# 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: |  | Commission file number |
| :---: | :---: | :---: |
| July 17, 2002 |  | 1-5805 |
|  | J.P. MORGAN CHASE \& CO. |  |
|  | (Exact name of registrant as specified in its charter) |  |
| Delaware |  | 13-2624428 |
| (State or other jurisdiction of incorporation or organization) |  | (I.R.S. Employer Identification No.) |
| 270 Park Avenue, New York, NY |  | 10017 |
| (Address of principal executive offices) |  | (Zip Code) |

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## Item 5. Other Events

On July 17, 2002, J.P. Morgan Chase \& Co. (NYSE: JPM) announced 2002 second quarter reported earnings per share of $\$ 0.50$, compared with $\$ 0.48$ in the first quarter of 2002 and $\$ 0.18$ in the second quarter of 2001. Reported net income was $\$ 1,028$ million in the second quarter compared to $\$ 982$ million in the first quarter and $\$ 378$ million one year ago.

Operating earnings per share, which exclude merger and restructuring charges associated with programs announced prior to 2002, were $\$ 0.58$ compared with $\$ 0.57$ in the first quarter of 2002 and $\$ 0.38$ in the second quarter of 2001 . Operating earnings were $\$ 1,179$ million in the second quarter compared to $\$ 1,150$ million in the first quarter and $\$ 786$ million one year ago. Operating earnings for 2001 have been increased by adding back amortization of goodwill to present 2001 results on a basis comparable to the results for 2002 which include the impact of the implementation on January 1, 2002 of SFAS 142. For a reconciliation between Operating and Reported earnings see the table on page 7 of the press release attached as an exhibit hereto.

A copy of J.P. Morgan Chase \& Co.'s press release is attached as an exhibit hereto. That press release contains statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are based upon the current beliefs and expectations of JPMorgan Chase's management and are subject to significant risks and uncertainties. These risks and uncertainties could cause our results to differ materially from those set forth in such forward-looking statements. Such risks and uncertainties are described in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2002 and in the 2001 Annual Report on Form 10-K, each filed with the Securities and Exchange Commission and available at the Securities and Exchange Commission's internet site (http://www.sec.gov), to which reference is hereby made.

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

Exhibit Number

12 (b)
99.1
99.2

Description
Computation of Ratio of Earnings to Fixed Charges
Computation of Ratio of Earnings to Fixed Charges and
Preferred Stock Dividend Requirements
Press Release - 2002 Second Quarter Earnings
2002 Second Quarter Financial Supplement

## 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.
J.P. MORGAN CHASE \& CO.
(Registrant)
By: /s/ Joseph L. Sclafani
Joseph L. Sclafani

Executive Vice President and Controller [Principal Accounting Officer]

## EXHIBIT INDEX

## Description

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## EXHIBIT 12(a)

## J.P. MORGAN CHASE \& CO.

## Computation of Ratio of Earnings to Fixed Charges (in millions, except ratios)

|  | Six Months Ended June 30, 2002 |
| :---: | :---: |
| Excluding Interest on Deposits |  |
| Income before income taxes | \$ 3,046 |
| Fixed charges: |  |
| Interest expense | 4,320 |
| One-third of rents, net of income from subleases (a) | 126 |
| Total fixed charges | 4,446 |
| Less: Equity in undistributed income of affiliates | (50) |
| Earnings before taxes and fixed charges, excluding capitalized interest | \$ 7,442 |
| Fixed charges, as above | \$ 4,446 |
| Ratio of earnings to fixed charges | 1.67 |
| Including Interest on Deposits |  |
| Fixed charges, as above | \$ 4,446 |
| Add: Interest on deposits | 2,655 |
| Total fixed charges and interest on deposits | \$ 7,101 |
| Earnings before taxes and fixed charges, excluding capitalized interest, as above | \$ 7,442 |
| Add: Interest on deposits | 2,655 |
| Total earnings before taxes, fixed charges and interest on deposits | \$10,097 |
| Ratio of earnings to fixed charges | 1.42 |

(a) The proportion deemed representative of the interest factor.

## EXHIBIT 12(b)

## J.P. MORGAN CHASE \& CO.

## Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividend Requirements (in millions, except ratios)

|  | Six Months Ended June 30, 2002 |
| :---: | :---: |
| Excluding Interest on Deposits |  |
| Income before income taxes | \$ 3,046 |
| Fixed charges: |  |
| Interest expense | 4,320 |
| One-third of rents, net of income from subleases (a) | 126 |
| Total fixed charges | 4,446 |
| Less: Equity in undistributed income of affiliates | (50) |
| Earnings before taxes and fixed charges, excluding capitalized interest | \$ 7,442 |
| Fixed charges, as above | \$ 4,446 |
| Preferred stock dividends | 26 |
| Fixed charges including preferred stock dividends | \$ 4,472 |
| Ratio of earnings to fixed charges and preferred stock dividend requirements | 1.66 |
| Including Interest on Deposits |  |
| Fixed charges including preferred stock dividends, as above | \$ 4,472 |
| Add: Interest on deposits | 2,655 |
| Total fixed charges including preferred stock dividends and interest on deposits | \$ 7,127 |
| Earnings before taxes and fixed charges, excluding capitalized interest, as above | \$ 7,442 |
| Add: Interest on deposits | 2,655 |
| Total earnings before taxes, fixed charges and interest on deposits | \$10,097 |
| Ratio of earnings to fixed charges and preferred stock dividend requirements | 1.42 |

(a) The proportion deemed representative of the interest factor.

NYSE symbol: JPM
www.jpmorganchase.com

## News release: IMMEDIATE RELEASE

## JPMORGAN CHASE REPORTS 2002 SECOND QUARTER RESULTS

New York, July 17, 2002 - J.P. Morgan Chase \& Co. (NYSE: JPM) today announced 2002 second quarter reported earnings per share, inclusive of all restructuring charges, of $\$ 0.50$, compared with $\$ 0.48$ in the first quarter of 2002 and $\$ 0.18$ in the second quarter of 2001. Reported net income was $\$ 1,028$ million in the second quarter compared to $\$ 982$ million in the first quarter and $\$ 378$ million one year ago.

Operating earnings per share, which exclude previously announced merger and restructuring charges, were $\$ 0.58$ compared with $\$ 0.57$ in the first quarter of 2002 and $\$ 0.38$ in the second quarter of 2001. Operating earnings were $\$ 1,179$ million in the second quarter compared to $\$ 1,150$ million in the first quarter and $\$ 786$ million one year ago. Operating earnings for 2001 have been increased by adding back amortization of goodwill to present 2001 results on a basis comparable to the results for 2002 which include the impact of the implementation on January 1, 2002 of SFAS 142. For a reconciliation between Operating and Reported earnings see the table on page 7.

Operating ROE for the second quarter was $11 \%$ and excluding JPMorgan Partners was $15 \%$. The contribution of JPMorgan Partners to operating earnings per share was a loss of $\$ 0.08$ in the second quarter compared to a $\$ 0.12$ loss in the first quarter of 2002 and a $\$ 0.30$ loss in the second quarter of 2001.
"Second quarter earnings continued to be affected by weak capital markets and remain well below the potential of this franchise," said William B. Harrison, Jr., Chairman and Chief Executive Officer. "We are pleased with the strong results in our consumer and services businesses and the significant gains this quarter in market share across virtually all investment banking products. Our focus today is on financial discipline and delivering superior service and products to clients."

Highlights for the second quarter of 2002

- Retail \& Middle Market Financial Services reported record operating earnings of $\$ 686$ million, up $29 \%$ from the first quarter of 2002 and up $60 \%$ from the second quarter of 2001.
- Trading revenues were down approximately $30 \%$ from both the first quarter of 2002 and the second quarter of 2001.
- Investment banking fees increased from the first quarter reflecting market share gains, particularly in equity underwriting.
- Treasury \& Securities Services reported record operating earnings of $\$ 177$ million, up $22 \%$ from the first quarter of 2002 and up $16 \%$ from the second quarter of 2001.
- Credit costs remained high but stable, while nonperforming assets were marginally higher than the first quarter of this year.


## Business segment results

Retail \& Middle Market Financial Services had a second consecutive quarter of record revenues and operating earnings. Operating earnings of $\$ 686$ million were up $29 \%$ from the first quarter and up $60 \%$ from the second quarter of 2001 driven by strong performances across the consumer credit businesses and middle market. ROE for the second quarter was $26 \%$, compared to $21 \%$ last quarter and $19 \%$ for the second quarter of 2001.

Operating revenues of $\$ 3.50$ billion were up $11 \%$ from the first quarter and $27 \%$ from the second quarter of 2001 driven by continued high production volumes across all consumer businesses and low interest rates. Home Finance revenues were driven by an increase in customer servicing balances and higher mortgage origination and servicing margins impacted by business mix and a strong housing environment as well as better than expected servicing risk management performance resulting from wider spreads. Managed credit card outstandings increased 29\% from June 30, 2001 to $\$ 49.5$ billion due to the Providian acquisition in the first quarter of 2002 and organic growth. There were close to 900,000 new accounts originated during the quarter, the seventh consecutive quarter of additions at this level. Total deposits grew $2 \%$ from the first quarter and $12 \%$ from the second quarter of 2001.

Operating expenses of $\$ 1.67$ billion increased by $7 \%$ from the first quarter and by $16 \%$ from the second quarter of 2001 . The increases reflected the impact of higher expenses related to higher volumes. Savings generated by Six Sigma productivity programs continued to partially offset the growth in expenses.

Managed credit costs of $\$ 736$ million were $1 \%$ higher than the first quarter and were $17 \%$ higher than the second quarter of 2001, primarily due to increased charge-offs related to the full quarter impact of the Providian credit card portfolio.

The Investment Bank had operating earnings of \$485 million in the second quarter, a decline of $35 \%$ from the first quarter and $38 \%$ lower than the second quarter of 2001 . Operating ROE was $10 \%$ for the quarter compared to $16 \%$ last quarter and $17 \%$ for the second quarter of 2001.

Operating revenues of $\$ 3.09$ billion in the second quarter of 2002 were $14 \%$ lower than last quarter and down $17 \%$ from the second quarter of 2001 .
Trading revenues (including related net interest income) and brokerage commissions of $\$ 1.41$ billion decreased $28 \%$ from the first quarter and were down $23 \%$ from the second quarter of 2001. The decline from the first quarter was driven largely by fixed income results, particularly in interest-rate markets and emerging markets. The decline from the second quarter of 2001 was primarily due to lower equity derivatives revenues driven by difficult market conditions.

Investment banking fees totaled $\$ 783$ million in the second quarter, an increase of $6 \%$ from the first quarter but $15 \%$ lower than the second quarter of 2001. The increase from the first quarter reflects a $33 \%$ increase in equity underwriting fees and flat M\&A fees and debt underwriting revenues. Market
share gains in the second quarter included global announced M\&A (\#1), U.S. and global equity and equity-related (\#6), U.S. investment grade bonds (\#2) and global loan syndications (\#1). ${ }^{1}$

Operating expenses for the second quarter of $\$ 2.02$ billion decreased by $4 \%$ from the first quarter and by $11 \%$ from the second quarter of 2001. Operating expenses in the second quarter included $\$ 123$ million in severance and other costs associated with restructuring programs announced in 2002. This compared to $\$ 47$ million of such costs in the first quarter. The overhead ratio for the second quarter was $65 \%$ compared to $58 \%$ in the first quarter and $61 \%$ in the second quarter of 2001.

Investment Management \& Private Banking had operating earnings of $\$ 118$ million, down 6\% from the first quarter and 2\% higher than the second quarter of 2001. Pre-tax margin in the second quarter was $21 \%$ compared with $22 \%$ last quarter and $19 \%$ in the second quarter of 2001.

Operating revenues of $\$ 691$ million in the second quarter were $5 \%$ below the first quarter and $12 \%$ lower than the second quarter of 2001 . Continued declines in global equity markets valuations and eroding investor activity levels accounted for most of the decreases. Operating expenses of $\$ 520$ million for the quarter were $5 \%$ lower than the first quarter and down $18 \%$ from the second quarter of 2001 as a result of continued reductions in compensation and other expenses. Private Banking credit costs were unchanged from the first quarter but increased from the prior year.

Total assets under management at quarter-end of $\$ 541$ billion were $7 \%$ lower than the first quarter and down $11 \%$ from the second quarter of 2001 . Falling equity prices accounted for most of the year on year declines; outflows from institutional cash management products accounted for the balance. These effects outweighed continued positive flows and a year-over-year increase in assets under management for the retail mutual funds.

Treasury \& Securities Services had record operating earnings of \$177 million, an increase of 22\% from the first quarter and $16 \%$ from the second quarter of 2001. Operating ROE for the quarter was $23 \%$ compared to $20 \%$ in each of the last quarter and the second quarter of 2001.

Operating revenues were $\$ 985$ million in the second quarter of 2002, up $5 \%$ from the first quarter and up $2 \%$ from the second quarter of 2001 . Revenues in Investor Services were up $9 \%$ from the first quarter and were virtually flat compared to the second quarter of 2001. The increase from the first quarter was due to higher custody fees, foreign exchange revenue and securities lending fees. Institutional Trust revenues increased $9 \%$ from the first quarter of 2002 due to higher American Depositary Receipt revenues and new business. The 12\% increase in Institutional Trust revenues from the second quarter of 2001 reflected the impact of acquisitions and new business wins partially offset by the effect of slower fixed income activity. The impact of lower interest rates on Treasury \& Securities Services revenues was largely offset by higher deposits resulting from increased business volumes.

Operating expenses were virtually unchanged from the first quarter and declined $2 \%$ from the second quarter of 2001. The business continues to focus on cost containment and improving its overhead ratio, while selectively investing in acquisitions for future growth. The overhead ratio for the second quarter was $72 \%$ compared to $76 \%$ in each of the first quarter of 2002 and the second quarter of 2001.

[^0]JPMorgan Partners had an operating loss of $\$ 165$ million for the quarter compared to an operating loss of $\$ 248$ million in the first quarter and an operating loss of $\$ 610$ million in the second quarter of 2001.

Total net private equity gains were negative $\$ 125$ million, as compared to negative $\$ 255$ million in the first quarter and negative $\$ 823$ million in the second quarter of 2001. The second quarter 2002 results were driven by writedowns and write-offs on private holdings of $\$ 216$ million and net mark-to-market losses on public securities of $\$ 20$ million, partially offset by net realized gains of $\$ 111$ million. Losses were concentrated in telecommunications and technology investments. The private equity market continues to be unsettled, with limited exit opportunities and constrained financing.

## Expenses

Operating expenses were $\$ 4.97$ billion, a $3 \%$ decline from the first quarter of this year and a $5 \%$ reduction from the second quarter of 2001 . Second quarter operating expenses included $\$ 162$ million in costs related to headcount reductions and other costs associated with restructuring programs announced in 2002. This compared with $\$ 106$ million of these expenses in the first quarter.

## Credit

Commercial net charge-offs in the second quarter of 2002 were $\$ 293$ million, compared to $\$ 320$ million in the previous quarter and $\$ 212$ million in the second quarter of 2001 . The charge-off ratio was $1.17 \%$ for the second quarter of $2002,1.27 \%$ for the first quarter of 2002 and $0.77 \%$ for the second quarter of 2001.

Consumer net charge-offs on a managed basis were $\$ 862$ million, up from $\$ 754$ million in the prior quarter and $\$ 586$ million in the second quarter of 2001. On a managed basis, the credit card net charge-off ratio was $6.42 \%$, compared to $5.87 \%$ for the first quarter and $5.54 \%$ for the second quarter of 2001 . The increase was primarily due to the inclusion of the Providian portfolio for the full quarter. Consumer credit trends continued to improve with positive trends in 30-, 60- and 90-day delinquencies in credit cards and lower delinquencies and low loss ratios in auto and home financing.

Provision for Loan Losses equaled net charge-offs this quarter. The provision for loan losses also equaled net charge-offs in the first quarter of 2002 and the second quarter of 2001.

Total Nonperforming Assets were $\$ 4.38$ billion at June 30, 2002, which includes $\$ 1.13$ billion related to the Enron surety receivables and letter of credit. Excluding this amount, which is the subject of litigation with creditworthy entities, nonperforming assets totaled $\$ 3.25$ billion. This compares to $\$ 3.18$ billion last quarter and $\$ 2.50$ billion as of June 30, 2001. The increase from the first quarter of 2002 related primarily to nonperforming telecommunications loans.

## Total assets and capital

Total assets as of June 30, 2002 were $\$ 741$ billion, compared with $\$ 713$ billion as of both March 31, 2002 and June 30, 2001. The increase from March 31, 2002 was largely driven by growth in trading assets. Commercial loans increased $3 \%$, or $\$ 2.9$ billion, from the first quarter but fell $7 \%$, or $\$ 8.1$ billion, from the second quarter of 2001. Managed consumer loans declined by $1 \%$ from the first quarter and increased $8 \%$ from the second quarter of 2001 . The Tier 1 capital ratio was $8.7 \%$ at June 30, compared to $8.6 \%$ at March 31, 2002 and $8.7 \%$ at June 30, 2001.

## Other financial information

Special Items in the second quarter of 2002 included $\$ 229$ million (pre-tax) in merger and restructuring costs, compared to $\$ 255$ million (pre-tax) in the first quarter of 2002. Special items in the second quarter of 2001 included merger and restructuring costs (pre-tax) of $\$ 478$ million.
J.P. Morgan Chase \& Co. is a leading global financial services firm with assets of $\$ 741$ billion and operations in more than 50 countries. With relationships with over $99 \%$ of the Fortune 1000 companies, the firm is a leader in investment banking, asset management, private banking, private equity, custody and transaction services and retail and middle market financial services. A component of the Dow Jones Industrial Average, JPMorgan Chase is headquartered in New York and serves more than 30 million consumer customers and the world's most prominent corporate, institutional and government clients. Information about JPMorgan Chase is available on the internet at www.jpmorganchase.com.

JPMorgan Chase will hold a presentation for the investment community on Wednesday, July 17, 2002 at 11:00 a.m. (Eastern Daylight Time) to review second quarter 2002 financial results. A live audio webcast of the presentation will be available on www.jpmorganchase.com. In addition, persons interested in listening to the presentation by telephone may dial in at (973) 872-3100. A telephone replay of the presentation will be available beginning at 1:00 p.m. (EDT) on July 17, 2002 and continuing through 6:00 p.m. (EDT) on July 23, 2002 at ( 973 ) 341-3080 pin \#3335966. The replay also will be available on www.jpmorganchase.com. Additional detailed financial, statistical and business-related information is included in a financial supplement. The earnings release and the financial supplement are available on the JPMorgan Chase web site (www.jpmorganchase.com).

This press release contains statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are based upon the current beliefs and expectations of JPMorgan Chase's management and are subject to significant risks and uncertainties. These risks and uncertainties could cause our results to differ materially from those set forth in such forward-looking statements. Such risks and uncertainties are described in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2002 and in the 2001 Annual Report on Form 10-K, each filed with the Securities and Exchange Commission and available at the Securities and Exchange Commission's internet site (http://www.sec.gov), to which reference is hereby made.
J.P. MORGAN CHASE \& CO.

CONSOLIDATED FINANCIAL HIGHLIGHTS
(in millions, except per share and ratio data)


## STATEMENT(a)(b) OPERATING REVENUE:

| Investment Banking Fees | \$ | 785 | \$ | 755 | \$ | 929 | 4\% | (16)\% | \$ | 1,540 | \$ | 1,870 | (18)\% |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Trading-Related Revenue (Incl. Trading NII) |  | 1,136 |  | 1,720 |  | 1,594 | (34) | (29) |  | 2,856 |  | 3,761 | (24) |
| Fees and Commissions |  | 2,745 |  | 2,493 |  | 2,422 | 10 | 13 |  | 5,238 |  | 4,504 | 16 |
| Private Equity - Realized Gains (Losses) |  | (10) |  | (10) |  | (46) | - | 78 |  | (20) |  | 366 | NM |
| Private Equity - Unrealized Gains (Losses) |  | (115) |  | (228) |  | (783) | 50 | 85 |  | (343) |  | $(1,068)$ | 68 |
| Securities Gains |  | 124 |  | 114 |  | 67 | 9 | 85 |  | 238 |  | 522 | (54) |
| Other Revenue |  | 273 |  | 137 |  | 280 | 99 | (3) |  | 410 |  | 537 | (24) |
| Net Interest Income (Excl. Trading NII) |  | 2,970 |  | 2,938 |  | 2,759 | 1 | 8 |  | 5,908 |  | 5,296 | 12 |



## NET INCOME PER COMMON SHARE

| Basic | \$ | 0.51 | \$ | 0.49 | \$ | 0.18 | 4\% | 183\% | \$ | 1.00 | \$ | 0.78 | 28\% |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Diluted |  | 0.50 |  | 0.48 |  | 0.18 | 4 | 178 |  | 0.99 |  | 0.76 | 30 |
| COMMON SHARES OUTSTANDING |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic Average Shares Outstanding |  | ,982.6 |  | 1,978.2 |  | 1,978.4 | - | - |  | ,980.4 |  | 972.6 | - |
| Diluted Average Shares Outstanding |  | ,016.0 |  | 2,005.8 |  | 2,033.6 | 1 | (1) |  | ,011.0 |  | ,033.0 | (1) |
| Common Shares Outstanding - Period End |  | ,993.4 |  | 1,990.2 |  | 1,989.2 | - | - |  | ,993.4 |  | 989.2 | - |
| CASH DIVIDENDS DECLARED PER SHARE | CASH DIVIDENDS DECLARED PER |  |  |  |  | 0.34 | - | - |  | 0.68 |  | 0.68 | - |
| BOOK VALUE PER SHARE |  | 20.93 |  | 20.16 |  | 20.81 | 4 | 1 |  |  |  |  |  |
| CAPITAL RATIOS |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Tier I Capital Ratio |  | 8.7\%(d) |  | 8.6\% |  | 8.7\% | 10bp | -bp |  |  |  |  |  |
| Total Capital Ratio |  | 12.6(d) |  | 12.5 |  | 12.2 | 10 | 40 |  |  |  |  |  |
| Tier I Leverage |  | 5.4(d) |  | 5.4 |  | 5.4 | - | - |  |  |  |  |  |

Note: Prior periods have been restated to conform with current methodologies.
(a) See page 10 for a reconciliation between reported results and operating results.
(b) In the first quarter of 2002, the Firm implemented EITF 01-14, "Income Statement Characterization of Reimbursements Received for 'Out-of-Pocket' Expenses Incurred (Formerly EITF Abstracts, Topic D-103)." Consequently, prior period amounts have been restated.
(c) Reported net income for 2002 reflects the adoption of SFAS 142 and, accordingly, the Firm ceased amortizing goodwill effective January 1, 2002. There was no impairment of goodwill upon adoption of SFAS 142. Previously reported operating earnings for 2001 have been adjusted by adding back amortization of goodwill to make 2001 results comparable to 2002.
(d) Estimated
bp — Denotes basis points; 100 bp equals 1\%

NM — Not meaningful

LINES OF BUSINESS FINANCIAL HIGHLIGHTS SUMMARY
(in millions, except per share and ratio data)

|  | $\begin{gathered} \text { 2QTR } \\ 2002 \end{gathered}$ | $\begin{gathered} \text { 1QTR } \\ 2002 \end{gathered}$ | $\begin{gathered} \text { 2QTR } \\ 2001 \end{gathered}$ | 2QTR 2002 <br> Over (Under) |  | YEAR TO DATE |  | $\begin{gathered} \text { YTD } 2002 \\ \text { Over (Under) } \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  | 1Q 2002 | 2Q 2001 | 2002 | 2001 | 2001 |
| OPERATING REVENUE |  |  |  |  |  |  |  |  |
| Investment Bank | \$3,093 | \$3,608 | \$3,711 | (14)\% | (17)\% | \$ 6,701 | \$ 8,034 | (17)\% |
| Treasury \& Securities Services | 985 | 934 | 962 | 5 | 2 | 1,919 | 1,915 | - |
| Investment Management \& Private Banking | 691 | 729 | 789 | (5) | (12) | 1,420 | 1,592 | (11) |
| Retail \& Middle Market Financial Services | 3,504 | 3,154 | 2,769 | 11 | 27 | 6,658 | 5,448 | 22 |
| Corporate (a) | (186) | (203) | (123) | 8 | (51) | (389) | (402) | 3 |
| OPERATING REVENUE EXCL. JPMP | 8,087 | 8,222 | 8,108 | (2) | - | 16,309 | 16,587 | (2) |
| JPMorgan Partners | (179) | (303) | (886) | 41 | 80 | (482) | (799) | 40 |
| OPERATING REVENUE (b) | \$7,908 | \$7,919 | \$7,222 | - | 9 | \$15,827 | \$15,788 | - |
| EARNINGS |  |  |  |  |  |  |  |  |
| Investment Bank | \$ 485 | \$ 750 | \$ 785 | (35) | (38) | \$ 1,235 | \$ 1,812 | (32) |
| Treasury \& Securities Services | 177 | 145 | 152 | 22 | 16 | 322 | 314 | 3 |
| Investment Management \& Private Banking | 118 | 125 | 116 | (6) | 2 | 243 | 217 | 12 |
| Retail \& Middle Market Financial Services | 686 | 533 | 428 | 29 | 60 | 1,219 | 854 | 43 |
| Corporate (a) | (122) | (155) | (85) | 21 | (44) | (277) | (270) | (3) |
| OPERATING EARNINGS EXCL. JPMP | 1,344 | 1,398 | 1,396 | (4) | (4) | 2,742 | 2,927 | (6) |
| JPMorgan Partners | (165) | (248) | (610) | 33 | 73 | (413) | (614) | 33 |
| OPERATING EARNINGS (b) | 1,179 | 1,150 | 786 | 3 | 50 | 2,329 | 2,313 | 1 |
| Special Items \& Change in Acctng Principle | (151) | (168) | (312) | 10 | 52 | (319) | (549) | 42 |
| Amortization of Goodwill, Net of Taxes | - | - | (96) | NM | NM | - | (187) | NM |
| NET INCOME (b) | \$1,028 | \$ 982 | \$ 378 | 5 | 172 | \$ 2,010 | \$ 1,577 | 27 |
| EARNINGS PER SHARE - DILUTED |  |  |  |  |  |  |  |  |
| OPERATING EARNINGS EXCL. JPMP | \$ 0.66 | \$ 0.69 | \$ 0.68 | (4) | (3) | \$ 1.35 | \$ 1.42 | (5) |
| Impact of JPMP | (0.08) | (0.12) | (0.30) | 33 | 73 | (0.20) | (0.30) | 33 |
| OPERATING EARNINGS (b) | 0.58 | 0.57 | 0.38 | 2 | 53 | 1.15 | 1.12 | 3 |
| Special Items \& Change in Acctng Principle | (0.08) | (0.09) | (0.15) | 11 | 47 | (0.16) | (0.27) | 41 |
| Amortization of Goodwill, Net of Taxes | - | - | (0.05) | NM | NM | - | (0.09) | NM |
| NET INCOME (b) | \$ 0.50 | \$ 0.48 | \$ 0.18 | 4 | 178 | \$ 0.99 | \$ 0.76 | 30 |
| OPERATING RETURN ON COMMON EQUITY |  |  |  |  |  |  |  |  |
| Investment Bank | 10.4\% | 15.9\% | 16.7\% | (550)bp | (630)bp | 13.2\% | 18.7\% | (550)bp |
| Treasury \& Securities Services | 22.9 | 19.8 | 19.8 | 310 | 310 | 21.4 | 21.2 | 20 |
| Investment Management \& Private Banking | 7.8 | 8.4 | 7.3 | (60) | 50 | 8.1 | 6.7 | 140 |
| Retail \& Middle Market Financial Services | 26.0 | 20.9 | 18.5 | 510 | 750 | 23.5 | 18.9 | 460 |
| OPERATING RETURN ON COMMON EQUITY (b) | 11.4 | 11.4 | 7.4 | - | 400 | 11.4 | 11.0 | 40 |

(a) Includes Support Units and the effects remaining at the corporate level after the implementation of management accounting policies.
(b) Represents consolidated JPMorgan Chase.
J.P. MORGAN CHASE \& CO. CONSOLIDATED BALANCE SHEET (in millions)

|  | Jun 30th <br> 2002 | Mar 31st <br> 2002 | Jun 30th 2001 | $\begin{aligned} & \text { Jun 30, } 2002 \\ & \text { Over (Under) } \end{aligned}$ |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  | Mar 31, 02 | Jun 30, 01 |
| ASSETS |  |  |  |  |  |
| Cash and Due from Banks | \$ 21,878 | \$ 22,637 | \$ 24,219 | (3)\% | (10)\% |
| Deposits with Banks | 10,517 | 9,691 | 11,903 | 9 | (12) |
| Federal Funds Sold and Securities |  |  |  |  |  |
| Purchased under Resale Agreements | 71,740 | 76,719 | 61,308 | (6) | 17 |
| Securities Borrowed | 48,429 | 40,880 | 38,296 | 18 | 26 |
| Trading Assets: |  |  |  |  |  |
| Debt and Equity Instruments | 159,746 | 144,992 | 139,135 | 10 | 15 |
| Derivative Receivables | 69,858 | 63,224 | 68,910 | 10 | 1 |
| Securities | 64,526 | 61,225 | 68,488 | 5 | (6) |
| Loans (Net of Allowance for Loan Losses) | 207,080 | 209,541 | 216,245 | (1) | (4) |
| Goodwill | 8,089 | 8,055 | 8,640 | - | (6) |
| Other Intangibles: |  |  |  |  |  |
| Mortgage Servicing Rights | 5,689 | 6,918 | 7,073 | (18) | (20) |
| Purchased Credit Card Relationships | 1,426 | 1,508 | 568 | (5) | 151 |
| All Other Intangibles | 313 | 327 | 74 | (4) | NM |
| Private Equity Investments | 8,229 | 8,553 | 9,855 | (4) | (16) |
| Other Assets | 63,026 | 58,238 | 57,988 | 8 | 9 |
| TOTAL ASSETS | \$740,546 | \$712,508 | \$712,702 | 4 | 4 |
| LIABILITIES |  |  |  |  |  |
| Deposits | \$293,829 | \$282,037 | \$276,804 | 4 | 6 |
| Federal Funds Purchased and Securities Sold under Repurchase |  |  |  |  |  |
| Commercial Paper | 14,561 | 23,726 | 19,985 | (39) | (27) |
| Other Borrowed Funds | 17,352 | 16,968 | 18,418 | 2 | (6) |
| Trading Liabilities: |  |  |  |  |  |
| Debt and Equity Instruments | 67,952 | 71,141 | 53,571 | (4) | 27 |
| Derivative Payables | 55,575 | 44,997 | 62,373 | 24 | (11) |
| Accounts Payable and Other Liabilities (Including the Allowance for Credit Losses) | 38,083 | 36,910 | 38,157 | 3 | - |
| Long-Term Debt | 42,363 | 37,322 | 40,917 | 14 | 4 |
| Guaranteed Preferred Beneficial Interests in the Firm's Junior Subordinated Deferrable Interest Debentures | 5,439 | 5,439 | 4,439 | - | 23 |
| TOTAL LIABILITIES | 697,810 | 671,377 | 669,726 | 4 | 4 |
| PREFERRED STOCK OF SUBSIDIARY | - | - | 550 | NM | NM |
| STOCKHOLDERS' EQUITY |  |  |  |  |  |
| Preferred Stock | 1,009 | 1,009 | 1,025 | - | (2) |
| Common Stock | 2,020 | 2,016 | 1,990 | - | 2 |
| Capital Surplus | 13,111 | 12,783 | 12,000 | 3 | 9 |
| Retained Earnings | 27,605 | 27,278 | 28,265 | 1 | (2) |
| Accumulated Other Comprehensive Income (Loss) | 79 | (909) | (834) | NM | NM |
| Treasury Stock, at Cost | $(1,088)$ | $(1,046)$ | (20) | (4) | NM |
| TOTAL STOCKHOLDERS' EQUITY | 42,736 | 41,131 | 42,426 | 4 | 1 |
| TOTAL LIABILITIES, PREFERRED STOCK OF SUBSIDIARY AND STOCKHOLDERS' EQUITY | \$740,546 | \$712,508 | \$712,702 | 4 | 4 |

Note: Prior periods have been restated to conform with current methodologies.

## (in millions, except ratios)

|  | Jun 30th <br> 2002 | Mar 31st 2002 | Jun 30th <br> 2001 | $\begin{gathered} \text { Jun 30, } 2002 \\ \text { Over (Under) } \end{gathered}$ |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  | Mar 31, 02 | Jun 30, 01 |
| CREDIT-RELATED ASSETS: |  |  |  |  |  |
| Commercial Loans | \$104,701 | \$101,752 | \$ 112,790 | 3\% | (7)\% |
| Derivative and FX Contracts | 69,858 | 63,224 | 68,910 | 10 | 1 |
| Total Commercial Credit-Related Assets (a) | 174,559 | 164,976 | 181,700 | 6 | (4) |
| Managed Consumer Loans (b) | 134,884 | 136,019 | 124,881 | (1) | 8 |
| Total Managed Credit-Related Assets | \$309,443 | \$300,995 | \$306,581 | 3 | 1 |
| NET CHARGE-OFFS: (c) |  |  |  |  |  |
| Commercial Loans | \$ 293 | \$ 320 | \$ 212 | (8) | 38 |
| Credit Card - Managed (b) | 767 | 658 | 507 | 17 | 51 |
| All Other Consumer | 95 | 96 | 79 | (1) | 20 |
| Managed Consumer Loans | 862 | 754 | 586 | 14 | 47 |
| Total Managed Net Charge-offs | \$ 1,155 | \$ 1,074 | \$ 798 | 8 | 45 |
| NET CHARGE-OFF RATES - ANNUALIZED: |  |  |  |  |  |
| Total Commercial Loans | 1.17\% | 1.27\% | 0.77\% | (10)bp | 40bp |
| Credit Card - Managed | 6.42 | 5.87 | 5.54 | 55 | 88 |
| Total Managed Loans | 1.96 | 1.82 | 1.37 | 14 | 59 |

## NONPERFORMING ASSETS:

| Commercial Loans | \$ | 2,512 | \$ | 2,359 | \$ | 1,890 | 6\% | 33\% |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Derivative and FX Contracts |  | 144 |  | 155 |  | 88 | (7) | 64 |
| Consumer Loans |  | 450 |  | 534 |  | 401 | (16) | 12 |
| Assets Acquired in Loan Satisfactions |  | 142 |  | 130 |  | 119 | 9 | 19 |
| Total |  | 3,248 |  | 3,178 |  | 2,498 | 2 | 30 |
| Other Receivables (d) |  | 1,130 |  | 1,130 |  | - | - | NM |
| Total Nonperforming Assets | \$ | 4,378(e) | \$ | 4,308 | \$ | 2,498 | 2 | 75 |
| SELECTED COUNTRY TOTAL EXPOSURE (in billions) |  |  |  |  |  |  |  |  |
| Argentina | \$ | 0.4(f) | \$ | 0.5 | \$ | 1.4 | (20) | (71) |
| Brazil |  | 2.1(f) |  | 2.7 |  | 2.8 | (22) | (25) |
| Turkey |  | 0.1(f) |  | 0.1 |  | 0.2 | - | (50) |
| Venezuela |  | 0.3(f) |  | 0.2 |  | 0.5 | 50 | (40) |

(a) Excludes unfunded commercial lending-related commitments totaling $\$ 241$ billion at June 30, 2002, $\$ 243$ billion at March 31, 2002 and $\$ 257$ billion at June 30, 2001. Unused advised lines of credit totaling \$18 billion at June 30, 2002, \$19 billion at March 31, 2002 and \$21 billion at June 30, 2001 are included within these unfunded commitments.
(b) Includes credit card receivables that have been securitized.
(c) Net charge-offs are presented for the quarter ended as of the date indicated.
(d) This amount relates to the Enron-related surety receivables and letter of credit, which are the subject of litigation with credit-worthy entities. These receivables are classified in Other Assets at June 30, 2002.
(e) Nonperforming assets have not been reduced for credit protection (single name credit default swaps and collateralized loan obligations) aggregating $\$ 37$ million related to nonperforming counterparties. Nonperforming assets exclude nonaccrual loans held for sale ("HFS") of \$126 million, including $\$ 44$ million of nonaccrual residential mortgages transferred to the HFS portfolio after recording charge-offs of $\$ 15$ million during the second quarter of 2002. HFS loans are carried at lower of cost or market and declines in value are recorded in Other Revenue.
(f) Estimated
J.P. MORGAN CHASE \& CO.

RECONCILIATION OF REPORTED TO OPERATING RESULTS (in millions, except per share data)

|  | SECOND QUARTER 2002 |  |  |  | SECOND QUARTER 2001 |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | REPORTED RESULTS <br> (a) | CREDIT CARD (b) | SPECIAL ITEMS <br> (c) | OPERATING BASIS | REPORTED RESULTS <br> (a) | CREDIT CARD (b) | SPECIAL ITEMS <br> (c) | AMORTIZATION OF GOODWILL <br> (d) | OPERATING BASIS |
| INCOME STATEMENT |  |  |  |  |  |  |  |  |  |
| Revenue | \$7,574 | \$334 | \$ - | \$7,908 | \$6,949 | \$273 | \$ - | \$ - | \$7,222 |
| Expense | 4,873 | - | - | 4,873 | 5,178 | - | - | - | 5,178 |
| Amortization of Intangibles | 92 | - | - | 92 | 183 | - | - | (147) | 36 |
| Operating Margin | 2,609 | 334 | - | 2,943 | 1,588 | 273 | - | 147 | 2,008 |
| Credit Costs | 821 | 334 | - | 1,155 | 525 | 273 | - | - | 798 |
| Income before Merger and Restructuring Costs | 1,788 | - | - | 1,788 | 1,063 | - | - | 147 | 1,210 |
| Merger and Restructuring Costs | 229 | - | (229) | - | 478 | - | (478) | - | - |
| Income before Tax Expense | 1,559 | - | 229 | 1,788 | 585 | - | 478 | 147 | 1,210 |
| Tax Expense | 531 | - | 78 | 609 | 207 | - | 166 | 51 | 424 |
| Net Income | \$1,028 | \$ - | \$ 151 | \$1,179 | \$ 378 | \$ - | \$ 312 | \$ 96 | \$ 786 |
| NET INCOME PER SHARE |  |  |  |  |  |  |  |  |  |
| Basic | \$ 0.51 |  |  | \$ 0.59 | \$ 0.18 |  |  |  | \$ 0.39 |
| Diluted | 0.50 |  |  | 0.58 | 0.18 |  |  |  | 0.38 |


(a) Represents condensed results as reported in JPMorgan Chase's financial statements.
(b) This column excludes the impact of credit card securitizations. For receivables that have been securitized, amounts that would have been reported as net interest income and as provision for loan losses are instead reported as components of noninterest revenue.
(c) Includes merger and restructuring costs and special items. The 2002 second quarter and year to date includes $\$ 229$ million and $\$ 484$ million, respectively, in merger and restructuring expenses. The 2001 second quarter and year to date includes $\$ 478$ million and $\$ 806$ million, respectively, in merger and restructuring expenses.
(d) Reported net income for 2002 reflects the adoption of SFAS 142 and, accordingly, the Firm ceased amortizing goodwill effective January 1, 2002. There was no impairment of goodwill upon adoption of SFAS 142. Previously reported operating earnings for 2001 have been adjusted by adding back amortization of goodwill to make 2001 results comparable to 2002.
(e) Includes the effect of the accounting change. Excluding the accounting change, basic and diluted net income per share were $\$ 0.79$ and $\$ 0.77$, respectively.

# JPMorganChase 

PRESS RELEASE FINANCIAL SUPPLEMENT

## J.P. MORGAN CHASE \& CO.

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J.P. MORGAN CHASE \& CO.

STATEMENT OF INCOME - REPORTED BASIS
(in millions, except per share and ratio data)


Note: Prior periods have been restated to conform with current methodologies.
(a) Basic and diluted earnings per share have been reduced by $\$ 0.01$ in the first six months of 2001 due to the impact of the adoption of SFAS 133 relating to the accounting for derivative instruments and hedging activities.
(b) Represents actual period end amount for each respective quarter.

|  | $\begin{gathered} \text { 2QTR } \\ 2002 \end{gathered}$ | $\begin{aligned} & \text { 1QTR } \\ & 2002 \end{aligned}$ | $\begin{aligned} & \text { 4QTR } \\ & 2001 \end{aligned}$ | $\begin{gathered} \text { 3QTR } \\ 2001 \end{gathered}$ | $\begin{gathered} \text { 2QTR } \\ 2001 \end{gathered}$ | 2QTR 2002 <br> Over (Under) |  | YEAR TO DATE |  | $\begin{gathered} \text { YTD } 2002 \\ \text { Over (Under) } \\ 2001 \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  | 1Q 2002 | 2Q 2001 | 2002 | 2001 |  |
| OPERATING REVENUE |  |  |  |  |  |  |  |  |  |  |
| Investment Bank | \$3,093 | \$3,608 | \$3,080 | \$3,542 | \$3,711 | (14)\% | (17)\% | \$ 6,701 | \$ 8,034 | (17)\% |
| Treasury \& Securities Services | 985 | 934 | 937 | 973 | 962 | 5 | 2 | 1,919 | 1,915 | - |
| Investment Management \& Private Banking | 691 | 729 | 719 | 726 | 789 | (5) | (12) | 1,420 | 1,592 | (11) |
| Retail \& Middle Market Financial Services | 3,504 | 3,154 | 2,953 | 2,877 | 2,769 | 11 | 27 | 6,658 | 5,448 | 22 |
| Corporate (a) | (186) | (203) | (321) | (250) | (123) | 8 | (51) | (389) | (402) | 3 |
| OPERATING REVENUE EXCLUDING JPMP | 8,087 | 8,222 | 7,368 | 7,868 | 8,108 | (2) | - | 16,309 | 16,587 | (2) |
| JPMorgan Partners | (179) | (303) | (452) | (177) | (886) | 41 | 80 | (482) | (799) | 40 |
| OPERATING REVENUE (b) | \$7,908 | \$7,919 | \$6,916 | \$7,691 | \$7,222 | - | 9 | \$15,827 | \$15,788 | - |
| EARNINGS |  |  |  |  |  |  |  |  |  |  |
| Investment Bank | \$ 485 | \$ 750 | \$ 372 | \$ 706 | \$ 785 | (35) | (38) | \$ 1,235 | \$ 1,812 | (32) |
| Treasury \& Securities Services | 177 | 145 | 157 | 172 | 152 | 22 | 16 | 322 | 314 | 3 |
| Investment Management \& Private Banking | 118 | 125 | 95 | 118 | 116 | (6) | 2 | 243 | 217 | 12 |
| Retail \& Middle Market Financial Services | 686 | 533 | 335 | 427 | 428 | 29 | 60 | 1,219 | 854 | 43 |
| Corporate (a) | (122) | (155) | (258) | (136) | (85) | 21 | (44) | (277) | (270) | (3) |
| OPERATING EARNINGS EXCLUDING JPMP | 1,344 | 1,398 | 701 | 1,287 | 1,396 | (4) | (4) | 2,742 | 2,927 | (6) |
| JPMorgan Partners | (165) | (248) | (345) | (154) | (610) | 33 | 73 | (413) | (614) | 33 |
| OPERATING EARNINGS (b) | 1,179 | 1,150 | 356 | 1,133 | 786 | 3 | 50 | 2,329 | 2,313 | 1 |
| Special Items \& Net Effect of Change in Acctng Principle | (151) | (168) | (579) | (587) | (312) | 10 | 52 | (319) | (549) | 42 |
| Amortization of Goodwill, Net of Taxes | - | - | (109) | (97) | (96) | NM | NM | - | (187) | NM |
| NET INCOME (LOSS) (b) | \$1,028 | \$ 982 | \$ (332) | \$ 449 | \$ 378 | 5 | 172 | \$ 2,010 | \$ 1,577 | 27 |
| EARNINGS PER SHARE - DILUTED |  |  |  |  |  |  |  |  |  |  |
| OPERATING EARNINGS EXCLUDING JPMP | \$ 0.66 | \$ 0.69 | \$ 0.34 | \$ 0.63 | \$ 0.68 | (4) | (3) | \$ 1.35 | \$ 1.42 | (5) |
| Impact of JPMP | (0.08) | (0.12) | (0.17) | (0.08) | (0.30) | 33 | 73 | (0.20) | (0.30) | 33 |
| OPERATING EARNINGS (b) | 0.58 | 0.57 | 0.17 | 0.55 | 0.38 | 2 | 53 | 1.15 | 1.12 | 3 |
| Special Items \& Net Effect of Change in Acctng Principle | (0.08) | (0.09) | (0.29) | (0.29) | (0.15) | 11 | 47 | (0.16) | (0.27) | 41 |
| Amortization of Goodwill, Net of Taxes | - | - | (0.05) | (0.04) | (0.05) | NM | NM | - | (0.09) | NM |
| NET INCOME (LOSS) (b) | \$ 0.50 | \$ 0.48 | \$ (0.18)(c) | \$ 0.22 | \$ 0.18 | 4 | 178 | \$ 0.99 | \$ 0.76 | 30 |
| OPERATING RETURN ON COMMON EQUITY |  |  |  |  |  |  |  |  |  |  |
| Investment Bank | 10.4\% | 15.9\% | 7.7\% | 15.2\% | 16.7\% | (550)bp | (630)bp | 13.2\% | 18.7\% | (550)bp |
| Treasury \& Securities Services | 22.9 | 19.8 | 21.5 | 23.3 | 19.8 | 310 | 310 | 21.4 | 21.2 | 20 |
| Investment Management \& Private Banking | 7.8 | 8.4 | 6.1 | 7.6 | 7.3 | (60) | 50 | 8.1 | 6.7 | 140 |
| Retail \& Middle Market Financial Services | 26.0 | 20.9 | 13.7 | 17.8 | 18.5 | 510 | 750 | 23.5 | 18.9 | 460 |
| OPERATING RETURN ON COMMON EQUITY <br> (b) | 11.4 | 11.4 | 3.3 | 10.7 | 7.4 | - | 400 | 11.4 | 11.0 | 40 |

(a) Includes Support Units and the effects remaining at the corporate level after the implementation of management accounting policies.
(b) Represents consolidated JPMorgan Chase.
(c) Diluted EPS is reported as $\$(0.18)$ which is the same as basic EPS, instead of $\$(0.17)$, since using diluted average shares outstanding would cause antidilution. As a result, the net loss earnings per share does not foot by $\$(0.01)$.
J.P. MORGAN CHASE \& CO.

STATEMENT OF INCOME — OPERATING BASIS EXCLUDING JPMORGAN PARTNERS
SJPMorganChase (in millions, except per share and ratio data)

|  | $\begin{gathered} \text { 2QTR } \\ 2002 \end{gathered}$ | $\begin{gathered} \text { 1QTR } \\ 2002 \end{gathered}$ | $\begin{gathered} \text { 4QTR } \\ 2001 \end{gathered}$ | $\begin{gathered} \text { 3QTR } \\ 2001 \end{gathered}$ | $\begin{gathered} \text { 2QTR } \\ 2001 \end{gathered}$ | $\begin{aligned} & \text { 2QTR } 2002 \\ & \text { Over (Under) } \end{aligned}$ |  | YEAR TO DATE |  |  |  | $\begin{gathered} \text { YTD } 2002 \\ \text { Over (Under) } \\ 2001 \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  | 1Q 2002 | 2Q 2001 |  | 2002 |  | 2001 |  |
| OPERATING REVENUE |  |  |  |  |  |  |  |  |  |  |  |  |
| Investment Banking Fees | \$ 785 | \$ 755 | \$ 932 | \$ 812 | \$ 928 | 4\% | (15)\% | \$ | 1,540 |  | 1,870 | (18)\% |
| Trading-Related Revenue (Including Trading NII) | 1,123 | 1,710 | 896 | 1,608 | 1,587 | (34) | (29) |  | 2,833 |  | 3,735 | (24) |
| Fees and Commissions | 2,725 | 2,466 | 2,297 | 2,289 | 2,403 | 11 | 13 |  | 5,191 |  | 4,472 | 16 |
| Private Equity - Realized Gains (Losses) | 1 | 3 | (26) | - | 10 | (67) | (90) |  | 4 |  | 2 | 100 |
| Private Equity - Unrealized Gains (Losses) | (1) | 14 | - | (5) | (16) | NM | 94 |  | 13 |  | (20) | NM |
| Securities Gains | 124 | 114 | 202 | 142 | 67 | 9 | 85 |  | 238 |  | 522 | (54) |
| Other Revenue | 277 | 134 | 158 | 206 | 284 | 107 | (2) |  | 411 |  | 533 | (23) |
| Net Interest Income (Excluding Trading NII) | 3,053 | 3,026 | 2,909 | 2,816 | 2,845 | 1 | 7 |  | 6,079 |  | 5,473 | 11 |
| TOTAL OPERATING REVENUE | 8,087 | 8,222 | 7,368 | 7,868 | 8,108 | (2) | - |  | 16,309 |  | 16,587 | (2) |
| OPERATING EXPENSE |  |  |  |  |  |  |  |  |  |  |  |  |
| Compensation Expense | 2,723 | 2,782 | 2,583 | 2,826 | 2,993 | (2) | (9) |  | 5,505 |  | 6,286 | (12) |
| Noncompensation Expense | 2,158 | 2,232 | 2,085 | 2,092 | 2,150 | (3) | - |  | 4,390 |  | 4,288 | 2 |
| TOTAL OPERATING EXPENSE | 4,881 | 5,014 | 4,668 | 4,918 | 5,143 | (3) | (5) |  | 9,895 |  | 10,574 | (6) |
| Credit Costs | 1,155 | 1,074 | 1,732 | 1,015 | 798 | 8 | 45 |  | 2,229 |  | 1,486 | 50 |
| Operating Income before Taxes | 2,051 | 2,134 | 968 | 1,935 | 2,167 | (4) | (5) |  | 4,185 |  | 4,527 | (8) |
| Income Taxes | 707 | 736 | 267 | 648 | 771 | (4) | (8) |  | 1,443 |  | 1,600 | (10) |
| OPERATING EARNINGS | \$1,344 | \$1,398 | \$ 701 | \$1,287 | \$1,396 | (4) | (4) |  | 2,742 |  | 2,927 | (6) |
| OPERATING BASIS |  |  |  |  |  |  |  |  |  |  |  |  |
| Diluted Earnings per Share | \$ 0.66 | \$ 0.69 | \$ 0.34 | \$ 0.63 | \$ 0.68 | (4) | (3) |  | 1.35 |  | 1.42 | (5) |
| Return on Common Equity | 15.1\% | 16.2\% | 7.7\% | 14.3\% | 15.8\% | (110) bp | (70)bp |  | 15.6\% |  | 16.8\% | (120) bp |
| Overhead Ratio | 60 | 61 | 63 | 63 | 63 | (100) | (300) |  | 61 |  | 64 | (300) |
| Compensation Expense as a \% of Operating Revenue | 34 | 34 | 35 | 36 | 37 | - | (300) |  | 34 |  | 38 | (400) |
| Noncompensation Expense as a \% of Operating Revenue | 27 | 27 | 28 | 27 | 27 | - | - |  | 27 |  | 26 | 100 |

J.P. MORGAN CHASE \& CO.

STATEMENT OF INCOME - OPERATING BASIS (in millions, except per share and ratio data)

|  | $\begin{gathered} \text { 2QTR } \\ 2002 \end{gathered}$ | $\begin{gathered} \text { 1QTR } \\ 2002 \end{gathered}$ | $\begin{gathered} \text { 4QTR } \\ 2001 \end{gathered}$ | $\begin{gathered} \text { 3QTR } \\ 2001 \end{gathered}$ | $\begin{gathered} \text { 2QTR } \\ 2001 \end{gathered}$ | 2QTR 2002 <br> Over (Under) |  | YEAR TO DATE |  |  | YTD 2002Over (Under)2001 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  | 1Q 2002 | 2Q 2001 |  | 2002 | 2001 |  |
| OPERATING REVENUE |  |  |  |  |  |  |  |  |  |  |  |
| Investment Banking Fees | \$ 785 | \$ 755 | \$ 931 | \$ 811 | \$ 929 | 4\% | (16)\% | \$ | 1,540 | \$ 1,870 | (18)\% |
| Trading-Related Revenue (Including Trading NII) | 1,136 | 1,720 | 904 | 1,614 | 1,594 | (34) | (29) |  | 2,856 | 3,761 | (24) |
| Fees and Commissions | 2,745 | 2,493 | 2,340 | 2,297 | 2,422 | 10 | 13 |  | 5,238 | 4,504 | 16 |
| Private Equity - Realized Gains (Losses) | (10) | (10) | 81 | 204 | (46) | - | 78 |  | (20) | 366 | NM |
| Private Equity - Unrealized Gains (Losses) | (115) | (228) | (505) | (311) | (783) | 50 | 85 |  | (343) | $(1,068)$ | 68 |
| Securities Gains | 124 | 114 | 202 | 142 | 67 | 9 | 85 |  | 238 | 522 | (54) |
| Other Revenue | 273 | 137 | 138 | 209 | 280 | 99 | (3) |  | 410 | 537 | (24) |
| Net Interest Income (Excluding Trading NII) | 2,970 | 2,938 | 2,825 | 2,725 | 2,759 | 1 | 8 |  | 5,908 | 5,296 | 12 |
| TOTAL OPERATING REVENUE | 7,908 | 7,919 | 6,916 | 7,691 | 7,222 | - | 9 |  | 15,827 | 15,788 | - |
| OPERATING EXPENSE |  |  |  |  |  |  |  |  |  |  |  |
| Compensation Expense | 2,761 | 2,823 | 2,622 | 2,860 | 3,026 | (2) | (9) |  | 5,584 | 6,362 | (12) |
| Noncompensation Expense | 2,204 | 2,280 | 2,138 | 2,125 | 2,188 | (3) | 1 |  | 4,484 | 4,381 | 2 |
| TOTAL OPERATING EXPENSE | 4,965 | 5,103 | 4,760 | 4,985 | 5,214 | (3) | (5) |  | 10,068 | 10,743 | (6) |
| Credit Costs | 1,155 | 1,074 | 1,732 | 1,015 | 798 | 8 | 45 |  | 2,229 | 1,486 | 50 |
| Operating Income before Taxes | 1,788 | 1,742 | 424 | 1,691 | 1,210 | 3 | 48 |  | 3,530 | 3,559 | (1) |
| Income Taxes | 609 | 592 | 68 | 558 | 424 | 3 | 44 |  | 1,201 | 1,246 | (4) |
| OPERATING EARNINGS | \$1,179 | \$1,150 | \$ 356 | \$1,133 | \$ 786 | 3 | 50 |  | 2,329 | \$ 2,313 | 1 |
| OPERATING BASIS |  |  |  |  |  |  |  |  |  |  |  |
| Diluted Earnings per Share | \$ 0.58 | \$ 0.57 | \$ 0.17 | \$ 0.55 | \$ 0.38 | 2 | 53 | \$ | 1.15 | \$ 1.12 | 3 |
| SVA | (57) | (59) | (915) | (136) | (481) | 3 | 88 |  | (116) | (196) | 41 |
| Return on Managed Assets | 0.62\% | 0.63\% | 0.19\% | 0.59\% | 0.42\% | (1)bp | 20bp |  | 0.63\% | 0.62\% | 1bp |
| Return on Common Equity | 11.4 | 11.4 | 3.3 | 10.7 | 7.4 | (1) | 400 |  | 11.4 | 11.0 | 40 |
| Overhead Ratio | 63 | 64 | 69 | 65 | 72 | (100) | (900) |  | 64 | 68 | (400) |
| Common Dividend Payout Ratio | 59 | 60 | 199 | 61 | 89 | (100) | $(3,000)$ |  | 60 | 60 | - |
| Effective Tax Rate | 34 | 34 | 16 | 33 | 35 | - | (100) |  | 34 | 35 | (100) |
| Compensation Expense as a \% of Operating Revenue | 35 | 36 | 38 | 37 | 42 | (100) | (700) |  | 35 | 40 | (500) |
| Noncompensation Expense as a \% of Operating Revenue | 28 | 29 | 31 | 28 | 30 | (100) | (200) |  | 28 | 28 | - |

[^1]J.P. MORGAN CHASE \& CO.

RECONCILIATION FROM REPORTED TO OPERATING BASIS (in millions)

(a) Included in Fees and Commissions.

## SEGMENT DETAIL

J.P. MORGAN CHASE \& CO.

INVESTMENT BANK
FINANCIAL HIGHLIGHTS
(in millions, except ratios)

|  | $\begin{aligned} & \text { 2QTR } \\ & 2002 \end{aligned}$ |  | $\begin{gathered} \text { 1QTR } \\ 2002 \end{gathered}$ |  | $\begin{gathered} \text { 4QTR } \\ 2001 \end{gathered}$ |  | $\begin{gathered} \text { 3QTR } \\ 2001 \end{gathered}$ |  | $\begin{gathered} \text { 2QTR } \\ 2001 \end{gathered}$ |  | 2QTR 2002 <br> Over (Under) |  | YEAR TO DATE |  |  |  | YTD 2002Over (Under)2001 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | 1Q 2002 | 2Q 2001 |  |  |  | 2002 |  |  |  | 2001 |  |
| OPERATING INCOME STATEMENT |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| REVENUE: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Trading Revenue (Including Trading NII) | \$ | 1,105 |  |  | \$ | 1,694 |  |  | \$ | 1,020 | \$ | 1,500 | \$ | 1,551 | (35)\% | (29)\% | \$ | 2,799 | \$ | 3,646 | (23)\% |
| Investment Banking Fees |  | 783 |  | 741 |  | 933 |  | 806 |  | 920 | 6 | (15) |  | 1,524 |  | 1,859 | (18) |
| Net Interest Income |  | 638 |  | 715 |  | 786 |  | 758 |  | 707 | (11) | (10) |  | 1,353 |  | 1,389 | (3) |
| Fees and Commissions |  | 419 |  | 380 |  | 363 |  | 349 |  | 357 | 10 | 17 |  | 799 |  | 778 | 3 |
| All Other Revenue |  | 148 |  | 78 |  | (22) |  | 129 |  | 176 | 90 | (16) |  | 226 |  | 362 | (38) |
| TOTAL OPERATING REVENUE |  | 3,093 |  | 3,608 |  | 3,080 |  | 3,542 |  | 3,711 | (14) | (17) |  | 6,701 |  | 8,034 | (17) |
| EXPENSE: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Compensation Expense |  | 1,157 |  | 1,181 |  | 1,136 |  | 1,256 |  | 1,349 | (2) | (14) |  | 2,338 |  | 2,952 | (21) |
| Noncompensation Expense |  | 859 |  | 929 |  | 741 |  | 891 |  | 925 | (8) | (7) |  | 1,788 |  | 1,884 | (5) |
| TOTAL OPERATING |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Operating Margin |  | 1,077 |  | 1,498 |  | 1,203 |  | 1,395 |  | 1,437 | (28) | (25) |  | 2,575 |  | 3,198 | (19) |
| Credit Costs |  | 306 |  | 282 |  | 617 |  | 268 |  | 167 | 9 | 83 |  | 588 |  | 262 | 124 |
| Operating Income Before Taxes |  | 771 |  | 1,216 |  | 586 |  | 1,127 |  | 1,270 | (37) | (39) |  | 1,987 |  | 2,936 | (32) |
| Income Taxes |  | 286 |  | 466 |  | 214 |  | 421 |  | 485 | (39) | (41) |  | 752 |  | 1,124 | (33) |
| OPERATING EARNINGS | \$ | 485 | \$ | 750 | \$ | 372 | \$ | 706 | \$ | 785 | (35) | (38) | \$ | 1,235 | \$ | 1,812 | (32) |
| Average Common Equity | \$ | 18,564 | \$ | 19,018 | \$ | 18,812 | \$ | 18,309 | \$ | 18,711 | (2) | (1) | \$ | 18,790 | \$ | 19,355 | (3) |
| Average Assets |  | 503,526 |  | 467,117 |  | 510,573 |  | 513,143 |  | 506,204 | 8 | (1) |  | 485,422 |  | 508,469 | (5) |
| SVA |  | (75) |  | 182 |  | (202) |  | 147 |  | 217 | NM | NM |  | 107 |  | 643 | (83) |
| Return on Common Equity |  | 10.4\% |  | 15.9\% |  | 7.7\% |  | 15.2\% |  | 16.7\% | (550)bp | (630)bp |  | 13.2\% |  | 18.7\% | (550)bp |
| Overhead Ratio |  | 65 |  | 58 |  | 61 |  | 61 |  | 61 | 700 | 400 |  | 62 |  | 60 | 200 |
| Compensation Expense as a \% of Operating Revenue |  | 37 |  | 33 |  | 37 |  | 35 |  | 36 | 400 | 100 |  | 35 |  | 37 | (200) |
| TRADING-RELATED REVENUE AND COMMISSIONS (a) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Equities | \$ | 355 | \$ | 419 | \$ | 290 | \$ | 425 | \$ | 645 | (15)\% | (45)\% | \$ | 774 | \$ | 1,390 | (44)\% |
| Fixed Income and Other |  | 1,051 |  | 1,538 |  | 995 |  | 1,308 |  | 1,177 | (32) | (11) |  | 2,589 |  | 2,834 | (9) |
| Total | \$ | 1,406 | \$ | 1,957 | \$ | 1,285 | \$ | 1,733 | \$ | 1,822 | (28) | (23) | \$ | 3,363 | \$ | 4,224 | (20) |
| INVESTMENT BANKING FEES |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Advisory | \$ | 192 | \$ | 191 | \$ | 268 | \$ | 330 | \$ | 303 | 1 | (37) | \$ | 383 | \$ | 647 | (41)\% |
| Underwriting and Other Fees |  | 591 |  | 550 |  | 665 |  | 476 |  | 617 | 7 | (4) |  | 1,141 |  | 1,212 | (6) |
| Total | \$ | 783 | \$ | 741 | \$ | 933 | \$ | 806 | \$ | 920 | 6 | (15) | \$ | 1,524 | \$ | 1,859 | (18) |
| MARKET SHARE/ RANKINGS: (b) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Global Syndicated Loans |  | 28.8\%/\#1 |  | 21.9\%/\#1 |  | 24.5\%/\#1 |  | 21.8\%/\#1 |  | 30.9\%/\#1 |  |  |  | 25.9\%/\#1 |  | 29.2\%/\#1 |  |
| U.S. Investment Grade Bonds |  | 17.7\%/\#2 |  | 15.9\%/\#2 |  | 13.2\%/\#2 |  | 14.7\%/\#2 |  | 13.5\%/\#2 |  |  |  | 16.7\%/\#2 |  | 14.5\%/\#2 |  |
| Euro-Denominated Corporate International Bonds |  | 5.4\%/\#7 |  | 5.8\%/\#4 |  | 6.1\%/\#7 |  | 9.5\%/\#1 |  | 8.3\%/\#2 |  |  |  | 5.6\%/\#5 |  | 6.8\%/\#2 |  |
| Global Equity and Equity- |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| U.S. Equity and Equity-Related |  | 8.4\%/\#6 |  | 4.5\%/\#7 |  | 7.8\%/\#5 |  | 5.5\%/\#7 |  | 1.8\%/\#8 |  |  |  | 6.2\%/\#6 |  | 1.5\%/\#9 |  |
| Global Announced M\&A |  | 19.5\%/\#1 |  | 11.6\%/\#8 |  | 26.2\%/\#4 |  | 30.9\%/\#5 |  | 12.2\%/\#8 |  |  |  | 16.0\%/\#5 |  | 15.6\%/\#6 |  |

Note: Prior periods have been restated to conform with current methodologies.
(a) Includes Trading Revenue (including trading NII), and brokerage commissions which are primarily reported within Fees and Commissions.
(b) Derived from Thomson Financial Securities Data. Global announced M\&A based on rank value; all others based on proceeds, with full credit to each book manager/equal if joint.

FINANCIAL HIGHLIGHTS
(in millions, except ratios)

|  | $\begin{gathered} \text { 2QTR } \\ 2002 \end{gathered}$ |  | $\begin{gathered} \text { 1QTR } \\ 2002 \end{gathered}$ |  | $\begin{gathered} \text { 4QTR } \\ 2001 \end{gathered}$ |  | $\begin{gathered} \text { 3QTR } \\ 2001 \end{gathered}$ |  | $\begin{gathered} \text { 2QTR } \\ 2001 \end{gathered}$ |  | 2QTR 2002 <br> Over (Under) |  | YEAR TO DATE |  |  |  | $\begin{gathered} \text { YTD } 2002 \\ \text { Over (Under) } \\ 2001 \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | 1Q 2002 | 2Q 2001 |  |  |  | 2002 |  |  |  | 2001 |  |
| OPERATING INCOME STATEMENT |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| REVENUE: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Fees and Commissions | \$ | 609 |  |  | \$ | \$ 587 |  |  | \$ | \$ 565 | \$ | 556 | \$ | 568 | 4\% | 7\% | \$ | \$ 1,196 | \$ | \$ 1,116 | 7\% |
| Net Interest Income |  | 323 |  | 313 |  | 327 |  | 354 |  | 337 | 3 | (4) |  | 636 |  | 693 | (8) |
| All Other Revenue |  | 53 |  | 34 |  | 45 |  | 63 |  | 57 | 56 | (7) |  | 87 |  | 106 | (18) |
| TOTAL OPERATING REVENUE |  | 985 |  | 934 |  | 937 |  | 973 |  | 962 | 5 | 2 |  | 1,919 |  | 1,915 | - |
| EXPENSE: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Compensation Expense |  | 301 |  | 304 |  | 275 |  | 288 |  | 289 | (1) | 4 |  | 605 |  | 588 | 3 |
| Noncompensation Expense |  | 411 |  | 405 |  | 419 |  | 419 |  | 438 | 1 | (6) |  | 816 |  | 840 | (3) |
| TOTAL OPERATING EXPENSE |  | 712 |  | 709 |  | 694 |  | 707 |  | 727 | - | (2) |  | 1,421 |  | 1,428 | - |
| Operating Margin |  | 273 |  | 225 |  | 243 |  | 266 |  | 235 | 21 | 16 |  | 498 |  | 487 | 2 |
| Credit Costs |  | (1) |  | 1 |  | 4 |  | 1 |  | 2 | NM | NM |  | - |  | 2 | NM |
| Operating Income Before Taxes |  | 274 |  | 224 |  | 239 |  | 265 |  | 233 | 22 | 18 |  | 498 |  | 485 | 3 |
| Income Taxes |  | 97 |  | 79 |  | 82 |  | 93 |  | 81 | 23 | 20 |  | 176 |  | 171 | 3 |
| OPERATING EARNINGS | \$ | 177 |  | \$ 145 |  | \$ 157 |  | - 172 |  | - 152 | 22 | 16 |  | \$ 322 |  | - 314 | 3 |
| Average Common Equity |  | 3,081 |  | \$ 2,960 |  | \$ 2,877 |  | 2,910 |  | 3,054 | 4 | 1 |  | \$ 3,021 |  | 2,969 | 2 |
| Average Assets |  | 18,321 |  | 16,373 |  | 17,823 |  | 18,378 |  | 18,558 | 12 | (1) |  | 17,352 |  | 17,831 | (3) |
| SVA |  | 84 |  | 56 |  | 69 |  | 83 |  | 60 | 50 | 40 |  | 140 |  | 135 | 4 |
| Return on Common Equity |  | 22.9\% |  | 19.8\% |  | 21.5\% |  | 23.3\% |  | 19.8\% | 310bp | 310bp |  | 21.4\% |  | 21.2\% | 20bp |
| Overhead Ratio |  | 72 |  | 76 |  | 74 |  | 73 |  | 76 | (400) | (400) |  | 74 |  | 75 | (100) |
| OPERATING REVENUE BY BUSINESS: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Treasury Services | \$ | 331 |  | \$ 334 |  | \$ 350 | \$ | 345 | \$ | - 333 | (1)\% | (1)\% |  | \$ 665 |  | \$ 655 | 2\% |
| Investor Services |  | 428 |  | 392 |  | 392 |  | 434 |  | 427 | 9 | - |  | 820 |  | 862 | (5) |
| Institutional Trust Services |  | 221 |  | 203 |  | 190 |  | 189 |  | 197 | 9 | 12 |  | 424 |  | 388 | 9 |
| Other |  | 5 |  | 5 |  | 5 |  | 5 |  | 5 | - | - |  | 10 |  | 10 | - |
| Total Treasury \& Securities Services | \$ | 985 | \$ | \$ 934 |  | \$ 937 | \$ | - 973 |  | - 962 | 5 | 2 |  | \$ 1,919 |  | \$ 1,915 | - |

Note: Prior periods have been restated to conform with current methodologies.

## FINANCIAL HIGHLIGHTS

(in millions, except ratios)

|  | $\begin{gathered} \text { 2QTR } \\ 2002 \end{gathered}$ |  | $\begin{gathered} \text { 1QTR } \\ 2002 \end{gathered}$ |  | $\begin{gathered} \text { 4QTR } \\ 2001 \end{gathered}$ |  | $\begin{gathered} \text { 3QTR } \\ 2001 \end{gathered}$ |  | $\begin{gathered} \text { 2QTR } \\ 2001 \end{gathered}$ |  | $\begin{aligned} & \text { 2QTR } 2002 \\ & \text { Over (Under) } \end{aligned}$ |  | YEAR TO DATE |  |  |  | $\begin{gathered} \text { YTD } 2002 \\ \text { Over (Under) } \\ 2001 \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | 1Q 2002 | 2Q 2001 |  |  |  | 2002 |  |  |  | 2001 |  |
| OPERATING INCOME STATEMENT |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| REVENUE: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Fees and Commissions | \$ | 532 |  |  | \$ | 561 |  |  | \$ | 552 | \$ | 554 | \$ | 586 | (5)\% | (9)\% | \$ | 1,093 | \$ | 1,176 | (7)\% |
| Net Interest Income |  | 106 |  | 105 |  | 131 |  | 122 |  | 132 | 1 | (20) |  | 211 |  | 266 | (21) |
| All Other Revenue |  | 53 |  | 63 |  | 36 |  | 50 |  | 71 | (16) | (25) |  | 116 |  | 150 | (23) |
| TOTAL OPERATING REVENUE |  | 691 |  | 729 |  | 719 |  | 726 |  | 789 | (5) | (12) |  | 1,420 |  | 1,592 | (11) |
| EXPENSE: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Compensation Expense |  | 239 |  | 271 |  | 279 |  | 292 |  | 328 | (12) | (27) |  | 510 |  | 695 | (27) |
| Noncompensation Expense |  | 281 |  | 275 |  | 296 |  | 279 |  | 310 | 2 | (9) |  | 556 |  | 621 | (10) |
| TOTAL OPERATING EXPENSE |  | 520 |  | 546 |  | 575 |  | 571 |  | 638 | (5) | (18) |  | 1,066 |  | 1,316 | (19) |
| Operating Margin |  | 171 |  | 183 |  | 144 |  | 155 |  | 151 | (7) | 13 |  | 354 |  | 276 | 28 |
| Credit Costs |  | 23 |  | 23 |  | 30 |  | 3 |  | 2 | - | NM |  | 46 |  | 2 | NM |
| Operating Income Before Taxes |  | 148 |  | 160 |  | 114 |  | 152 |  | 149 | (8) | (1) |  | 308 |  | 274 | 12 |
| Income Taxes |  | 30 |  | 35 |  | 19 |  | 34 |  | 33 | (14) | (9) |  | 65 |  | 57 | 14 |
| OPERATING EARNINGS | \$ | 118 |  | 125 | \$ | 95 |  | 118 |  | 116 | (6) | 2 |  | 243 |  | 217 | 12 |
| Average Common Equity |  | 6,012 |  | 5,975 |  | 6,013 |  | 6,070 |  | 6,227 | 1 | (3) |  | 5,993 |  | 6,333 | (5) |
| Average Assets |  | 32,989 |  | 34,690 |  | 33,602 |  | 33,951 |  | 33,329 | (5) | (1) |  | 33,835 |  | 34,038 | (1) |
| SVA |  | (64) |  | (53) |  | (89) |  | (67) |  | (73) | (21) | 12 |  | (117) |  | (165) | 29 |
| Return on Common Equity |  | 7.8\% |  | 8.4\% |  | 6.1\% |  | 7.6\% |  | 7.3\% | (60)bp | 50bp |  | 8.1\% |  | 6.7\% | $140 \mathrm{bp}$ |
| Overhead Ratio |  | 75 |  | 75 |  | 80 |  | 79 |  | 81 |  | (600) |  | 75 |  | 83 | (800) |
| (in billions) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| ASSETS UNDER MANAGEMENT (a)(b) | \$ | 541(c) | \$ | 581 | \$ | 602 | \$ | 582 | \$ | 609 | (7)\% | (11)\% |  |  |  |  |  |
| Private Banking |  | 132(c) |  | 139 |  | 138 |  | 135 |  | 142 | (5) | (7) |  |  |  |  |  |
| Institutional |  | 341(c) |  | 373 |  | 404 |  | 390 |  | 406 | (9) | (16) |  |  |  |  |  |
| Retail |  | 68(c) |  | 69 |  | 60 |  | 57 |  | 61 | (1) | 11 |  |  |  |  |  |
| ASSETS UNDER MANAGEMENT | \$ | 541(c) | \$ | 581 | \$ | 602 | \$ | 582 | \$ | 609 | (7) | (11) |  |  |  |  |  |
| Americas |  | 375(c) |  | 417 |  | 438 |  | 421 |  | 431 | (10) | (13) |  |  |  |  |  |
| Europe and Asia |  | 166(c) |  | 164 |  | 164 |  | 161 |  | 178 | 1 | (7) |  |  |  |  |  |
| ASSETS UNDER MANAGEMENT | \$ | 541(c) | \$ | 581 | \$ | 602 | \$ | 582 | \$ | 609 | (7) | (11) |  |  |  |  |  |
| Fixed Income and Cash |  | 293(c) |  | 312 |  | 328 |  | 313 |  | 312 | (6) | (6) |  |  |  |  |  |
| Equities and Other |  | 248(c) |  | 269 |  | 274 |  | 269 |  | 297 | (8) | (16) |  |  |  |  |  |
| CLIENT POSITIONS (b)(d) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Private Banking | \$ | 277(c) | \$ | 276 | \$ | 299 | \$ | 300 | \$ | 314 | - | (12) |  |  |  |  |  |

Note: Prior periods have been restated to conform with current methodologies.
(a) Assets under management represent assets actively managed by Investment Management \& Private Banking on behalf of institutional and Private Banking clients. Excludes assets managed at American Century Companies Inc.
(b) Assets under management and client positions restated for transfer of certain clients to RMMFS.
(c) Estimated
(d) Client Positions represent assets under management as well as custody, restricted stock, deposit, brokerage and loan accounts.
J.P. MORGAN CHASE \& CO.

JPMORGAN PARTNERS

FINANCIAL HIGHLIGHTS
(in millions, except ratios)


Note: Prior periods have been restated to conform with current methodologies.
J.P. MORGAN CHASE \& CO.

JPMORGAN PARTNERS
INVESTMENT PORTFOLIO - PRIVATE AND PUBLIC SECURITIES
(in millions, except ratios)


Public Securities Investments at June 30, 2002
(dollars and shares in millions)

|  | Symbol | Shares | Quoted <br> Public <br> Value | Cost |
| :---: | :---: | :---: | :---: | :---: |
| JetBlue Airways Corporation | JBLU | 3.4 | \$ 157 | \$ 20 |
| Encore Acquisition Company | EAC | 4.9 | 85 | 34 |
| Guitar Center Inc. | GTRC | 3.6 | 67 | 39 |
| Fisher Scientific International, Inc. | FSH | 2.4 | 66 | 21 |
| Triton PCS Holdings, Inc. | TPC | 16.0 | 62 | 70 |
| dj Orthopedics, Inc. | DJO | 5.9 | 48 | 54 |
| 1-800-FLOWERS.COM, Inc. | FLWS | 3.9 | 44 | 14 |
| United Auto Group, Inc. | UAG | 2.0 | 42 | 24 |
| AT\&T Wireless Services, Inc. (c) | AWE | 7.0 | 41 | 5 |
| Wild Oats Markets, Inc. | OATS | 2.3 | 38 | 19 |
| Top Ten Public Securities |  |  | \$ 650 | \$300 |
| Other Public Securities (123 companies) |  |  | 356 | 560 |
| Total Public Securities (133 companies) |  |  | \$1,006 | \$860 |

(a) Publicly traded positions only.
(b) Represents the number of companies and funds at June 30, 2002.
(c) Does not include 3.3 million shares held directly by the holding company, received upon a distribution from JPMP.
J.P. MORGAN CHASE \& CO.

RETAIL \& MIDDLE MARKET FINANCIAL SERVICES

FINANCIAL HIGHLIGHTS
(in millions, except ratios)

|  | $\begin{aligned} & \text { 2QTR } \\ & 2002 \end{aligned}$ |  | $\begin{aligned} & \text { 1QTR } \\ & 2002 \end{aligned}$ |  | $\begin{aligned} & \text { 4QTR } \\ & 2001 \end{aligned}$ |  | $\begin{gathered} \text { 3QTR } \\ 2001 \end{gathered}$ |  | $\begin{aligned} & \text { 2QTR } \\ & 2001 \end{aligned}$ |  | 2QTR 2002Over (Under) |  | YEAR TO DATE |  |  |  | $\begin{gathered} \text { YTD } \\ 2002 \\ \text { Over } \\ \text { (Under) } \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | 1Q 2002 | 2Q 2001 |  |  |  | 2002 |  |  |  | 2001 | 2001 |
| OPERATING INCOME STATEMENT |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| REVENUE: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net Interest Income | \$ | 2,141 |  |  | \$ | 2,049 |  |  | \$ | 1,859 | \$ | 1,823 | \$ | 1,761 | 4\% | 22\% | \$ | 4,190 | \$ | 3,439 | 22\% |
| Fees and Commissions |  | 1,169 |  | 931 |  | 809 |  | 820 |  | 879 | 26 | 33 |  | 2,100 |  | 1,384 | 52 |
| Securities Gains |  | 19 |  | (13) |  | 61 |  | 1 |  |  | NM | NM |  | 6 |  | 316 | (98) |
| All Other Revenue |  | 175 |  | 187 |  | 224 |  | 233 |  | 129 | (6) | 36 |  | 362 |  | 309 | 17 |
| TOTAL OPERATING REVENUE |  | 3,504 |  | 3,154 |  | 2,953 |  | 2,877 |  | 2,769 | 11 | 27 |  | 6,658 |  | 5,448 | 22 |
| EXPENSE: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Compensation Expense |  | 689 |  | 656 |  | 608 |  | 623 |  | 603 | 5 | 14 |  | 1,345 |  | 1,176 | 14 |
| Noncompensation Expense |  | 981 |  | 911 |  | 896 |  | 847 |  | 842 | 8 | 17 |  | 1,892 |  | 1,662 | 14 |
| TOTAL OPERATING EXPENSE |  | 1,670 |  | 1,567 |  | 1,504 |  | 1,470 |  | 1,445 | 7 | 16 |  | 3,237 |  | 2,838 | 14 |
| Operating Margin |  | 1,834 |  | 1,587 |  | 1,449 |  | 1,407 |  | 1,324 | 16 | 39 |  | 3,421 |  | 2,610 | 31 |
| Credit Costs |  | 736 |  | 726 |  | 925 |  | 722 |  | 629 | 1 | 17 |  | 1,462 |  | 1,226 | 19 |
| Operating Income Before |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Taxes |  | 1,098 |  | 861 |  | 524 |  | 685 |  | 695 | 28 | 58 |  | 1,959 |  | 1,384 | 42 |
| Income Taxes |  | 412 |  | 328 |  | 189 |  | 258 |  | 267 | 26 | 54 |  | 740 |  | 530 | 40 |
| OPERATING EARNINGS | \$ | 686 | \$ | 533 |  | 335 |  | 427 |  | 428 | 29 | 60 |  | 1,219 | \$ | 854 | 43 |
| Average Common Equity Average Managed Assets(a) SVA |  | 10,558 |  | 10,261 |  | 9,596 |  | 9,449 |  | 9,215 | 3 | 15 |  | 10,410 | \$ | 9,002 | 16 |
|  |  | 179,483 |  | 179,535 |  | 169,828 |  | 167,961 |  | 168,023 | - | 7 |  | 179,509 |  | 64,534 | 9 |
|  |  | 368 |  | 225 |  | 42 |  | 139 |  | 148 | 64 | 149 |  | 593 |  | 310 | 91 |
| SVA <br> Return on Common Equity Overhead Ratio |  | 26.0\% |  | 20.9\% |  | 13.7\% |  | 17.8\% |  | 18.5\% | 510bp | 750bp |  | 23.5\% |  | 18.9\% | 460 bp |
|  |  | 48 |  | 50 |  | 51 |  | 51 |  | 52 | (200) | (400) |  | 49 |  | 52 | (300) |


| RETAIL \& MIDDLE MARKET FINANCIAL SERVICES' BUSINESSES |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| CARDMEMBER SERVICES: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Operating Revenues | \$ | 1,492 | \$ | 1,359 | \$ | 1,261 | \$ | 1,149 | \$ | 1,072 | 10\% | 39\% | \$ | 2,851 | \$ | 2,072 | 38\% |
| Operating Earnings |  | 178 |  | 151 |  | 176 |  | 129 |  | 113 | 18 | 58 |  | 329 |  | 208 | 58 |
| HOME FINANCE: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Operating Revenues | \$ | 772 | \$ | 527 | \$ | 441 | \$ | 467 | \$ | 413 | 46 | 87 | \$ | 1,299 | \$ | 774 | 68 |
| Operating Earnings |  | 268 |  | 132 |  | 89 |  | 122 |  | 99 | 103 | 171 |  | 400 |  | 189 | 112 |
| REGIONAL BANKING GROUP: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Operating Revenues | \$ | 726 | \$ | 743 | \$ | 754 | \$ | 789 | \$ | 809 | (2) | (10) | \$ | 1,469 | \$ | 1,630 | (10) |
| Operating Earnings |  | 90 |  | 126 |  | 108 |  | 126 |  | 131 | (29) | (31) |  | 216 |  | 273 | (21) |
| MIDDLE MARKETS: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Operating Revenues | \$ | 329 | \$ | 335 | \$ | 313 | \$ | 322 | \$ | 321 | (2) | 2 | \$ | 664 | \$ | 650 | 2 |
| Operating Earnings |  | 94 |  | 84 |  | 66 |  | 76 |  | 62 | 12 | 52 |  | 178 |  | 131 | 36 |
| AUTO FINANCE: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Operating Revenues | \$ | 167 | \$ | 171 | \$ | 164 | \$ | 140 | \$ | 136 | (2) | 23 | \$ | 338 | \$ | 248 | 36 |
| Operating Earnings |  | 82 |  | 33 |  | 36 |  | 33 |  | 36 | 148 | 128 |  | 115 |  | 58 | 98 |

Note: Prior periods have been restated to conform with current methodologies.
(a) Excludes the impact of credit card securitizations.

## J.P. MORGAN CHASE \& CO.

RETAIL \& MIDDLE MARKET FINANCIAL SERVICES

## BUSINESS-RELATED METRICS

|  | $\begin{gathered} \text { 2QTR } \\ 2002 \end{gathered}$ |  | $\begin{gathered} \text { 1QTR } \\ 2002 \end{gathered}$ |  | $\begin{gathered} \text { 4QTR } \\ 2001 \end{gathered}$ |  | $\begin{gathered} \text { 3QTR } \\ 2001 \end{gathered}$ |  | $\begin{gathered} \text { 2QTR } \\ 2001 \end{gathered}$ |  | 2QTR 2002 Over (Under) |  | YEAR TO DATE |  |  |  | YTD <br> 2002 <br> Over <br> (Under) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | 1Q 2002 | 2Q 2001 |  |  |  | 2002 |  |  |  | 2001 | 2001 |
| Cardmember Services - Managed Basis |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| End-of-Period Outstandings (in billions) |  | \$ 49.5 |  |  |  | 48.9 |  |  |  | 41.6 |  | 38.9 |  | 38.3 | 1\% | 29\% | \$ | 49.5 | \$ | 38.3 | 29\% |
| Total Purchases \& Cash Advances (a) (in billions) |  | 20.9 |  | 18.9 |  | 20.3 |  | 17.9 |  | 17.8 | 11 | 17 |  | 39.8 |  | 34.0 | 17 |
| Total Accounts (in millions) |  | 28.1 |  | 27.7 |  | 23.9 |  | 23.4 |  | 22.4 | 1 | 25 |  | 28.1 |  | 22.4 | 25 |
| Net Charge-Off Ratio |  | 6.41\% |  | 5.82\% |  | 5.56\% |  | 5.74\% |  | 5.57\% | 59bp | 84bp |  | 6.13\% |  | 5.49\% | 64bp |
| Overhead Ratio |  | 34 |  | 34 |  | 34 |  | 34 |  | 34 | P |  |  | 34 |  | 36 | (200) |
| Regional Banking Group |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total Average Deposits (in billions) |  | \$ 71.4 |  | 70.5 |  | \$ 67.1 |  | 66.5 |  | 66.6 | 1\% | 7\% |  | 70.9 |  | 66.6 | 6\% |
| Total Average Assets Under Management(b) (in billions) | Total Average Assets Under |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Number of Branches |  | 533 |  | 538 |  | 531 |  | 533 |  | 537 | (1) | (1) |  | 533 |  | 537 | (1) |
| Number of ATMs |  | 1,878 |  | 1,895 |  | 1,907 |  | 1,875 |  | 1,904 | (1) | (1) |  | 1,878 |  | 1,904 | (1) |
| Number of Online Customers (in thousands) |  | 1,066 |  | 1,003 |  | 937 |  | 876 |  | 811 | 6 | 31 |  | 1,066 |  | 811 | 31 |
| Overhead Ratio |  | 78\% |  | 74\% |  | 73\% |  | 70\% |  | 69\% | 400bp | 900bp |  | 76\% |  | 68\% | 800bp |
| Home Finance |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Originations (in billions) |  | 26.5 |  | 32.7 | \$ | 50.4 |  | 47.4 | \$ | 54.4 | (19)\% | (51)\% | \$ | 59.2 | \$ | 86.4 | (31)\% |
| Loans Serviced (in billions) |  | 436(c) |  | 426 |  | 430 |  | 427 |  | 409 | 2 | 7 |  | 436 |  | 409 | 7 |
| Total Average Loans Owned (in billions) |  | 54.1 |  | 56.9 |  | 57.3 |  | 57.0 |  | 55.8 | (5) | (3) |  | 55.5 |  | 53.8 | 3 |
| Number of Customers (in millions) |  | 4.0(c) |  | 4.0 |  | 4.0 |  | 4.1 |  | 4.0 | - | - |  | 4.0 |  | 4.0 | - |
| Net Charge-Off Ratio |  | 0.30\% |  | 0.21\% |  | 0.21\% |  | 0.20\% |  | 0.14\% | 9bp | 16bp |  | 0.25\% |  | 0.15\% | 10bp |
| Overhead Ratio |  | 39 |  | 55 |  | 64 |  | 55 |  | 60 | $(1,600)$ | $(2,100)$ |  | 46 |  | 59 | $(1,300)$ |
| Middle Markets |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total Average Loans (in billions) |  | \$ 13.7 |  | 13.9 | \$ | 14.5 | \$ | 14.6 | \$ | 14.7 | (1)\% | (7)\% | \$ | 13.8 | \$ | 14.8 | (7)\% |
| Total Average Deposits (in billions) |  | 25.2 |  | 23.6 |  | 20.9 |  | 18.9 |  | 18.8 | 7 | 34 |  | 24.4 |  | 18.7 | 30 |
| Nonperforming Average Loans as a \% of Total Average Loans |  | 1.88\% |  | 2.16\% |  | 2.16\% |  | 2.15\% |  | 2.28\% | (28)bp | (40) bp |  | 2.02\% |  | 2.42\% | (40) bp |
| Overhead Ratio |  | 53 |  | 51 |  | 58 |  | 53 |  | 56 | 200 | (300) |  | 52 |  | 54 | (200) |
| Auto Finance |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Loan and Lease Receivables (in billions) |  | S 29.3 | \$ | 28.8 | \$ | 28.4 |  | 27.2 |  | 26.2 | 2\% | 12\% | \$ | 29.3 | \$ | 26.2 | 12\% |
| Origination Volume (in billions) |  | 5.2 |  | 5.8 |  | 5.6 |  | 5.2 |  | 4.8 | (10) | 8 |  | 10.9 |  | 9.1 | 20 |
| Market Share |  | 4.2\%(c) |  | 5.2\% |  | 5.2\% |  | 4.2\% |  | 3.9\% | (100) bp | 30bp |  | 5.0\% |  | 3.9\% | 110bp |
| Net Charge-Off Ratio |  | 0.38 |  | 0.55 |  | 0.71 |  | 0.50 |  | 0.42 | (17) | (4) |  | 0.46 |  | 0.46 | - |
| Overhead Ratio |  | 35 |  | 34 |  | 33 |  | 37 |  | 37 | 100 | (200) |  | 34 |  | 38 | (400) |

(a) Sum of total customer purchases, cash advances and balance transfers.
(b) Assets under management includes deposits.
(c) Estimated

SUPPLEMENTAL DETAIL

## BASIS

(in millions)

|  | $\begin{gathered} \text { 2QTR } \\ 2002 \end{gathered}$ | $\begin{gathered} \text { 1QTR } \\ 2002 \end{gathered}$ | $\begin{gathered} \text { 4QTR } \\ 2001 \end{gathered}$ | $\begin{gathered} \text { 3QTR } \\ 2001 \end{gathered}$ | $\begin{gathered} \text { 2QTR } \\ 2001 \end{gathered}$ | 2QTR 2002 Over (Under) |  | YEAR TO DATE |  | $\begin{gathered} \text { YTD } \\ 2002 \\ \text { Over } \\ \text { (Under) } \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  | 1Q 2002 | 2Q 2001 | 2002 | 2001 | 2001 |
| NONINTEREST REVENUE |  |  |  |  |  |  |  |  |  |  |
| Investment Banking Fees: |  |  |  |  |  |  |  |  |  |  |
| Advisory | \$ 189 | \$ 191 | \$ 271 | \$ 329 | \$ 308 | (1)\% | (39)\% | \$ 380 | \$ 648 | (41)\% |
| Underwriting and Other Fees | 596 | 564 | 660 | 482 | 621 | 6 | (4) | 1,160 | 1,222 | (5) |
| Total | \$ 785 | \$ 755 | \$ 931 | \$ 811 | \$ 929 | 4 | (16) | \$1,540 | \$1,870 | (18) |
| Trading-Related Revenue:(a) |  |  |  |  |  |  |  |  |  |  |
| Equities | \$ 120 | \$ 223 | \$ 101 | \$ 251 | \$ 450 | (46) | (73) | \$ 343 | \$ 955 | (64) |
| Fixed Income and Other | 1,016 | 1,497 | 803 | 1,363 | 1,144 | (32) | (11) | 2,513 | 2,806 | (10) |
| Total | \$1,136 | \$1,720 | \$ 904 | \$1,614 | \$1,594 | (34) | (29) | \$2,856 | \$3,761 | (24) |
| Fees and Commissions: |  |  |  |  |  |  |  |  |  |  |
| Investment Management, Custody and Processing Services | \$ 981 | \$ 992 | \$ 987 | \$ 960 | \$ 988 | (1) | (1) | \$1,973 | \$2,004 | (2) |
| Credit Card Revenue | 669 | 587 | 662 | 548 | 465 | 14 | 44 | 1,256 | 898 | 40 |
| Brokerage and Investment Services | 333 | 304 | 305 | 268 | 308 | 10 | 8 | 637 | 671 | (5) |
| Mortgage Servicing Fees, Net of Amortization and Writedowns | 257 | 48 | (81) | 9 | 75 | NM | NM | 305 | (158) | NM |
| Other Lending-Related Service Fees | 128 | 130 | 118 | 125 | 122 | (2) | 5 | 258 | 252 | 2 |
| Deposit Service Charges | 273 | 290 | 277 | 262 | 258 | (6) | 6 | 563 | 484 | 16 |
| Other Fees | 244 | 233 | 225 | 225 | 244 | 5 | - | 477 | 440 | 8 |
| Total | \$2,885 | \$2,584 | \$2,493 | \$2,397 | \$2,460 | 12 | 17 | \$5,469 | \$4,591 | 19 |
| Other Revenue: |  |  |  |  |  |  |  |  |  |  |
| Residential Mortgage Origination/Sales Activities | \$ 146 | \$ 100 | \$ 162 | \$ 157 | \$ 152 | 46 | (4) | \$ 246 | \$ 257 | (4) |
| All Other Revenue | 146 | 57 | (11) | 61 | 128 | 156 | 14 | 203 | 275 | (26) |
| Total | \$ 292 | \$ 157 | \$ 151 | \$ 218 | \$ 280 | 86 | 4 | \$ 449 | \$ 532 | (16) |

NONINTEREST EXPENSE

| Other Expense: |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Professional Services | \$ 311 | \$ 307 | \$ 289 | \$ 267 | \$ 288 | 1 | 8 | \$ 618 | \$ 583 | 6 |
| Outside Services | 240 | 249 | 213 | 232 | 220 | (4) | 9 | 489 | 443 | 10 |
| Marketing | 144 | 146 | 179 | 137 | 144 | (1) | - | 290 | 285 | 2 |
| Travel and Entertainment | 112 | 101 | 78 | 116 | 137 | 11 | (18) | 213 | 259 | (18) |
| All Other | 311 | 405 | 369 | 335 | 362 | (23) | (14) | 716 | 736 | (3) |
| Total | \$1,118 | \$1,208 | \$1,128 | \$1,087 | \$1,151 | (7) | (3) | \$2,326 | \$2,306 | 1 |

Note: Prior periods have been restated to conform with current methodologies.
(a) Includes trading-related net interest income.
J.P. MORGAN CHASE \& CO.

CONSOLIDATED BALANCE SHEET

## (in millions)



Note: Prior periods have been restated to conform with current methodologies.
J.P. MORGAN CHASE \& CO.

CONDENSED AVERAGE BALANCE SHEET AND ANNUALIZED YIELDS
(in millions, except rates)

|  |  |  |  |  |  | 2QTR 2002 <br> Over (Under) |  | YEAR TO DATE |  | $\begin{gathered} \text { YTD } \\ \text { 2002 } \\ \text { Over } \\ \text { (Under) } \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{aligned} & \text { 2QTR } \\ & 2002 \end{aligned}$ | $\begin{aligned} & \text { 1QTR } \\ & 2002 \end{aligned}$ | $\begin{gathered} \text { 4QTR } \\ 2001 \end{gathered}$ | $\begin{aligned} & \text { 3QTR } \\ & 2001 \end{aligned}$ | $\begin{aligned} & \text { 2QTR } \\ & 2001 \end{aligned}$ | 1Q 2002 | 2Q 2001 | 2002 | 2001 | 2001 |
| AVERAGE BALANCES |  |  |  |  |  |  |  |  |  |  |
| ASSETS |  |  |  |  |  |  |  |  |  |  |
| Deposits with Banks | \$ 9,287 | \$ 12,326 | \$ 10,810 | \$ 8,583 | \$ 9,535 | (25)\% | (3)\% | \$ 10,798 | \$ 8,531 | 27\% |
| Federal Funds Sold and Securities Purchased under |  |  |  |  |  |  |  |  |  |  |
|  | 83,317 | 81,004 | 85,582 | 80,396 | 86,556 | 3 | (4) | 82,166 | 84,706 | (3) |
| Securities and Trading Assets | 201,512 | 180,951 | 188,988 | 200,161 | 194,736 | 11 | 3 | 191,288 | 197,789 | (3) |
| Securities Borrowed | 46,537 | 41,739 | 39,213 | 38,122 | 38,006 | 11 | 22 | 44,152 | 37,635 | 17 |
| Loans | 211,495 | 217,847 | 218,625 | 224,125 | 217,447 | (3) | (3) | 214,654 | 218,285 | (2) |
| Total Interest- Earning Assets | 552,148 | 533,867 | 543,218 | 551,387 | 546,280 | 3 | 1 | 543,058 | 546,946 | (1) |
| Noninterest- Earning Assets | 182,798 | 184,779 | 196,557 | 185,891 | 189,488 | (1) | (4) | 183,783 | 186,430 | (1) |
| TOTAL ASSETS | \$734,946 | \$718,646 | \$739,775 | \$737,278 | \$735,768 | 2 | - | \$726,841 | \$733,376 | (1) |
| LIABILITIES |  |  |  |  |  |  |  |  |  |  |
| Interest-Bearing Deposits | \$221,687 | \$218,049 | \$223,314 | \$207,430 | \$215,987 | 2 | 3 | \$219,879 | \$216,366 | 2 |
| Federal Funds Purchased and Securities Sold under |  |  |  |  |  |  |  |  |  |  |
| Repurchase Agreements | 166,919 | 153,662 | 164,714 | 170,708 | 167,126 | 9 | - | 160,327 | 159,940 | - |
| Commercial Paper | 18,514 | 18,901 | 17,134 | 21,307 | 17,818 | (2) | 4 | 18,706 | 17,890 | 5 |
| Other Borrowings(a) | 78,614 | 67,408 | 55,388 | 67,218 | 63,038 | 17 | 25 | 73,042 | 66,801 | 9 |
| Long-Term Debt | 42,482 | 43,046 | 44,964 | 44,788 | 45,173 | (1) | (6) | 42,762 | 46,303 | (8) |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
| TOTAL LIABILITIES | 693,048 | 676,866 | 696,612 | 694,208 | 692,260 | 2 | - | 685,001 | 689,970 | (1) |
| PREFERRED STOCK OF SUBSIDIARY | - | 354 | 550 | 550 | 550 | NM | NM | 176 | 550 | (68) |
| Preferred Stock 1,009 1,009 1,009 1,017 1,239 - $(19)$ 1,009 $(26)$ <br> Common Stockholders'     1,362     |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
| TOTAL |  |  |  |  |  |  |  |  |  |  |
| STOCKHOLDERS' EQUITY | 41,898 | 41,426 | 42,613 | 42,520 | 42,958 | 1 | (2) | 41,664 | 42,856 | (3) |

TOTAL LIABILITIES,
PREFERRED STOCK
OF SUBSIDIARY AND
STOCKHOLDERS’
EQUITY
$\begin{array}{lllllllll}\$ 734,946 & \$ 718,646 & \$ 739,775 & \$ 737,278 & \$ 735,768 & 2 & - & \$ 726,841 & \$ 733,376\end{array}$
(1)

## AVERAGE RATES

INTEREST- EARNING ASSETS

| Deposits with Banks | 3.31\% | 2.96\% | 3.76\% | 4.64\% | 4.65\% | 35bp | (134)bp | 3.11\% | 5.90\% | (279) bp |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Federal Funds Sold and |  |  |  |  |  |  |  |  |  |  |
| Securities Purchased under |  |  |  |  |  |  |  |  |  |  |
| Resale Agreements | 2.58 | 2.45 | 3.18 | 4.19 | 4.98 | 13 | (240) | 2.52 | 5.41 | (289) |
| Securities and Trading Assets | 5.18 | 5.35 | 5.40 | 5.51 | 5.90 | (17) | (72) | 5.26 | 5.88 | (62) |
| Securities Borrowed | 1.49 | 1.77 | 2.00 | 3.17 | 3.66 | (28) | (217) | 1.63 | 4.50 | (287) |
| Loans | 5.95 | 5.87 | 5.97 | 6.54 | 7.55 | 8 | (160) | 5.91 | 7.91 | (200) |
| Total Interest- Earning Assets | 4.74 | 4.79 | 5.00 | 5.56 | 6.23 | (5) | (149) | 4.76 | 6.52 | (176) |
| INTEREST- BEARING LIABILITIES |  |  |  |  |  |  |  |  |  |  |
| Interest-Bearing Deposits | 2.38 | 2.49 | 2.52 | 3.48 | 3.94 | (11) | (156) | 2.44 | 4.43 | (199) |
| Federal Funds Purchased and Securities Sold under |  |  |  |  |  |  |  |  |  |  |
| Repurchase Agreements | 2.06 | 2.07 | 2.63 | 3.81 | 4.29 | (1) | (223) | 2.07 | 4.95 | (288) |
| Commercial Paper | 1.84 | 1.76 | 2.30 | 3.53 | 4.39 | 8 | (255) | 1.80 | 5.18 | (338) |
| Other Borrowings | 5.24 | 4.81 | 6.17 | 5.31 | 6.04 | 43 | (80) | 5.04 | 5.83 | (79) |
| Long-Term Debt | 3.10 | 3.35 | 3.58 | 4.43 | 5.63 | (25) | (253) | 3.22 | 6.00 | (278) |
| Total Interest- Bearing Liabilities | 2.75 | 2.72 | 3.04 | 3.92 | 4.48 | 3 | (173) | 2.73 | 4.95 | (222) |
| TOTAL INVESTABLE FUNDS | 2.63 | 2.55 | 2.83 | 3.63 | 4.17 | 8 | (154) | 2.59 | 4.59 | (200) |
| INTEREST RATE SPREAD | 1.99\% | 2.07\% | 1.96\% | 1.64\% | 1.75\% | (8) | 24 | 2.03\% | 1.57\% | 46 |
| NET INTEREST MARGIN | 2.11\% | 2.24\% | 2.17\% | 1.93\% | 2.06\% | (13) | 5 | 2.17\% | 1.93\% | 24 |

(a) Includes securities sold but not yet purchased.
J.P. MORGAN CHASE \& CO.

CREDIT-RELATED INFORMATION (in millions, except ratios)


| TOTAL CONSUMER LOANS |  | 999 |  | 1,142 |  | 943 |  | 771 |  | 767 | (13) | 30 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| TOTAL CR.-REL. ACCRUING ASSETS PAST DUE 90 DAYS | \$ | 1,030 | \$ | 1,194 | \$ | 978 | \$ | 834 | \$ | 849 | (14) | 21 |

(a) Consists of installment loans (direct and indirect types of consumer finance), student loans, unsecured revolving lines of credit and foreign consumer loans.
(b) This amount relates to the Enron-related surety receivables and letter of credit, which are the subject of litigation with credit-worthy entities. These receivables are classified in Other Assets at June 30, 2002.
(c) Nonperforming assets have not been reduced for credit protection (single name credit default swaps and collateralized loan obligations) aggregating $\$ 37$ million related to nonperforming counterparties. Nonperforming assets exclude nonaccrual loans held for sale ("HFS") of \$126 million, including $\$ 44$ million of nonaccrual residential mortgages transferred to the HFS portfolio after recording charge-offs of $\$ 15$ million during the second quarter of 2002. HFS loans are carried at lower of cost or market and declines in value are recorded in Other Revenue.
J.P. MORGAN CHASE \& CO.

CREDIT-RELATED INFORMATION (CONT.)

## (in millions, except ratios)

|  | $\begin{array}{r} \text { 2QTR } \\ 2002 \end{array}$ | $\begin{array}{r} \text { 1QTR } \\ 2002 \end{array}$ | $\begin{aligned} & \text { 4QTR } \\ & 2001 \end{aligned}$ | $\begin{aligned} & \text { 3QTR } \\ & 2001 \end{aligned}$ | $\begin{array}{r} \text { 2QTR } \\ 2001 \end{array}$ | 2QTR 2002 <br> Over (Under) |  | YEAR TO DATE |  | $\begin{gathered} \text { YTD } \\ 2002 \\ \text { Over } \\ \text { (Under) } \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  | 1Q 2002 | 2Q 2001 | 2002 | 2001 | 2001 |
| NET CHARGE-OFFS |  |  |  |  |  |  |  |  |  |  |
| COMMERCIAL LOANS |  |  |  |  |  |  |  |  |  |  |
| Domestic Commercial | \$ 181 | \$ 207 | \$ 388 | \$ 126 | \$ 177 | (13)\% | 2\% | \$ 388 | \$ 303 | 28\% |
| Foreign Commercial | 112 | 113 | 45 | 63 | 35 | (1) | 220 | 225 | 57 | 295 |
| TOTAL COMMERCIAL LOANS | 293 | 320 | 433 | 189 | 212 | (8) | 38 | 613 | 360 | 70 |
| CONSUMER LOANS |  |  |  |  |  |  |  |  |  |  |
| Credit Card - Reported | 433 | 337 | 274 | 264 | 234 | 28 | 85 | 770 | 452 | 70 |
| Credit Card - Securitizations | 334 | 321 | 264 | 270 | 273 | 4 | 22 | 655 | 514 | 27 |
| Credit Card - Managed | 767 | 658 | 538 | 534 | 507 | 17 | 51 | 1,425 | 966 | 48 |
| 1-4 Family Residential Mortgages | 21 | 13 | 18 | 15 | 7 | 62 | 200 | 34 | 17 | 100 |
| Auto Financings | 29 | 38 | 50 | 32 | 26 | (24) | 12 | 67 | 55 | 22 |
| Other Consumer | 45 | 45 | 43 | 45 | 46 | (24) | (2) | 90 | 88 | 2 |
| TOTAL CONSUMER LOANS | 862 | 754 | 649 | 626 | 586 | 14 | 47 | 1,616 | 1,126 | 44 |
| TOTAL MANAGED NET CHARGE-OFFS | \$1,155 | \$1,074 | \$1,082 | \$ 815 | \$ 798 | 8 | 45 | \$2,229 | \$1,486 | 50 |
| NET CHARGE-OFF RATES ANNUALIZED |  |  |  |  |  |  |  |  |  |  |
| COMMERCIAL LOANS |  |  |  |  |  |  |  |  |  |  |
| Domestic Commercial | 1.13\% | 1.24\% | 2.04\% | 0.59\% | 0.90\% | (11)bp | 23bp | 1.18\% | 0.76\% | 42bp |
| Foreign Commercial | 1.24 | 1.34 | 0.53 | 0.79 | 0.46 | (10) | 78 | 1.29 | 0.35 | 94 |
| TOTAL COMMERCIAL LOANS | 1.17 | 1.27 | 1.58 | 0.65 | 0.77 | (10) | 40 | 1.22 | 0.64 | 58 |
| CONSUMER LOANS |  |  |  |  |  |  |  |  |  |  |
| Credit Card - Reported | 7.67 | 5.78 | 5.74 | 5.47 | 4.69 | 189 | 298 | 6.71 | 4.59 | 212 |
| Credit Card - Securitizations | 5.30 | 5.98 | 5.23 | 5.82 | 6.55 | (68) | (125) | 5.61 | 6.20 | (59) |
| Credit Card - Managed | 6.42 | 5.87 | 5.48 | 5.64 | 5.54 | 55 | 88 | 6.15 | 5.33 | 82 |
| 1-4 Family Residential Mortgages | 0.16 | 0.09 | 0.12 | 0.10 | 0.05 | 7 | 11 | 0.12 | 0.06 | 6 |
| Auto Financings | 0.43 | 0.58 | 0.79 | 0.53 | 0.46 | (15) | (3) | 0.50 | 0.51 | (1) |
| Other Consumer | 2.35 | 2.16 | 2.12 | 2.33 | 2.30 | 19 | 5 | 2.25 | 2.11 | 14 |
| TOTAL CONSUMER LOANS | 2.53 | 2.22 | 1.98 | 1.96 | 1.89 | 31 | 64 | 2.38 | 1.87 | 51 |
| TOTAL MANAGED NET CHARGE-OFF RATES | 1.96 | 1.82 | 1.80 | 1.33 | 1.37 | 14 | 59 | 1.89 | 1.28 | 61 |
| ALLOWANCE FOR LOAN LOSSES AND RATIOS |  |  |  |  |  |  |  |  |  |  |
| Allowance for Loan Losses (a) | \$5,006 | \$5,005 | \$4,524 | \$3,874 | \$3,673 | -\% | 36\% |  |  |  |
| To Total Loans | 2.36\% | 2.33\% | 2.08\% | 1.74\% | 1.67\% | 3bp | 69bp |  |  |  |
| To Total Nonperforming Loans | 169 | 173 | 181 | 156 | 160 | (400) | 900 |  |  |  |
| To Total Nonperforming Assets | 114 | 116 | 115 | 146 | 147 | (200) | $(3,300)$ |  |  |  |
| ALLOWANCE COMPONENTS (a) |  |  |  |  |  |  |  |  |  |  |
| Commercial Specific and Expected | \$1,806 | \$1,798 | \$1,724 | \$1,768 | \$1,650 | -\% | 9\% |  |  |  |
| Consumer Expected | 2,387 | 2,518 | 2,105 | 1,694 | 1,637 | (5) | 46 |  |  |  |
| Total Specific and Expected | 4,193 | 4,316 | 3,829 | 3,462 | 3,287 | (3) | 28 |  |  |  |
| Residual Component | 813 | 689 | 695 | 412 | 386 | 18 | 111 |  |  |  |
| Total | \$5,006 | \$5,005 | \$4,524 | \$3,874 | \$3,673 | - | 36 |  |  |  |

(a) Represents period end balances for each respective quarter.

## J.P. MORGAN CHASE \& CO.

CAPITAL
MJPMorganChase

|  | $\begin{gathered} \text { 2QTR } \\ 2002 \end{gathered}$ |  | $\begin{gathered} \text { 1QTR } \\ 2002 \end{gathered}$ |  | $\begin{gathered} \text { 4QTR } \\ 2001 \end{gathered}$ |  | $\begin{gathered} \text { 3QTR } \\ 2001 \end{gathered}$ |  | $\begin{gathered} \text { 2QTR } \\ 2001 \end{gathered}$ |  | $\begin{aligned} & \text { 2QTR } 2002 \\ & \text { Over (Under) } \end{aligned}$ |  | YEAR TO DATE |  |  |  | YTD <br> 2002 <br> Over <br> (Under) <br> 2001 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | 1Q 2002 | 2Q 2001 |  |  |  | 2002 |  |  |  | 2001 |  |
| SOURCES AND USES OF TIER 1 CAPITAL (in billions) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Sources of Free Cash Flow |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Operating Earnings Less Dividends | \$ | 0.5(a) |  |  | \$ | 0.5 |  |  | \$ | (0.3) | \$ | 0.4 | \$ | 0.1 | -\% | NM | \$ | 1.0(a) | \$ | 0.9 | 11\% |
| Plus: Preferred Stock <br> and <br> Equivalents/Other Items |  | (0.6)(a) |  | 0.2 |  | (0.7) |  | (0.4) |  | (0.6) | NM | -\% |  | (0.4)(a) |  | (0.4) | - |
| Less: Capital for Internal Asset Growth |  | 0.4(a) |  | 0.5 |  | 1.4 |  | (1.3) |  | (0.5) | (20) | NM |  | 0.9(a) |  | (1.0) | NM |
| Total Sources of Free Cash Flow | \$ | 0.3 | \$ | 1.2 | \$ | 0.4 | \$ | (1.3) | \$ | (1.0) | (75) | NM | \$ | 1.5 | \$ | (0.5) | NM |
| Uses of Free Cash Flow |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Increases (Decreases) in Capital Ratios | \$ | 0.6(a) | \$ | 1.4 | \$ | 0.5 | \$ | (1.8) | \$ | (0.7) | (57) | NM | \$ | 2.0(a) | \$ | 0.4 | NM |
| Acquisitions |  | -(a) |  | - |  | - |  | - |  | - | NM | NM |  | -(a) |  | 0.1 | NM |
| Repurchases Net of Stock Issuances |  | (0.3)(a) |  | (0.2) |  | (0.1) |  | 0.5 |  | (0.3) | (50) | - |  | (0.5)(a) |  | (1.0) | 50 |
| Total Uses of Free Cash Flow | \$ | 0.3 | \$ | 1.2 | \$ | 0.4 |  | (1.3) | \$ | (1.0) | (75) | NM | \$ | 1.5 | \$ | (0.5) | NM |
| COMMON SHARES OUTSTANDING |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| (in millions) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic Weighted- Average Shares Outstanding |  | 1,982.6 |  | 1,978.2 |  | 1,969.6 |  | 1,975.3 |  | 1,978.4 | - | - |  | ,980.4 |  | ,972.6 | - |
| Diluted Weighted- Average Shares Outstanding |  | 2,016.0 |  | 2,005.8 |  | 2,007.4 |  | 2,020.9 |  | 2,033.6 | 1 | (1) |  | ,011.0 |  | ,033.0 | (1) |
| Common Shares Outstanding - at Period End |  | 1,993.4 |  | 1,990.2 |  | 1,973.4 |  | 1,972.9 |  | 1,989.2 | - | - |  | ,993.4 |  | ,989.2 | - |
| CASH DIVIDENDS DECLARED PER SHARE | \$ | 0.34 | \$ | 0.34 | \$ | 0.34 |  | 0.34 | \$ | 0.34 | - | - | \$ | 0.68 | \$ | 0.68 | - |
| BOOK VALUE PER |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| SHARE PRICE |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| High | \$ | 38.75 | \$ | 39.68 | \$ | 40.95 | \$ | 46.01 | \$ | 50.60 | (2) | (23) | \$ | 39.68 | \$ | 59.19 | (33) |
| Low |  | 30.15 |  | 26.70 |  | 31.30 |  | 29.04 |  | 39.21 | 13 | (23) |  | 26.70 |  | 37.58 | (29) |
| Close |  | 33.92 |  | 35.65 |  | 36.35 |  | 34.15 |  | 44.60 | (5) | (24) |  | 33.92 |  | 44.60 | (24) |
| CAPITAL RATIOS |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Tier I Capital Ratio |  | 8.7\%(a) |  | 8.6\% |  | 8.3\% |  | 8.2\% |  | 8.7\% | 10bp | -bp |  |  |  |  |  |
| Total Capital Ratio |  | 12.6(a) |  | 12.5 |  | 11.9 |  | 11.6 |  | 12.2 | 10 | 40 |  |  |  |  |  |
| Tier I Leverage |  | 5.4(a) |  | 5.4 |  | 5.2 |  | 5.3 |  | 5.4 | - | - |  |  |  |  |  |

Note: Prior periods have been restated to conform with current methodologies.
(a) Estimated

## J.P. MORGAN CHASE \& CO. <br> Glossary of Terms

Average Managed Assets: Excludes the impact of credit card securitizations.
bp: Denotes basis points; 100 bp equals 1\%.

Corporate: Includes Support Units and the effects remaining at the corporate level after the implementation of management accounting policies.
JPMorgan Partners ("JPMP"): JPMorgan Chase's private equity business. Public securities held by JPMP are marked-to-market at the quoted public value less liquidity discounts, with the resulting unrealized gains/losses included in the income statement. JPMP's valuation policy for public securities incorporates the use of liquidity discounts and price averaging methodologies in certain circumstances to take into account the fact that JPMP cannot immediately realize the quoted public values as a result of the regulatory, corporate, or other contractual sales restrictions generally imposed on these holdings. Private investments are initially carried at cost, which is viewed as an approximation of fair value. The carrying value of private investments is adjusted to reflect valuation changes resulting from unaffiliated party transactions and for evidence of a decline in value.

Managed Credit Card Receivables or Managed Basis: JPMorgan Chase uses this terminology to refer to its credit card receivables on the balance sheet plus securitized credit card receivables.

NM: Not meaningful

Operating Basis or Operating Earnings: Reported results excluding the impact of merger and restructuring costs, special items, credit card securitizations and the amortization of goodwill.

Other Consumer Loans: Consists of installment loans (direct and indirect types of consumer finance), student loans, unsecured lines of credit and foreign consumer.

Overhead Ratio: Operating expense (excluding merger and restructuring costs and special items) as a percentage of the operating revenues.

Reported Basis: Financial statements prepared under generally accepted accounting principles. The reported basis includes the impact of credit card securitizations, merger and restructuring costs, special items, and the net effect of the change in accounting principle.

Segment Results - All periods are on a comparable basis, although restatements may occur in future periods to reflect further alignment of management accounting policies or changes in organizational structures between businesses.

SFAS 133: As a result of the adoption of Statement of Financial Accounting Standards ("SFAS") No. 133 "Accounting for Derivative Instruments and Hedging Activities", net income for the first half of 2001 includes the cumulative effect of a transition adjustment of $\$(25)$ million, net of taxes. The impact on each of basic and diluted earnings per share was $\$(0.01)$.

SFAS 142: Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."

Shareholder Value Added ("SVA"): Represents operating earnings minus preferred dividends and an explicit charge for capital.
Special Items: Includes merger and restructuring costs and special items.
Trading-Related Revenue: Includes net interest income ("NII") attributable to trading activities.
Unaudited: The financial statements and information included throughout this document are unaudited.


[^0]:    ${ }^{1}$ Derived from Thomson Financial Securities Data, based on proceeds

[^1]:    Note: Prior periods have been restated to conform with current methodologies

