, respectively. As of September 30, 2000, loans of $64 million were over 90 days past due (principal or interest) and still accruing interest, but not considered impaired. Lending commitments to counterparties considered impaired totaled $58 million at September 30, 2000.

17. ALLOWANCES FOR CREDIT LOSSES

The following table summarizes the activity of our allowance for loan losses.

In millions	Third quarter 2000	Nine months 2000
BEGINNING BALANCE	$283	$281
(Reversal of provision) for loan losses in the U.S.	(3)	(46)
(Reversal of provision) / provision for loan losses outside the U.S.	(4)	35
	(7)	(11)
Recoveries:		
Counterparties in the U.S.	-	-
Counterparties outside the U.S.	-	12
	-	12
Charge-offs (a):		
Counterparties in the U.S., primarily healthcare institutions	(18)	(24)
Counterparties outside the U.S.:		
Commercial and industrial	-	-
Banks	-	-
Other	-	-
Net (charge-offs)	(18)	(12)
ENDING BALANCE, SEPTEMBER 30	258	258

(a) Charge-offs include losses on loan sales of $6 million for the three and nine months ended September 30, 2000.

The following table displays our allowance for loan losses by component as of September 30, 2000.

In millions	
Specific counterparty components in the U.S.	$ 6
Specific counterparty components outside the U.S.	65
Total specific counterparty	71
Expected loss	187
Total	258

The following table summarizes the activity of our allowance for credit losses on lending commitments.

In millions	Third quarter 2000	Nine months 2000
BEGINNING BALANCE	$163	$125
(Reversal of provision)/provision for credit losses in the U.S.	(29)	17
(Reversal of provision) for credit losses outside the U.S.	-	(8)
	(29)	9
ENDING BALANCE, SEPTEMBER 30	134	134

The following table displays our allowance for credit losses on lending commitments by component as of September 30, 2000.

In millions	
Specific counterparty components in the U.S.	$ 2
Specific counterparty components outside the U.S.	4
Total specific counterparty	6
Expected loss	128
Total	134

18. INCOME TAXES

The effective tax rate for the three and nine months ended September 30, 2000 was 28% and 33%, respectively. The effective tax rate for the three and nine months ended September 30, 1999 was 31% and 34%, respectively. The income tax expense / (benefit) related to net realized gains / (losses) and write-downs for other-than-temporary impairments in value on debt and equity investment securities, excluding securities in SBICs, was approximately $32 million and $72 million for the three and nine months ended September 30, 2000, compared to ($9) million and ($48) million for the three and nine months ended September 30, 1999. The applicable tax rate used to compute the income tax expense / (benefit) related to net gains / (losses) on debt and equity investment securities for the three and nine months ended September 30, 2000 was approximately 38% and 36%, respectively.

19. CAPITAL REQUIREMENTS

J.P. Morgan, its subsidiaries, and certain foreign branches of its bank subsidiary Morgan Guaranty Trust Company of New York are subject to regulatory capital requirements of U.S. and foreign regulators. Our primary federal banking regulator, the Board of Governors of the Federal Reserve System (Federal Reserve Board), establishes minimum capital requirements for J.P. Morgan, the consolidated bank holding company, and some of our subsidiaries, including Morgan Guaranty. These requirements ensure that banks and bank holding companies meet specific guidelines that involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under generally accepted accounting principles. Failure to meet these requirements can result in actions by regulators that could have a direct material impact on our financial statements. The capital of J.P. Morgan and our principal subsidiaries, Morgan Guaranty and J.P. Morgan Securities Inc. (JPMSI), exceeded the minimum requirements set by each regulator as of September 30, 2000.

J.P. Morgan's risk-based capital ratios are calculated in accordance with the Federal Reserve Board's market risk capital guidelines. These guidelines require our risk-based capital ratios to take into account general market risk and specific issuer risk of our debt and equity trading portfolios, as well as general market risk associated with all trading and nontrading foreign exchange and commodity positions. The guidelines, however, continue to exclude the effect of SFAS No. 115. The calculation of risk-based capital ratios for J.P. Morgan, the bank holding company, includes the capital and assets of JPMSI, our U.S. broker-dealer.

Capital ratios and amounts

The following tables show the risk-based capital and leverage ratios and amounts for J.P. Morgan and Morgan Guaranty as of September 30, 2000.

Dollars in millions	Amounts	Ratios(b)
Tier 1 capital(a)		
J.P. Morgan	$12,101	8.6%
Morgan Guaranty	10,769	9.0
Total risk-based capital(a)		
J.P. Morgan	$16,960	12.0%
Morgan Guaranty	13,860	11.6
Leverage		
J.P. Morgan		4.5%
Morgan Guaranty		6.2

(a) For capital adequacy purposes, J.P. Morgan and Morgan Guaranty required minimum tier 1 capital of $5.6 billion and $4.8 billion, respectively. For capital adequacy purposes, J.P. Morgan and Morgan Guaranty required minimum total risk-based capital of $11.3 billion and $9.6 billion, respectively.

(b) Pursuant to Federal Reserve Board guidelines, the minimum tier 1 capital, total risk-based capital, and leverage ratios are 4%, 8%, and 3%, respectively, for bank holding companies and banks.

Capital categories

Bank regulators use five capital category definitions for regulatory supervision purposes. The categories range from "well capitalized" to "critically undercapitalized." A bank is considered well capitalized if it has minimum tier 1 capital, total capital, and leverage ratios of 6%, 10%, and 5%, respectively, under standards provided by the regulatory framework for prompt corrective action and the Federal Reserve Board.

Bank holding companies also have guidelines that determine the capital levels at which they shall be considered well capitalized. According to these guidelines, a bank holding company is considered well capitalized if it has minimum tier 1 capital, total capital, and leverage ratios of 6%, 10%, and 3%, respectively.

At September 30, 2000, the ratios of J.P. Morgan and Morgan Guaranty exceeded the minimum standards required for a well capitalized bank holding company and bank, respectively. Management is aware of no conditions or events that have occurred since September 30, 2000, that would change J.P. Morgan's and Morgan Guaranty's well capitalized status.

20. EARNINGS PER SHARE

Basic EPS is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding, which includes contingently issuable shares for which all necessary conditions for issuance have been satisfied. Diluted EPS includes the determinants of basic EPS and, in addition, takes into account dilutive potential common shares that were outstanding during the period.

The following table presents the computation of basic and diluted EPS for the three and nine months ended September 30, 2000 and 1999.

	Third quarter		Nine months	
Dollars in millions, except share data	2000	1999	2000	1999
Net income	$514	$442	$1,684	$1,546
Preferred stock dividends and other	(11)	(9)	(29)	(27)
Numerator for basic and diluted earnings per share - income available to common stockholders	$503	$433	$1,655	$1,519
Denominator for basic earnings per share - Weighted-average shares	169,246,855	181,511,850	171,685,117	182,405,166
Effect of dilutive securities:				
Options (a)	5,100,992	5,191,290(b)	4,359,690	5,207,112(b)
Other stock awards (c)	7,131,038	7,968,493	6,888,326	8,252,293
	12,232,030	13,159,783	11,248,016	13,459,405
Denominator for diluted earnings per share - Weighted-average number of common shares and dilutive potential common shares	181,478,885	194,671,633	182,933,133	195,864,571
Basic earnings per share	$2.97	$2.39	$9.64	$8.33
Diluted earnings per share	2.77	2.22	9.05	7.76

Earnings per share amounts are based on actual numbers before rounding.

(a) The dilutive effect of stock options was computed using the treasury stock method. This method computes the number of incremental shares by assuming the exercise of outstanding stock options, reduced by the number of shares assumed to be repurchased from the proceeds generated by the option exercise, using the average market price of our common stock for the period. The related tax benefits are also considered.

(b) The following options to purchase shares of our common stock were outstanding at September 30, 1999, but were not included in the computation of diluted EPS:

For the three months ended September 30, 1999: 4,830,000 shares at $130.94 per share expiring July 15, 2008 and 6,074,000 shares at $135.72 per share expiring July 15, 2009. For the nine months ended September 30, 1999: 6,074,000 shares at $135.72 per share expiring July 15, 2009.

The inclusion of such options using the treasury stock method would have an antidilutive effect on the diluted EPS calculation because the options' exercise price was greater than the average market price of our common shares for the respective period.

(c) Weighted-average incremental shares for other stock awards include restricted stock and stock bonus awards. The related tax benefits are also considered.

21. COMMITMENTS AND CONTINGENT LIABILITIES

Excluding mortgaged properties, assets on our "Consolidated balance sheet" of approximately $124.4 billion at September 30, 2000, were pledged as collateral for borrowings, to qualify for fiduciary powers, to secure public monies as required by law, and for other purposes.

At September 30, 2000 we had commitments to enter into future resale and repurchase agreements totaling $3.7 billion and $1.9 billion, respectively.

22. INTERNATIONAL OPERATIONS

For financial reporting purposes, we divide our operations into domestic and international components. As these operations are highly integrated, estimates and subjective assumptions have been made to apportion revenue and expense between domestic and international components. In 1999, we changed our estimates and assumptions to be consistent with the allocations used for our business segments as reported in note 3. Prior period amounts have been restated to reflect this allocation methodology.

Revenues and expenses

- Client-focused revenues are allocated between the regions responsible for managing the client relationship and the regions responsible for product execution and risk management
- Revenues from proprietary investing and trading activities and equity investments are allocated based on the location of the risk taker
- Expenses are allocated based on the estimated cost associated with servicing each region's client base. Corporate revenues and expenses are allocated primarily to the region in which they are recorded. Certain centrally managed expenses are allocated based on the underlying activity.

The results for the three and nine months ended September 30, 2000 and 1999 were distributed among domestic and international operations, as presented in the following table.

In millions	Total revenues(a)	Total expenses	Pretax income/ (loss)	Income tax expense/ (benefit)	Net income/ (loss)
THIRD QUARTER 2000					
Europe (b)	$ 1,055	$ 618	$ 437	$ 177	$ 260
Asia-Pacific	291	228	63	26	37
Latin America (c)	97	86	11	4	7
Total international operations	1,443	932	511	207	304
Domestic operations (d)	879	677	202	(8)	210
Total	2,322(e)	1,609	713	199	514
THIRD QUARTER 1999					
Europe (b)	613	438	175	71	104
Asia-Pacific	25	140	(115)	(47)	(68)
Latin America (c)	37	164	(127)	(51)	(76)
Total international operations	675	742	(67)	(27)	(40)
Domestic operations (d)	1,310	599	711	229	482
Total	1,985(f)	1,341	644	202	442
NINE MONTHS 2000					
Europe (b)	2,861	1,518	1,343	544	799
Asia-Pacific	796	525	271	110	161
Latin America (c)	288	255	33	13	20
Total international operations	3,945	2,298	1,647	667	980
Domestic operations (d)	3,692	2,826	866	162	704
Total	7,637(g)	5,124	2,513	829	1,684
NINE MONTHS 1999					
Europe (b)	2,527	1,377	1,150	466	684
Asia-Pacific	322	416	(94)	(38)	(56)
Latin America (c)	869	380	489	198	291
Total international operations	3,718	2,173	1,545	626	919
Domestic operations (d)	2,949	2,152	797	170	627
Total	6,667(h)	4,325	2,342	796	1,546

(a) Includes net interest revenue and noninterest revenues.
(b) Includes the Middle East and Africa.
(c) Includes Mexico, Central America, and South America.
(d) Includes the United States, Canada, and the Caribbean. Total revenues and expenses relate substantially to United States operations.
(e) For the three months ended September 30, 2000, revenues include a net reversal of provision for credit losses of ($36) million, which was recorded as follows: ($4) million in Europe, and ($32) million in Domestic operations.
(f) For the three months ended September 30, 1999, revenues include a net reversal of provision for credit losses of ($60) million, which was recorded as follows: ($32) million in Europe, ($32) million in Asia Pacific, ($13) million in Latin America, and $17 million in Domestic operations.
(g) For the nine months ended September 30, 2000, revenues include a net reversal of provision for credit losses of ($2) million which was recorded as follows: $27 million in Europe, and ($29) million in Domestic operations.
(h) For the nine months ended September 30, 1999, revenues include a net

reversal of provision for credit losses of ($130) million which was recorded as follows: ($22) million in Europe, ($70) million in Asia Pacific, ($41) million in Latin America, and $3 million in Domestic operations.

(b) Pro Forma Financial Information

Chase and J.P. Morgan unaudited pro forma combined statement of income summary, unaudited pro forma combined balance sheet at September 30, 2000, unaudited pro forma combined statements of income for each of the years in the three-year period ended December 31, 1999 and for the nine months ended September 30, 2000 and 1999, and the notes to unaudited pro forma combined financial statements.

UNAUDITED PRO FORMA COMBINED FINANCIAL DATA

UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME SUMMARY OF CHASE AND J.P. MORGAN
(IN MILLIONS, EXCEPT PER SHARE DATA)

The following unaudited pro forma combined statement of income summary combines the historical consolidated statements of income of Chase and J.P. Morgan giving effect to the merger, which is expected to be accounted for as a pooling of interests, as if the merger had occurred as of the beginning of the earliest period presented and after giving effect to the pro forma adjustments described in the notes to the pro forma combined financial statements. The information presented below should be read together with the historical consolidated financial statements of Chase and J.P. Morgan, including the related notes, and together with the condensed consolidated historical and other pro forma financial information, including the related notes. The pro forma financial data are not necessarily indicative of the results that actually would have occurred had the merger been completed on the dates indicated or that may be obtained in the future.

	FOR THE NINE MONTHS ENDED SEPTEMBER 30,		FOR THE YEAR ENDED DECEMBER 31,		
	2000	1999	1999	1998	1997
INTEREST INCOME					
Loans	$12,555	$10,911	$14,783	$15,498	$14,950
Securities	3,326	3,610	4,804	5,072	4,585
Trading Assets	5,125	3,991	5,432	6,775	7,045
Federal Funds Sold and Securities Purchased Under Resale Agreements	3,083	2,279	3,016	4,201	4,636
Securities Borrowed	1,663	1,405	1,877	2,129	1,814
Deposits With Banks	568	761	1,006	936	724
Other Sources	401	192	289	319	450
Total Interest Income	26,721	23,149	31,207	34,930	34,204
INTEREST EXPENSE					
Deposits	7,916	6,529	8,845	9,663	9,314
Short-Term and Other Liabilities	9,389	6,831	9,323	12,612	12,534
Long-Term Debt	2,365	2,067	2,754	2,808	2,231
Total Interest Expense	19,670	15,427	20,922	25,083	24,079
NET INTEREST INCOME	7,051	7,722	10,285	9,847	10,125
Provision for Loan Losses	968	1,017	1,446	1,453	804
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	6,083	6,705	8,839	8,394	9,321
NONINTEREST REVENUE					
Trading Revenue	5,156	3,967	5,252	3,600	3,460
Investment Banking Fees	3,311	2,633	3,517	2,903	2,259
Trust, Custody and Investment Management Fees	2,620	2,132	2,868	2,473	2,164
Credit Card Revenue	1,311	1,258	1,698	1,474	1,088
Other Fees and Commissions	2,911	2,364	3,310	2,792	2,565
Private Equity Gains	1,113	1,533	3,147	1,312	1,238
Securities Gains (Losses)	111	43	(192)	469	314
Other Revenue	807	840	1,045	883	815
Total Noninterest Revenue	17,340	14,770	20,645	15,906	13,903

	FOR THE NINE MONTHS ENDED SEPTEMBER 30,		FOR THE YEAR ENDED DECEMBER 31,		
	2000	1999	1999	1998	1997
NONINTEREST EXPENSE					
Salaries	8,193	6,792	9,049	7,402	7,028
Employee Benefits	1,245	1,111	1,485	1,469	1,436
Occupancy	943	886	1,190	1,123	1,100
Technology and Communications	1,786	1,600	2,179	2,172	1,984
Professional Services	838	721	1,012	1,045	850
Amortization of Intangibles	342	243	329	293	172
Restructuring Costs	129	--	23	887	192
Other Expense	2,304	1,990	2,728	2,562	2,398
Total Noninterest Expense	15,780	13,343	17,995	16,953	15,160
INCOME BEFORE INCOME TAX EXPENSE	7,643	8,132	11,489	7,347	8,064
Income Tax Expense	2,624	2,833	3,988	2,602	2,891
NET INCOME	$ 5,019	$ 5,299	$ 7,501	$ 4,745	$ 5,173
NET INCOME APPLICABLE TO COMMON STOCK	$ 4,944	$ 5,218	$ 7,395	$ 4,612	$ 4,955
NET INCOME PER SHARE:					
Basic	$ 2.64	$ 2.71	$ 3.87	$ 2.37	$ 2.53
Diluted	$ 2.53	$ 2.59	$ 3.69	$ 2.27	$ 2.41

See the additional unaudited pro forma combined financial statements and related notes.

UNAUDITED PRO FORMA COMBINED BALANCE SHEET
OF CHASE AND J.P. MORGAN
AT SEPTEMBER 30, 2000
(IN MILLIONS)

The following unaudited pro forma combined balance sheet combines the historical consolidated balance sheets of Chase and J.P. Morgan giving effect to the merger, which is expected to be accounted for as a pooling of interests, as if the merger had been effective on September 30, 2000. The information presented below should be read together with the historical consolidated financial statements of Chase and J.P. Morgan, including the related notes, and together with the condensed consolidated historical and other pro forma financial information, including the related notes. The pro forma financial data are not necessarily indicative of the financial position that actually would have occurred had the merger been completed on September 30, 2000 or that may be obtained in the future.

	CHASE HISTORICAL	J.P. MORGAN HISTORICAL	PRO FORMA ADJUSTMENTS (a,c,k,m,n)	PRO FORMA COMBINED
ASSETS				
Cash and Due from Banks	$ 19,403	$ 881	$ --	$ 20,284
Deposits With Banks	3,513	5,156		8,669
Federal Funds Sold and Securities Purchased Under Resale Agreements	27,175	43,788	(1,550)(e)	69,413
Securities Borrowed	--	34,874	1,550(e)	36,424
Trading Assets:				
Debt and Equity Instruments	36,113	104,879		140,992
Derivative Receivables	31,479	35,549		67,028
Securities:				
Available-For-Sale	65,600	5,050		70,650
Held-To-Maturity	632	--		632
Loans (Net of Allowance for Loan Losses)	187,767	26,729		214,496
Private Equity Investments	10,018	1,484		11,502
Accrued Interest and Accounts Receivable	2,806	6,050	6,635(j)	15,491
Premises and Equipment	4,777	2,086		6,863
Goodwill and Other Intangibles	14,977	701		15,678
Other Assets	21,556	14,454	(6,635)(j)	29,375
TOTAL ASSETS	$425,816	$281,681	$ --	$707,497

UNAUDITED PRO FORMA COMBINED BALANCE SHEET
OF CHASE AND J.P. MORGAN -- (CONTINUED)
AT SEPTEMBER 30, 2000
(IN MILLIONS)

	CHASE HISTORICAL	J.P. MORGAN HISTORICAL	PRO FORMA ADJUSTMENTS (a,c,k,m,n)	PRO FORMA COMBINED
LIABILITIES				
Deposits:				
Domestic:				
Noninterest-Bearing	$ 47,067	$ 992		$ 48,059
Interest-Bearing	81,003	2,671		83,674
Foreign:				
Noninterest-Bearing	6,054	790		6,844
Interest-Bearing	95,477	35,731		131,208
Total Deposits	229,601	40,184	--	269,785
Federal Funds Purchased and Securities Sold Under Repurchase Agreements	61,943	83,267		145,210
Commercial Paper	7,338	12,124		19,462
Other Borrowed Funds	7,252	12,813		20,065
Trading Liabilities:				
Debt and Equity Instruments	13,321	45,651		58,972
Derivative Payables	27,367	37,886		65,253
Accounts Payable, Accrued Expenses and Other Liabilities, Including the Allowance for Credit Losses	22,058	15,167	1,800(c)	39,025
Long-Term Debt	24,157	21,477		45,634
Guaranteed Preferred Beneficial Interests in Corporation's Junior Subordinated Deferrable Interest Debentures	2,789	1,150		3,939
TOTAL LIABILITIES	395,826	269,719	1,800	667,345
PREFERRED STOCK OF SUBSIDIARY	550	--		550
STOCKHOLDERS' EQUITY				
Preferred Stock	828	694	(2)(b)	1,520
Common Stock	1,323	502	90(b)	1,915
Capital Surplus	9,300	3,368	(505)(b)	12,163
Retained Earnings	19,626	12,052	(4,247)(b) (1,800)(c)	25,631
Accumulated Other Comprehensive (Loss) Income	(1,005)	10		(995)
Treasury Stock, At Cost	(632)	(4,664)	4,664(b)	(632)
TOTAL STOCKHOLDERS' EQUITY	29,440	11,962	(1,800)	39,602
TOTAL LIABILITIES, PREFERRED STOCK OF SUBSIDIARY AND STOCKHOLDERS' EQUITY	$425,816	$281,681	$ --	$707,497

See notes to unaudited pro forma combined financial statements.

UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME OF CHASE AND J.P. MORGAN

The following unaudited pro forma combined statements of income combine the historical consolidated statements of income of Chase and J.P. Morgan giving effect to the merger, which is expected to be accounted for as a pooling of interests, as if the merger had been effective as of the beginning of the earliest period presented and after giving effect to the pro forma adjustments described in the notes to the pro forma combined financial statements. The information presented below should be read together with the historical consolidated financial statements of Chase and J.P. Morgan, including the related notes, together with the condensed consolidated historical and other pro forma financial information, including the related notes. The pro forma financial data are not necessarily indicative of the results that actually would have occurred had the merger been completed on the dates indicated or that may be obtained in the future.

UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME OF CHASE AND J.P. MORGAN

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000
(IN MILLIONS, EXCEPT PER SHARE DATA)

	CHASE HISTORICAL	J.P. MORGAN HISTORICAL	PRO FORMA ADJUSTMENTS (a,c,k,m,n)	PRO FORMA COMBINED
INTEREST INCOME				
Loans	$11,108	$1,447	$ --	$12,555
Securities	2,879	447	--	3,326
Trading Assets	1,425	3,700	--	5,125
Federal Funds Sold and Securities Purchased Under Resale Agreements	1,349	1,792	(58)(e)	3,083
Securities Borrowed	--	1,605	58(e)	1,663
Deposits With Banks	331	237	--	568
Other Sources	--	401	--	401
Total Interest Income	17,092	9,629	--	26,721
INTEREST EXPENSE				
Deposits	6,302	1,614	--	7,916
Short-Term and Other Liabilities	3,678	5,711	--	9,389
Long-Term Debt	1,243	1,122	--	2,365
Total Interest Expense	11,223	8,447	--	19,670
NET INTEREST INCOME	5,869	1,182	--	7,051
Provision (Reversal of Provision) for Loan Losses	979	(11)	--	968
NET INTEREST INCOME AFTER PROVISION (REVERSAL OF PROVISION) FOR LOAN LOSSES	4,890	1,193	--	6,083
NONINTEREST REVENUE				
Trading Revenue	2,448	2,708	--	5,156
Investment Banking Fees	1,900	1,411	--	3,311
Trust, Custody and Investment Management Fees	1,718	863	39(g)	2,620
Credit Card Revenue	1,311	--	--	1,311
Other Fees and Commissions	2,201	749	(39)(g)	2,911
Private Equity Gains	773	--	340(d)	1,113
Securities Gains	167	284	(340)(d)	111
Other Revenue	354	429	24(f)	807
Total Noninterest Revenue	10,872	6,444	24	17,340
NONINTEREST EXPENSE				
Salaries	5,128	3,065	--	8,193
Employee Benefits	795	450	--	1,245
Occupancy	689	254	--	943
Technology and Communications	856	751	316(i) (137)(l)	1,786
Professional Services	569	132	137(l)	838
Amortization of Intangibles	318	--	24(f)	342
Restructuring Costs	129	--	--	129
Other Expense	2,148	472	(316)(i)	2,304
Total Noninterest Expense	10,632	5,124	24	15,780
INCOME BEFORE INCOME TAX EXPENSE	5,130	2,513	--	7,643
Income Tax Expense	1,795	829	--	2,624
NET INCOME	$ 3,335	$1,684	$ --	$ 5,019
NET INCOME APPLICABLE TO COMMON STOCK	$ 3,289	$1,655	$ --	$ 4,944
NET INCOME PER COMMON SHARE:				
Basic	$ 2.66	$ 9.64		$ 2.64
Diluted	$ 2.57	$ 9.05		$ 2.53
Average Common Shares Outstanding:				
Basic	1,235.4	171.7		1,870.7(b)
Diluted	1,279.1	182.9		1,955.8(b)

See notes to unaudited pro forma combined financial statements.

UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME OF CHASE AND J.P. MORGAN

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999
(IN MILLIONS, EXCEPT PER SHARE DATA)

	CHASE HISTORICAL	J.P. MORGAN HISTORICAL	PRO FORMA ADJUSTMENTS (a,c,k,m,n)	PRO FORMA COMBINED
INTEREST INCOME				
Loans	$ 9,662	$1,249	$ --	$ 10,911
Securities	2,344	1,266	--	3,610
Trading Assets	1,228	2,763	--	3,991
Federal Funds Sold and Securities Purchased Under Resale Agreements	1,122	1,188	(31)(e)	2,279
Securities Borrowed	--	1,374	31(e)	1,405
Deposits With Banks	540	221	--	761
Other Sources	--	192	--	192
Total Interest Income	14,896	8,253	--	23,149
INTEREST EXPENSE				
Deposits	4,806	1,723	--	6,529
Short-Term and Other Liabilities	2,635	4,196	--	6,831
Long-Term Debt	936	1,131	--	2,067
Total Interest Expense	8,377	7,050	--	15,427
NET INTEREST INCOME	6,519	1,203	--	7,722
Provision (Reversal of Provision) for Loan Losses	1,167	(150)	--	1,017
NET INTEREST INCOME AFTER PROVISION (REVERSAL OF PROVISION) FOR LOAN LOSSES	5,352	1,353	--	6,705
NONINTEREST REVENUE				
Trading Revenue	1,606	2,361	--	3,967
Investment Banking Fees	1,388	1,245	--	2,633
Trust, Custody and Investment Management Fees	1,332	776	24(g)	2,132
Credit Card Revenue	1,258	--	--	1,258
Other Fees and Commissions	1,777	611	(24)(g)	2,364
Private Equity Gains	1,215	--	318(d)	1,533
Securities Gains (Losses)	160	201	(318)(d)	43
Other Revenue	696	120	24(f)	840
Total Noninterest Revenue	9,432	5,314	24	14,770
NONINTEREST EXPENSE				
Salaries	4,217	2,575	--	6,792
Employee Benefits	731	380	--	1,111
Occupancy	642	244	--	886
Technology and Communications	737	707	284(i) (128)(l)	1,600
Professional Services	510	83	128(l)	721
Amortization of Intangibles	219	--	24(f)	243
Restructuring Costs	--	--	--	--
Other Expense	1,938	336	(284)(i)	1,990
Total Noninterest Expense	8,994	4,325	24	13,343
INCOME BEFORE INCOME TAX EXPENSE	5,790	2,342	--	8,132
Income Tax Expense	2,037	796	--	2,833
NET INCOME	$ 3,753	$1,546	$ --	$ 5,299
NET INCOME APPLICABLE TO COMMON STOCK	$ 3,698	$1,520	$ --	$ 5,218
NET INCOME PER COMMON SHARE:				
Basic	$ 2.96	$ 8.33		$ 2.71
Diluted	$ 2.86	$ 7.76		$ 2.59
Average Common Shares Outstanding:				
Basic	1,248.9	182.4		1,923.8(b)
Diluted	1,291.4	195.9		2,016.2(b)

See notes to unaudited pro forma combined financial statements.

UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME OF CHASE AND J.P. MORGAN

FOR YEAR ENDED DECEMBER 31, 1999
(IN MILLIONS, EXCEPT PER SHARE DATA)

	CHASE HISTORICAL	J.P. MORGAN HISTORICAL	PRO FORMA ADJUSTMENTS (a,c,k,m,n)	PRO FORMA COMBINED
INTEREST INCOME				
Loans	$13,113	$ 1,670	$ --	$14,783
Securities	3,216	1,588	--	4,804
Trading Assets	1,705	3,727	--	5,432
Federal Funds Sold and Securities Purchased Under Resale Agreements	1,451	1,609	(44)(e)	3,016
Securities Borrowed	--	1,833	44(e)	1,877
Deposits With Banks	752	254	--	1,006
Other Sources	--	289	--	289
Total Interest Income	20,237	10,970	--	31,207
INTEREST EXPENSE				
Deposits	6,592	2,253	--	8,845
Short-Term and Other Liabilities	3,653	5,670	--	9,323
Long-Term Debt	1,248	1,506	--	2,754
Total Interest Expense	11,493	9,429	--	20,922
NET INTEREST INCOME	8,744	1,541	--	10,285
Provision (Reversal of Provision) for Loan Losses	1,621	(175)	--	1,446
NET INTEREST INCOME AFTER PROVISION (REVERSAL OF PROVISION) FOR LOAN LOSSES	7,123	1,716	--	8,839
NONINTEREST REVENUE				
Trading Revenue	2,137	3,115	--	5,252
Investment Banking Fees	1,887	1,630	--	3,517
Trust, Custody and Investment Management Fees	1,801	1,035	32(g)	2,868
Credit Card Revenue	1,698	--	--	1,698
Other Fees and Commissions	2,496	846	(32)(g)	3,310
Private Equity Gains	2,522	--	625(d)	3,147
Securities Gains (Losses)	101	332	(625)(d)	(192)
Other Revenue	831	182	32(f)	1,045
Total Noninterest Revenue	13,473	7,140	32	20,645
NONINTEREST EXPENSE				
Salaries	5,678	3,371	--	9,049
Employee Benefits	964	521	--	1,485
Occupancy	866	299	25(h)	1,190
Technology and Communications	1,015	947	383(i) (166)(l)	2,179
Professional Services	719	127	166(l)	1,012
Amortization of Intangibles	297	--	32(f)	329
Restructuring Costs	48	--	(25)(h)	23
Other Expense	2,634	477	(383)(i)	2,728
Total Noninterest Expense	12,221	5,742	32	17,995
INCOME BEFORE INCOME TAX EXPENSE	8,375	3,114	--	11,489
Income Tax Expense	2,929	1,059	--	3,988
NET INCOME	$ 5,446	$ 2,055	$ --	$ 7,501
NET INCOME APPLICABLE TO COMMON STOCK	$ 5,375	$ 2,020	$ --	$ 7,395
NET INCOME PER COMMON SHARE:				
Basic	$ 4.32	$ 11.16		$ 3.87
Diluted	$ 4.18	$ 10.39		$ 3.69
Average Common Shares Outstanding:				
Basic	1,243.2	181.0		1,912.9(b)
Diluted	1,285.5	194.4		2,004.8(b)

See notes to unaudited pro forma combined financial statements.

UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME OF CHASE AND J.P. MORGAN

FOR YEAR ENDED DECEMBER 31, 1998
(IN MILLIONS, EXCEPT PER SHARE DATA)

	CHASE HISTORICAL	J.P. MORGAN HISTORICAL	PRO FORMA ADJUSTMENTS (a,c,k,m,n)	PRO FORMA COMBINED
INTEREST INCOME				
Loans	$13,389	$ 2,109	$ --	$ 15,498
Securities	3,616	1,456	--	5,072
Trading Assets	2,431	4,344	--	6,775
Federal Funds Sold and Securities Purchased Under Resale Agreements	2,211	2,031	(41)(e)	4,201
Securities Borrowed	--	2,088	41(e)	2,129
Deposits With Banks	642	294	--	936
Other Sources	--	319	--	319
Total Interest Income	22,289	12,641	--	34,930
INTEREST EXPENSE				
Deposits	6,840	2,823	--	9,663
Short-Term and Other Liabilities	5,612	7,000	--	12,612
Long-Term Debt	1,271	1,537	--	2,808
Total Interest Expense	13,723	11,360	--	25,083
NET INTEREST INCOME	8,566	1,281	--	9,847
Provision for Loan Losses	1,343	110	--	1,453
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	7,223	1,171	--	8,394
NONINTEREST REVENUE				
Trading Revenue	1,238	2,362	--	3,600
Investment Banking Fees	1,502	1,401	--	2,903
Trust, Custody and Investment Management Fees	1,543	881	49(g)	2,473
Credit Card Revenue	1,474	--	--	1,474
Other Fees and Commissions	2,093	748	(49)(g)	2,792
Private Equity Gains	967	--	345(d)	1,312
Securities Gains	609	205	(345)(d)	469
Other Revenue	664	187	32(f)	883
Total Noninterest Revenue	10,090	5,784	32	15,906
NONINTEREST EXPENSE				
Salaries	5,025	2,377	--	7,402
Employee Benefits	854	856	(241)(h)	1,469
Occupancy	798	437	(112)(h)	1,123
Technology and Communications	890	1,192	349(i) (5)(h) (254)(l)	2,172
Professional Services	668	123	254(l)	1,045
Amortization of Intangibles	261	--	32(f)	293
Restructuring Costs	529	--	358(h)	887
Other Expense	2,358	553	(349)(i)	2,562
Total Noninterest Expense	11,383	5,538	32	16,953
INCOME BEFORE INCOME TAX EXPENSE	5,930	1,417	--	7,347
Income Tax Expense	2,148	454	--	2,602
NET INCOME	$ 3,782	$ 963	$ --	$ 4,745
NET INCOME APPLICABLE TO COMMON STOCK	$ 3,684	$ 928	$ --	$ 4,612
NET INCOME PER COMMON SHARE:				
Basic	$ 2.90	$ 5.08		$ 2.37
Diluted	$ 2.83	$ 4.71		$ 2.27
Average Common Shares Outstanding:				
Basic	1,269.2	182.4		1,944.1(b)
Diluted	1,303.9	197.2		2,033.5(b)

See notes to unaudited pro forma combined financial statements.

UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME OF CHASE AND J.P. MORGAN

FOR YEAR ENDED DECEMBER 31, 1997
(IN MILLIONS, EXCEPT PER SHARE DATA)

	CHASE HISTORICAL	J.P. MORGAN HISTORICAL	PRO FORMA ADJUSTMENTS (a,c,k,m,n)	PRO FORMA COMBINED
INTEREST INCOME				
Loans	$12,921	$ 2,029	$ --	$ 14,950
Securities	3,028	1,557	--	4,585
Trading Assets	2,770	4,275	--	7,045
Federal Funds Sold and Securities Purchased Under Resale Agreements	2,607	2,059	(30)(e)	4,636
Securities Borrowed	--	1,784	30(e)	1,814
Deposits With Banks	525	199	--	724
Other Sources	--	450	--	450
Total Interest Income	21,851	12,353	--	34,204
INTEREST EXPENSE				
Deposits	6,561	2,753	--	9,314
Short-Term and Other Liabilities	5,903	6,631	--	12,534
Long-Term Debt	1,134	1,097	--	2,231
Total Interest Expense	13,598	10,481	--	24,079
NET INTEREST INCOME	8,253	1,872	--	10,125
Provision for Loan Losses	804	--	--	804
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	7,449	1,872	--	9,321
NONINTEREST REVENUE				
Trading Revenue	1,323	2,137	--	3,460
Investment Banking Fees	1,136	1,123	--	2,259
Trust, Custody and Investment Management Fees	1,307	792	65(g)	2,164
Credit Card Revenue	1,088	--	--	1,088
Other Fees and Commissions	1,983	647	(65)(g)	2,565
Private Equity Gains	831	--	407(d)	1,238
Securities Gains	312	409	(407)(d)	314
Other Revenue	575	240	--	815
Total Noninterest Revenue	8,555	5,348	--	13,903
NONINTEREST EXPENSE				
Salaries	4,598	2,430	--	7,028
Employee Benefits	839	597	--	1,436
Occupancy	767	333	--	1,100
Technology and Communications	792	1,025	307(i) (140)(l)	1,984
Professional Services	575	135	140(l)	850
Amortization of Intangibles	172	--	--	172
Restructuring Costs	192	--	--	192
Other Expense	2,159	546	(307)(i)	2,398
Total Noninterest Expense	10,094	5,066	--	15,160
INCOME BEFORE INCOME TAX EXPENSE	5,910	2,154	--	8,064
Income Tax Expense	2,202	689	--	2,891
NET INCOME	$ 3,708	$ 1,465	$ --	$ 5,173
NET INCOME APPLICABLE TO COMMON STOCK	$ 3,526	$ 1,429	$ --	$ 4,955
NET INCOME PER COMMON SHARE:				
Basic	$ 2.77	$ 7.71		$ 2.53
Diluted	$ 2.68	$ 7.17		$ 2.41
Average Common Shares Outstanding:				
Basic	1,273.8	185.2		1,959.0(b)
Diluted	1,317.6	199.3		2,055.0(b)

See notes to unaudited pro forma combined financial statements.

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS OF CHASE AND J.P. MORGAN

(a) Chase and J.P. Morgan are in the process of reviewing their accounting policies and, as a result of this review, it may be necessary to reclassify either Chase's or J.P. Morgan's financial statements to conform to those accounting policies that are determined by J.P. Morgan Chase & Co. to be most appropriate. While some reclassifications of prior periods have been included in the pro forma combined financial statements, further reclassifications may be necessary upon the completion of this review process.

(b) It is intended that the merger will be accounted for on a pooling of interests accounting basis and, accordingly, the related pro forma adjustments to the various stockholders' equity accounts at September 30, 2000 reflect (i) an exchange of 592 million shares of Chase common stock (using the exchange ratio of 3.7) for the 160 million outstanding shares of J.P. Morgan common stock at September 30, 2000; (ii) the exchange of each outstanding share of J.P. Morgan preferred stock into one share of Chase preferred stock; and (iii) the assumed cancellation and retirement of all remaining shares of J.P. Morgan common stock and preferred stock held in J.P. Morgan's treasury. Prior to consummation of the merger, J.P. Morgan may issue up to 5 million shares of its common stock (which would be converted in the merger into 18.5 million shares of J.P. Morgan Chase & Co. common stock at the exchange ratio of 3.7) in a registered public offering. The issuance of common stock would not have a material impact on the pro forma combined balance sheet, the pro forma combined earnings per share data, or on the pro forma capital ratios or performance ratios and would have no impact on the pro forma statement of income and, as such, has not been reflected in these pro forma combined financial statements.

For the income per share calculations, the pro forma combined average common shares outstanding (basic and diluted) reflects the exchange of Chase common stock (using the exchange ratio of 3.7) for the outstanding shares of J.P. Morgan common stock.

(c) Our managements have estimated that the merger will result in synergies of approximately $1.9 billion (pre-tax), consisting of estimated cost savings of approximately $1.5 billion (pre-tax) and estimated incremental revenues, net of incremental expenses, of approximately $400 million (pre-tax). The synergies were estimated to be achieved by the end of the second year following the merger, with one-third estimated to be realized in the first year. Based on merger integration efforts to date, our managements currently believe those initial estimates were conservative but have not arrived at or announced revised estimates. These synergies have not been included in the pro forma combined amounts.

It is anticipated that the merger will result in costs of approximately $2.8 billion, pre-tax ($1.8 billion after-tax). Under current accounting rules, a significant portion of these costs will not be accruable at the time of the merger. The detailed plans for the restructuring initiatives have not been finalized and, as such, the amount of restructuring costs accruable at the merger date has not been determined. For purposes of these pro forma combined financial statements, the after-tax effect of the anticipated restructuring costs have been reflected in the pro forma combined balance sheet; however, since the anticipated restructuring costs are nonrecurring, they have not been reflected in the pro forma combined statement of income. Both the pre-tax and tax effect are included in the captions accounts payable, accrued expenses and other liabilities and retained earnings on the pro forma balance sheet.

The anticipated restructuring costs are expected to reflect severance expenses incurred in connection with anticipated staff reductions, costs incurred in connection with planned office eliminations and other merger-related expenses, including costs to eliminate redundant back office and other operations of Chase and J.P. Morgan.

(d) J.P. Morgan's historical financial data reflect the gains/losses from private equity investments in investment securities revenue. To conform with Chase's classification, J.P. Morgan's historical financial data have been reclassified on a pro forma basis to reflect these gains/losses as a component of private equity gains on the income statement.

(e) Chase's historical financial data reflect securities borrowed as a component of federal funds sold and securities purchased under resale agreements. To conform with J.P. Morgan's classification, Chase's historical financial data have been reclassified on a pro forma basis to reflect securities borrowed and the related interest income as separate line items on both the balance sheet and income statement.

(f) J.P. Morgan's historical financial data include goodwill amortization expense that is recorded in other revenue. To conform with Chase's classification, J.P. Morgan's historical financial data have been reclassified on a pro forma basis to reflect the goodwill amortization expense as a component of amortization of intangibles on the income statement.

(g) J.P. Morgan's historical financial data include custody and securities handling fees as a component of other fees and commissions. To conform with Chase's classification, J.P. Morgan's historical financial data have been reclassified on a pro forma basis to reflect custody and securities handling fees as a component of trust, custody and investment management fees on the income statement.

(h) J.P. Morgan's historical financial data reflect restructuring-related charges (and reversal of charges) within employee benefits, occupancy, and technology and communications expenses. To conform with Chase's classification, J.P. Morgan's historical financial data have been reclassified on a pro forma basis to reflect the charges (or their reversal) as a component of restructuring costs on the income statement.

(i) Chase's historical financial data reflect telecommunications expense as a component of other expense. To conform with J.P. Morgan's classification, Chase's historical financial data have been reclassified on a pro forma basis to reflect telecommunications expense as a component of technology and communications expense on the income statement.

(j) Chase's historical financial data reflect accounts receivable as a component of other assets on the balance sheet. To conform with J.P. Morgan's classification, Chase's historical financial data have been reclassified on a pro forma basis to reflect accounts receivable as a component of accrued interest and accounts receivable on the balance sheet.

(k) Transactions between Chase and J.P. Morgan are not material in relation to the pro forma combined financial statements and therefore intercompany balances have not been eliminated from the pro forma combined amounts.

(l) J.P. Morgan's historical financial data include technology consultant expense as a component of technology and communications expense. To conform with Chase's classification, J.P. Morgan's historical financial data have been reclassified on a pro forma basis to reflect technology consultant expense as a component of professional services expense on the income statement.

(m) On July 6, 2000, Chase acquired The Beacon Group, LLC and on August 1, 2000, Chase acquired Robert Fleming Holdings Limited. Both transactions were accounted for under the purchase method. Although when compared with Chase's historical financial statements, these acquisitions are not considered individually or collectively to be a "significant subsidiary," these acquisitions involved the issuance from treasury of 68.9 million shares of Chase common stock. The net assets acquired from these acquisitions approximated $24 billion, while the liabilities approximated $21 billion. The fair value of the assets and liabilities of Beacon and Flemings are subject to adjustment for a period up to twelve months subsequent to their respective acquisition dates. The goodwill related to these acquisitions of approximately $5 billion is expected to be amortized over 15 years.

(n) Chase's proposed disposition of its Hong Kong consumer banking operations in the fourth quarter of 2000 is not considered significant to the pro forma combined financial statements and, therefore, its impact is not included in these statements.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

THE CHASE MANHATTAN CORPORATION
(Registrant)

/s/ Dina Dublon

Dated: November 28, 2000 Dina Dublon
Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description
99.1	Consent of Chase Securities Inc.
99.2	Consent of J.P. Morgan Securities Inc.

Exhibit 99.1

November 21, 2000

Board of Directors
The Chase Manhattan Corporation
270 Park Avenue
New York, NY 10017

Members of the Board:

We hereby consent to the use of our opinion letter dated November 21, 2000 to the Board of Directors of The Chase Manhattan Corporation ("Chase"), included as Annex D to the Joint Proxy Statement/Prospectus which forms a part of the Registration Statement on Form S-4 of Chase relating to the proposed merger involving Chase and J.P. Morgan & Co. Incorporated, and to the references therein to such opinion and to our prior opinion dated September 12, 2000, in the section entitled "The Merger--Opinions of Financial Advisors--Opinion of Chase's Financial Advisor."

In giving such consent, we do not admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission thereunder, nor do we thereby admit that we are experts with respect to any part of such Registration Statement within the meaning of the term "experts" as used in the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission thereunder.

Chase Securities Inc.

/s/ DOUGLAS L. BRAUNSTEIN
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By: Douglas L. Braunstein
Its: Managing Director

EXHIBIT 99.2

We hereby consent to (i) the use of our opinion letter to the Board of Directors of J.P. Morgan & Co. Incorporated (the "Company") included as Appendix E to the Joint Proxy Statement-Prospectus that forms a part of the Registration Statement on Form S-4 relating to the proposed merger of the Company and The Chase Manhattan Corporation and (ii) the references to such opinion and to our prior opinion dated September 12, 2000, in such Joint Proxy Statement-Prospectus. In giving such consent, we do not admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission thereunder, nor do we hereby admit that we are "experts" with respect to any part of such Registration Statement within the meaning of that term as used in the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission thereunder.

J.P. MORGAN SECURITIES INC.

By: /s/ EDWARD J. KELLY III

Dated: November 21, 2000