UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2008	Commission file number 1-5805

JPMorgan Chase & Co.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	13-2624428 (I.R.S. employer identification no.)
270 Park Avenue, New York, NY (Address of principal executive offices)	10017 (Zip code)

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

Title of each class	Name of each exchange on which registered
Common stock	The New York Stock Exchange The London Stock Exchange The Tokyo Stock Exchange
Depositary Shares each representing a one-fourth interest in a share of 6.15% Cumulative Preferred Stock, Series E	The New York Stock Exchange
Depositary Shares each representing a one-fourth interest in a share of 5.72% Cumulative Preferred Stock, Series F	The New York Stock Exchange
Depositary Shares each representing a one-fourth interest in a share of 5.49% Cumulative Preferred Stock, Series G	The New York Stock Exchange
Depositary Shares each representing a one-four hundredth interest in a share of 8.625% Non-Cumulative Preferred Stock, Series J	The New York Stock Exchange
Guarantee of 7.00% Capital Securities, Series J, of J.P. Morgan Chase Capital X	The New York Stock Exchange
Guarantee of 5 7/8% Capital Securities, Series K, of J.P. Morgan Chase Capital XI	The New York Stock Exchange
Guarantee of 6.25% Capital Securities, Series L, of J.P. Morgan Chase Capital XII	The New York Stock Exchange
Guarantee of 6.20% Capital Securities, Series N, of J.P. Morgan Chase Capital XIV	The New York Stock Exchange
Guarantee of 6.35% Capital Securities, Series P, of J.P. Morgan Chase Capital XVI	The New York Stock Exchange
Guarantee of 6.625% Capital Securities, Series S, of J.P. Morgan Chase Capital XIX	The New York Stock Exchange
Guarantee of 6.875% Capital Securities, Series X, of J.P. Morgan Chase Capital XXIV	The New York Stock Exchange
Guarantee of Fixed-to-Floating Rate Capital Securities, Series Z, of JPMorgan Chase Capital XXVI	The New York Stock Exchange
Guarantee of 7.20% Preferred Securities of BANK ONE Capital VI	The New York Stock Exchange
Guarantee of 7.8% Preferred Securities of Bear Stearns Capital Trust III	The New York Stock Exchange
JPMorgan Market Participation Notes Linked to S&P 500® Index due March 31, 2009	The NYSE Alternext U.S. LLC
Capped Quarterly Observation Notes Linked to S&P 500® Index due July 7, 2009	The NYSE Alternext U.S. LLC
Capped Quarterly Observation Notes Linked to S&P 500® Index due September 21, 2009	The NYSE Alternext U.S. LLC
Consumer Price Indexed Securities due January 15, 2010	The NYSE Alternext U.S. LLC
Principal Protected Notes Linked to S&P 500® Index due September 30, 2010	The NYSE Alternext U.S. LLC
KEYnotes Exchange Traded Notes Linked to the First Trust Enhanced 130/30 Large Cap Index	NYSE Arca, Inc.
BearLinx℠ Alerian MLP Select Index ETN	NYSE Arca, Inc.
Euro Floating Rate Global Notes due July 27, 2012	The NYSE Alternext U.S. LLC
Principal Protected Notes Linked to the Nasdaq-100 Index® Due December 22, 2009	The NYSE Alternext U.S. LLC
Principal Protected Notes Linked to the S&P 500® Index Due November 30, 2009	The NYSE Alternext U.S. LLC
Principal Protected Notes Linked to the Dow Jones Industrial Average℠ due March 23, 2011	The NYSE Alternext U.S. LLC
Medium Term Notes Linked to a Basket of Three International Equity Indices Due August 2, 2010	The NYSE Alternext U.S. LLC

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

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

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

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

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

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

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

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

The aggregate market value of JPMorgan Chase & Co. common stock held by non-affiliates of JPMorgan Chase & Co. on June 30, 2008 was approximately $117,255,349,362.

Number of shares of common stock outstanding on January 31, 2009: 3,757,923,192

Documents Incorporated by Reference: Portions of the Registrant's Proxy Statement for the annual meeting of stockholders to be held on May 19, 2009, are incorporated by reference in this Form 10-K in response to Items 10, 11, 12, 13 and 14 of Part III.

Form 10-K Index

Part I

ITEM 1: BUSINESS

Overview
JPMorgan Chase & Co. ("JPMorgan Chase" or the "Firm") is a financial holding company incorporated under Delaware law in 1968. JPMorgan Chase is one of the largest banking institutions in the United States of America ("U.S."), with $2.2 trillion in assets, $166.9 billion in stockholders' equity and operations in more than 60 countries.

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

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

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

A description of the Firm's business segments and the products and services they provide to their respective client bases is provided in the "Business segment results" section of Management's discussion and analysis of financial condition and results of operations ("MD&A"), beginning on page 40 and in Note 37 on page 214.

Competition
JPMorgan Chase and its subsidiaries and affiliates operate in a highly competitive environment. Competitors include other banks, brokerage firms, investment banking companies, merchant banks, hedge funds, insurance companies, mutual fund companies, credit card companies, mortgage banking companies, trust companies, securities processing companies, automobile financing companies, leasing companies, e-commerce and other Internet-based companies, and a variety of other financial services and advisory companies. JPMorgan Chase's businesses generally compete on the basis of the quality and range of their products and services, transaction execution, innovation and price. Competition also varies based on the types of clients, customers, industries and geographies served. With respect to some of its geographies and products, JPMorgan Chase competes globally; with respect to others, the Firm competes on a regional basis. The Firm's ability to compete also depends upon its ability to attract and retain its professional and other personnel, and on its reputation.

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

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

Recent legislation affecting the Firm: In response to recent market and economic conditions, the United States government, particularly the U.S. Department of the Treasury (the "U.S. Treasury"), the Board of Governors of the Federal Reserve System (the "Federal Reserve") and the Federal Deposit Insurance Corporation (the "FDIC"), have taken a variety of extraordinary measures designed to provide fiscal stimulus, restore confidence in the financial markets and to strengthen financial institutions, including capital injections, guarantees of bank liabilities and the acquisition of illiquid assets from banks. In particular on October 3, 2008 and February 17, 2009, the Emergency Economic Stabilization Act of 2008 (the "EESA") and the American Recovery and Reinvestment Act of 2009 (the "ARRA"), respectively, were signed into law.

The EESA and the ARRA, together with the U.S. Treasury's Capital Purchase Program (which provides for direct purchases by the U.S. Treasury of equity of financial institutions) contain provisions limiting the Firm's ability to pay dividends, purchase its own common stock, and compensate selected officers and employees, among other restrictions. For further information regarding certain of the recent limitations applicable to the Firm, see Regulatory Capital on pages 71–73.

Other programs and actions taken include (1) the U.S. Treasury's Temporary Guarantee Program for Money Market Funds, which is designed to guarantee the share price of eligible money market funds that apply to the program and pay a fee to participate, (2) the Federal Reserve Bank of New York's Money Market Investor Funding Facility (the "MMIFF"), which is designed to provide liquidity to U.S. money market investors, (3) the Federal Reserve's Commercial Paper Funding Facility, which is designed to provide liquidity to term funding markets by providing a liquidity backstop to U.S. issuers of commercial paper, (4) the Federal Reserve's Asset Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (the "AML Facility"), which is designed to provide liquidity to money market mutual funds under certain conditions by providing funding to U.S. depository institutions and bank holding companies secured by high-quality asset-backed commercial paper they purchased from those money market mutual funds, (5) the FDIC's Temporary Liquidity Guarantee Program (the "TLG Program"), which enables the FDIC to temporarily provide a 100% guarantee of the senior debt of all FDIC-insured institutions and their holding companies, as well as deposits in noninterest-bearing transaction deposit accounts, (6) the Federal Reserve's

Primary Dealer Credit Facility (the "PDCF"), which is designed to foster the financial markets generally, was modified to expand the eligible collateral to include any collateral eligible for tri-party repurchase agreements, (7) the Federal Reserve's Term Securities Lending Facility (the "TSLF"), which is designed to promote liquidity in the financial markets for treasuries and other collateral, was expanded to (a) include all investment-grade debt securities as eligible collateral for schedule 2 auctions and (b) increase the frequency of schedule 2 auctions, (8) the Federal Reserve's adoption of an interim rule that provides an exemption, until January 30, 2009, to the Federal Reserve Act to allow insured depository institutions to provide liquidity to their affiliates for assets typically funded in the tri-party repurchase agreement market, (9) the Federal Reserve's Term Auction Facility (the "TAF"), which is designed to allow financial institutions to borrow funds at a rate that is below the discount rate, (10) the Federal Reserve's Term Asset-Backed Securities Loan Facility (the "TALF"), which is designed to assist in the credit markets in accommodating the credit needs of consumers and small businesses by facilitating the issuance of asset-backed securities and improving the conditions for asset-backed securities more generally, (11) the Federal Reserve's announcement that it will purchase up to $600 billion of direct obligations of housing-related government–sponsored enterprises ("GSEs") and mortgage-backed securities of GSEs, (12) the U.S. Treasury's Financial Stability Plan, which involves (a) the creation of a public-private investment fund of up to $1 trillion, (b) the expansion of the TALF program up to $1 trillion under the consumer and business lending initiative, and (c) the creation of a financial stability trust for bank investment and additional transparency, and (13) President Obama's Home Owner Affordability and Stability Plan, which is intended to (a) provide refinancing assistance for responsible homeowners suffering from falling home prices, (b) a comprehensive $75 billion homeowner stability initiative, and (c) strengthen confidence in the GSEs. The Firm is currently participating in certain of these programs and may become a future participant in others of these programs, or additional new programs established by the U.S. government.

Permissible business activities: JPMorgan Chase elected to become a financial holding company as of March 13, 2000, pursuant to the provisions of the Gramm-Leach-Bliley Act ("GLBA"). Under regulations implemented by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), if any depository institution controlled by a financial holding company ceases to meet certain capital or management standards, the Federal Reserve Board may impose corrective capital and/or managerial requirements on the financial holding company and place limitations on its ability to conduct the broader financial activities permissible for financial holding companies. In addition, the Federal Reserve Board may require divestiture of the holding company's depository institutions if the deficiencies persist. The regulations also provide that if any depository institution controlled by a financial holding company fails to maintain a satisfactory rating under the Community Reinvestment Act ("CRA"), the Federal Reserve Board must prohibit the financial holding company and its subsidiaries from engaging in any additional activities other than those permissible for bank holding companies that are not financial holding companies. At December 31, 2008, the depository-institution subsidiaries of JPMorgan Chase met the capital, management and CRA requirements necessary to permit the Firm to conduct the broader activities permitted under GLBA. However, there can be no assurance that this will continue to be the case in the future.

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

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

Dividend restrictions: Federal law imposes limitations on the payment of dividends by national banks. Dividends payable by JPMorgan Chase Bank, N.A. and Chase Bank USA, N.A., as national bank subsidiaries of JPMorgan Chase, are limited to the lesser of the amounts calculated under a "recent earnings" test and an "undivided profits" test. Under the recent earnings test, a dividend may not be paid if the total of all dividends declared by a bank in any calendar year is in excess of the current year's net income combined with the retained net income of the two preceding years, unless the national bank obtains the approval of the OCC. Under the undivided profits test, a dividend may not be paid in excess of a bank's "undivided profits." See Note 29 on page 199 for the amount of dividends that the Firm's principal bank subsidiaries could pay, at January 1, 2009 and 2008, to their respective bank holding companies without the approval of their banking regulators.

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

For a discussion of additional dividend restrictions relating to the Capital Purchase Program, see Capital Purchase Program on page 72.

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

The risk-based capital ratio is determined by allocating assets and specified off–balance sheet financial instruments into four weighted categories, with higher levels of capital being required for the categories perceived as representing greater risk. Under the guidelines, capital is divided into two tiers: Tier 1 capital and Tier 2 capital. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital. Total capital is the sum of Tier 1 capital and Tier 2 capital. Under the guidelines, banking organizations are required to maintain a total capital ratio (total capital to risk-weighted assets) of 8% and a Tier 1 capital ratio of 4%.

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

The minimum risk-based capital requirements adopted by the federal banking agencies follow the Capital Accord of the Basel Committee on Banking Supervision. In 2004, the Basel Committee published a revision to the Accord ("Basel II"). U.S. banking regulators published a final Basel II rule in December 2007 which requires JPMorgan Chase to implement Basel II at the holding company level, as well as at certain of its key U.S. bank subsidiaries. For additional information regarding Basel II, see Regulatory capital on page 72.

Effective January 1, 2008, the SEC authorized JPMorgan Securities to use the alternative method of computing net capital for broker/dealers that are part of Consolidated Supervised Entities as defined by SEC rules. Accordingly, JPMorgan Securities may calculate deductions for market risk using its internal market risk models. For additional information regarding the Firm's regulatory capital, see Regulatory capital on pages 71–73 and Note 30 on pages 200–201.

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

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

Deposit Insurance: Under current FDIC regulations, each depository institution is assigned to a risk category based on capital and supervisory measures. A depository institution is assessed insurance premiums by the FDIC based on its risk category and the amount of deposits held. During the fourth quarter 2008, the amount of FDIC insurance coverage for insured deposits was increased under the EESA, generally from $100,000 per depositor to $250,000 per depositor, and pursuant to the Firm's participation in the FDIC's TLG Program insured deposits held in noninterest-bearing transaction accounts are now fully insured. These increases in insurance coverage are scheduled to end on December 31, 2009. The FDIC has stated its intention, as part of its proposed Deposit Insurance Fund restoration plan, to increase deposit insurance assessments. On January 1, 2009, the FDIC increased its assessment rates, and has proposed further rate increases and changes to the current risk-based assessment framework. In addition, as a result of the Firm's participation in the TLG Program, the Firm is required to pay additional insurance premiums to the FDIC in an amount equal to an annualized 10-basis points on balances in noninterest-bearing transaction accounts that exceed the $250,000 deposit insurance limit, determined on a quarterly basis.

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

If the FDIC is appointed the conservator or receiver of an insured depository institution upon its insolvency or in certain other events, the FDIC has the power: (1) to transfer any of the depository institution's assets and liabilities to a new obligor without the approval of the depository institution's creditors; (2) to enforce the terms of the depository institution's contracts pursuant to their terms; or (3) to repudiate or disaffirm any contract or lease to which the depository institution is a party, the performance of which is determined by the FDIC to be burdensome and the disaffirmation or repudiation of which is determined by the FDIC to promote the orderly administration of the depository institution. The above provisions would be applicable to obligations and liabilities of JPMorgan Chase's subsidiaries that are insured depository institutions, such as JPMorgan Chase Bank, N.A., and Chase Bank USA, N.A., including, without limitation, obligations under senior or subordinated debt issued by those banks to investors (referred to below as “public note holders”) in the public markets.

Under federal law, the claims of a receiver of an insured depository institution for administrative expense and the claims of holders of U.S. deposit liabilities (including the FDIC, as subrogee of the depositors) have priority over the claims of other unsecured creditors of the institution, including public noteholders and depositors in non-U.S. offices, in the event of the liquidation or other resolution of the institution. As a result, whether or not the FDIC would ever seek to repudiate any obligations held by public noteholders or depositors in non-U.S. offices of any subsidiary of the Firm that is an insured depository institution, such as JPMorgan Chase Bank, N.A., or Chase Bank USA, N.A., such persons would be treated differently from, and could receive, if anything, substantially less than the depositors in U.S. offices of the depository.

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

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

The bank subsidiaries of JPMorgan Chase are subject to certain restrictions imposed by federal law on extensions of credit to, and certain other transactions with, the Firm and certain other affiliates, and on investments in stock or securities of JPMorgan Chase and those affiliates. These restrictions prevent JPMorgan Chase and other affiliates from borrowing from a bank subsidiary unless the loans are secured in specified amounts. See Note 29 on page 199.

The Firm’s banks and certain of its nonbank subsidiaries are subject to direct supervision and regulation by various other federal and state authorities (some of which are considered “functional regulators” under GLBA). JPMorgan Chase’s national bank subsidiaries, such as JPMorgan Chase Bank, N.A., and Chase Bank USA, N.A., are subject to supervision and regulation by the OCC and, in certain matters, by the Federal Reserve Board and the FDIC. Supervision and regulation by the responsible regulatory agency generally includes comprehensive annual reviews of all major aspects of the relevant bank’s business and condition, and imposition of periodic reporting requirements and limitations on investments, among other powers.

The Firm conducts securities underwriting, dealing and brokerage activities in the U.S. through JPMorgan Securities and other broker-dealer subsidiaries, all of which are subject to regulations of the SEC, the Financial Industry Regulatory Authority and the New York Stock Exchange, among others. The Firm conducts similar securities activities outside the U.S. subject to local regulatory requirements. The operations of JPMorgan Chase mutual funds also are subject to regulation by the SEC.

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

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

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

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

ITEM 1A: RISK FACTORS

The following discussion sets forth some of the more important risk factors that could materially affect our financial condition and operations. Other factors that could affect our financial condition and operations are discussed in the “Forward-looking statements” section on page 115. However, factors besides those discussed below, in MD&A or elsewhere in this or other reports that we filed or furnished with the SEC, also could adversely affect us. You should not consider any descriptions of such factors to be a complete set of all potential risks that could affect us.

Our results of operations have been, and may continue to be, adversely affected by U.S. and international financial market and economic conditions.
Our businesses have been, and in the future will continue to be, materially affected by economic and market conditions, including factors such as the liquidity of the global financial markets; the level and volatility of debt and equity prices, interest rates and currency and commodities prices; investor sentiment; corporate or other scandals that reduce confidence in the financial markets; inflation; the availability and cost of capital and credit; the occurrence of natural disasters, acts of war or terrorism; and the degree to which U.S. or international economies are expanding or experiencing recessionary pressures. These factors can affect, among other things, the activity level of clients with respect to the size, number and timing of transactions involving our investment and commercial banking businesses, including our underwriting and advisory businesses; the realization of cash returns from our private equity and principal investments businesses; the volume of transactions that we execute for our customers and, therefore, the revenue we receive from commissions and spreads; the number or size of underwritings we manage on behalf of clients; and the willingness of financial sponsors or other investors to participate in loan syndications or underwritings managed by us.

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

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

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

During 2008, U.S. and global financial markets were extremely volatile and were materially and adversely affected by a significant lack of liquidity, loss of confidence in the financial sector, disruptions in the credit markets, reduced business activity, rising unemployment, declining home prices, and erosion of consumer confidence. These factors contributed to adversely affecting our business, financial condition and results of operations in 2008 and there is no assurance when such conditions will ameliorate.

If we do not effectively manage our liquidity, our business could be negatively affected.
Our liquidity is critical to our ability to operate our businesses, grow and be profitable. Some potential conditions that could negatively affect our liquidity include illiquid or volatile markets, diminished access to capital markets, unforeseen cash or capital requirements (including, among others, commitments that may be triggered to special purpose entities ("SPEs") or other entities), difficulty or inability to sell assets, unforeseen outflows of cash or collateral, and lack of market or customer confidence in us or our prospects. These conditions may be caused by events over which we have little or no control. The liquidity crisis experienced in 2008 increased our cost of funding and limited our access to some of our traditional sources of liquidity such as securitized debt offerings backed by mortgages, loans, credit card receivables and other assets. If current market conditions continue, our liquidity could be adversely affected.

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

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

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

The soundness of our customers, clients and counterparties, including other financial institutions, could adversely affect us.
A number of our products expose us to credit risk, including loans, leases and lending commitments, derivatives, trading account assets and assets held-for-sale. As one of the nation's largest lenders, we have exposures to many different

products and counterparties, and the credit quality of our exposures can have a significant impact on our earnings. We estimate and establish reserves for credit risks and potential credit losses inherent in our credit exposure (including unfunded lending commitments). This process, which is critical to our financial results and condition, requires difficult, subjective and complex judgments, including forecasts of how these economic conditions might impair the ability of our borrowers to repay their loans. As is the case with any such assessments, there is always the chance that we will fail to identify the proper factors or that we will fail to accurately estimate the impact of factors that we identify. Any such failure could result in increases in delinquencies and default rates.

Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. We routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Many of these transactions expose us to credit risk in the event of default by the counterparty or client, which can be exacerbated during periods of market illiquidity, such as experienced in 2008. During such periods, our credit risk also may be further increased when the collateral held by us cannot be realized upon or is liquidated at prices that are not sufficient to recover the full amount of the loan or derivative exposure due to us. In addition, disputes with counterparties as to the valuation of collateral significantly increases in times of market stress and illiquidity. There is no assurance that any such losses would not materially and adversely affect our results of operations or earnings.

As an example of the risks associated with our relationships with other financial institutions is the collapse of Lehman Brothers Holdings Inc. (“LBHI”). On September 15, 2008, LBHI filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of New York, and thereafter several of its subsidiaries also filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the court (LBHI and such subsidiaries collectively, “Lehman”). On September 19, 2008, a liquidation case under the Securities Investor Protection Act was commenced in the United States District Court for the Southern District of New York for Lehman Brothers Inc. (“LBI”), LBHI’s U.S. broker-dealer subsidiary, and the court now presides over the LBI SIPA liquidation case. We were LBI’s clearing bank and are the largest secured creditor in the Lehman and LBI cases, according to Lehman’s schedules. We anticipate that claims may be asserted against us and/or our security interests, including by the LBHI Creditors Committee, the SIPA Trustee appointed in the LBI liquidation case, the principal acquiror of LBI’s assets, and others in connection with Lehman and LBI cases. We intend to defend ourself against any such claims.

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

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

Our framework for managing risks may not be effective in mitigating risk and loss to us.
Our risk management framework seeks to mitigate risk and loss to us. We have established processes and procedures intended to identify, measure, monitor, report and analyze the types of risk to which we are subject, including liquidity risk, credit risk, market risk, interest rate risk, operational risk, legal and fiduciary risk, reputational risk and private equity risk, among others. However, as with any risk management framework, there are inherent limitations to our risk management strategies as there may exist, or develop in the future, risks that we have not appropriately anticipated or identified. If our risk management framework proves ineffective, we could suffer unexpected losses and could be materially adversely affected.

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

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

Many of our hedging strategies and other risk management techniques have a basis in historic market behavior, and all such strategies and techniques are based to some degree on management's subjective judgment. For example, many models used by us are based on assumptions regarding correlations among prices of various asset classes or other market indicators. In times of market stress, such as occurred during 2008, or in the event of other unforeseen circumstances, previously uncorrelated indicators may become correlated, or conversely, previously correlated indicators may make unrelated movements. These sudden market movements or unanticipated or unidentified market or economic movements have in some circumstances limited the effectiveness of our risk management strategies, causing us to incur losses. In addition, as our businesses grow and the markets in which they operate continue to evolve, our risk management framework may not always keep sufficient pace with those changes. For example, there is the risk that the credit and market risks associated with new products or new business strategies may not be appropriately identified, monitored or managed. There can be no assurance that our risk management framework, including our underlying assumptions or strategies, will at all times be accurate and effective.

Our operations are subject to risk of loss from unfavorable economic, monetary, political, legal and other developments in the United States and around the world.
Our businesses and earnings are affected by the fiscal and other policies that are adopted by various regulatory authorities of the United States, non-U.S. governments and international agencies.

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

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

The emergence of a widespread health emergency or pandemic also could create economic or financial disruption that could negatively affect our revenue and operations or impair our ability to manage our businesses in certain parts of the world.

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

We rely on our systems, employees and certain counterparties, and certain failures could materially adversely affect our operations.
Our businesses are dependent on our ability to process, record and monitor a large number of increasingly complex transactions. If any of our financial, accounting, or other data

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

If personal, confidential or proprietary information of customers or clients in our possession were to be mishandled or misused, we could suffer significant regulatory consequences, reputational damage and financial loss. Such mishandling or misuse could include, for example, if such information were erroneously provided to parties who are not permitted to have the information, either by fault of our systems, employees, or counterparties, or where such information is intercepted or otherwise inappropriately taken by third parties.

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

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

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

Recent market and economic conditions have led to new legislation and numerous proposals for changes in the regulation of the financial services industry, including significant additional legislation and regulation in the United States. In response to such market and economic conditions, the United States government, particularly the U.S. Department of the Treasury, the Board of Governors of the Federal Reserve System, the FDIC, and foreign governments, have taken a variety of extraordinary measures designed to restore confidence in the financial markets, increase liquidity and to strengthen financial institutions. For example, on October 3, 2008 and on February 17, 2009, the EESA and the ARRA, respectively, were signed into law. These laws are intended to provide fiscal stimulus and stability to the U.S. economy, by among other things, permitting the U.S. Treasury to make direct investments in financial institutions pursuant to the Capital Purchase Program. There can be no assurance, however, as to the actual impact that these laws and their implementing regulations, or any other governmental program, will have on the financial markets. The failure of the financial markets to stabilize and a continuation or worsening of current financial market and economic conditions could continue to materially and adversely affect our business, financial condition, results of operations, access to credit or the trading price of our common stock.

Participation in current or future government programs adopted in response to recent market events and economic conditions may subject us to restrictions and additional oversight on the manner in which we operate our business. We are currently participating in the Capital Purchase Program, and under the terms of the program, as amended by the ARRA, the consent of the U.S. Treasury is required for us to, among other things, increase our common stock dividend from the amount of the last quarterly stock dividend declared by us prior to October 14, 2008 or, except in limited circumstances, repurchase our common stock or other preferred stock unless the Series K Preferred Stock that was issued to the U.S. Treasury under the Capital Purchase Program has been redeemed or the U.S. Treasury has transferred all of the Series K Preferred Stock to a third party. The ARRA also imposes restrictions on our ability to pay incentive compensation to certain of our employees. There can be no assurance that any additional restrictions imposed by reason of our participation in the Capital Purchase Program or other government programs will not have an adverse effect on our business, results of operations and financial condition.

New legislation and regulatory changes could cause business disruptions, result in significant loss of revenue, limit our ability to pursue business opportunities we might otherwise consider engaging in, impact the value of assets that we hold, require us to change certain of our business practices, impose additional costs on us or otherwise adversely affect our business. For example, on December 18, 2008, the Board of Governors of the Federal Reserve System adopted enhanced regulations for credit cards through amendments to Regulation Z, which implements the Truth-in-Lending Act, and also new regulations governing unfair or deceptive acts or practices under the Federal Trade Commission Act. These regulatory changes will require us to invest significant management attention and resources to make the necessary disclosure and system changes, and could adversely affect our business.

Additional legislation and regulations may by enacted or promulgated in the future, and we are unable to predict the form such legislation or regulation may take, or the degree to which we would need to modify our businesses or operations to comply with such legislation or regulation. For example, proposed legislation has been introduced in Congress that would amend to the Bankruptcy Code to permit modifications of certain mortgages that are secured by a Chapter 13 debtor's principal residence. Proposed legislation has also been introduced in Congress that would, among other things, prescribe when interest can be charged on revolving credit card accounts, prescribe when and how interest rates can be increased, limit events of default that can result in interest rate increases on existing balances, restrict the imposition of certain fees, require a specified cutoff hour when payments must be credited to accounts, prescribe how payments must be allocated to outstanding balances on accounts and restrict the issuance of credit cards for persons under 21 years of age except in certain circumstances. There can be no assurance that if any such legislation were enacted that it would not have an adverse effect on our business, results of operations or financial condition.

If we do not comply with the legislation and regulations that apply to our operations, we may be subject to fines, penalties or material restrictions on our businesses in the jurisdiction where the violation occurred. In recent years, regulatory oversight and enforcement have increased substantially, imposing additional costs and increasing the potential risks associated with our operations. If this regulatory trend continues, it could adversely affect our operations and, in turn, our financial results. In addition, adverse publicity and damage to our reputation arising from the failure or perceived failure to comply with legal, regulatory or contractual requirements could affect our ability to attract and retain customers or to maintain access to capital markets, which could adversely affect our financial condition.

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

There is increasing competition in the financial services industry which may adversely affect our results of operations.
We operate in a highly competitive environment and we expect competitive conditions to continue to intensify as continued merger activity in the financial services industry produces larger, better-capitalized and more geographically diverse companies that are capable of offering a wider array of financial products and services at more competitive prices. Consolidations in the financial services industry increased substantially during 2008, as several major U.S. financial institutions merged, were forced to sell assets and, in some cases failed.

We also face an increasing array of competitors. Competitors include other banks, brokerage firms, investment banking companies, merchant banks, hedge funds, insurance companies, mutual fund companies, credit card companies, mortgage banking companies, trust companies, securities processing companies, automobile financing companies, leasing companies, e-commerce and other Internet-based companies, and a variety of other financial services and advisory companies. Technological advances and the growth of e-commerce have made it possible for non-depository institutions to offer products and services that traditionally were banking products, and for financial institutions and other companies to provide electronic and Internet-based financial solutions, including electronic securities trading. Our businesses generally compete on the basis of the quality and variety of our products and services, transaction execution, innovation, reputation and price. Ongoing or increased competition in any one or all of these areas may put downward pressure on prices for our products and services or may cause us to lose market share. Increased competition also may require us to make additional capital investment in our businesses in order to remain competitive. These investments may increase expense or may require us to extend more of our capital on behalf of clients in order to execute larger, more competitive transactions. There can be no assurance that the significant and increasing competition in the financial services industry will not materially adversely affect our future results of operations.

Our acquisitions and the integration of acquired businesses may not result in all of the benefits anticipated.
We have in the past and may in the future seek to grow our business by acquiring other businesses. There can be no assurance that our acquisitions will have the anticipated positive results, including results relating to: the total cost of integration; the time required to complete the integration; the amount of longer-term cost savings; the overall performance of the combined entity; or an improved price for our common stock. Integration of an acquired business can be complex and costly, sometimes including combining relevant accounting and data processing systems and management controls, as well as managing relevant relationships with employees, clients, suppliers and other business partners. Integration efforts could divert management attention and resources, which could adversely affect our operations or results.

Given the continued market volatility and uncertainty, we may continue to experience increased credit costs or need to take additional markdowns and allowances for loan losses on the assets and loans acquired in the merger (the “Bear Stearns merger”) by and among JPMorgan Chase and The Bear Stearns Companies Inc. (“Bear Stearns”) and in connection with the acquisition of Washington Mutual Bank’s (“Washington Mutual”) banking operations (the “Washington Mutual transaction”) that could negatively affect our financial condition and results of operations in the future. There is no assurance that as our integration efforts continue in connection with these transactions, other unanticipated costs or losses will not be incurred.

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

Damage to our reputation could damage our businesses.
Maintaining a positive reputation is critical to our attracting and maintaining customers, investors and employees. Damage to our reputation can therefore cause significant harm to our business and prospects. Harm to our reputation can arise from numerous sources, including, among others, employee misconduct, litigation or regulatory outcomes, failing to deliver minimum standards of service and quality, compliance failures, unethical behavior, and the activities of customers and counterparties. Further, negative publicity regarding us, whether or not true, may also result in harm to our prospects.

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

Our ability to attract and retain qualified employees is critical to the success of our business and failure to do so may materially adversely affect our performance.
Our employees are our most important resource and, in many areas of the financial services industry, competition for qualified personnel is intense. The executive compensation restrictions currently, or that may in the future may be, imposed on us as a result of our participation in the Capital Purchase Program or other government programs, may adversely affect our ability to attract and retain qualified senior management and employees. If we are unable to continue to retain and attract qualified employees, our performance, including our competitive position, could be materially adversely affected.

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

For example, we make judgments in connection with our consolidation analysis of SPEs. If it is later determined that non-consolidated SPEs should be consolidated, this could negatively affect our Consolidated Balance Sheets, related funding requirements, capital ratios and, if the SPEs' assets include unrealized losses, could require us to recognize those losses.

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

ITEM 1B: UNRESOLVED SEC STAFF COMMENTS

None.

ITEM 2: PROPERTIES

JPMorgan Chase's headquarters is located in New York City at 270 Park Avenue, which is a 50-story office building owned by JPMorgan Chase. This location contains approximately 1.3 million square feet of space. The building is currently undergoing a major renovation in five stages. The design seeks to attain the highest sustainability rating for renovations of existing buildings under the Leadership in Energy and Environmental Design ("LEED") Green Building Rating System. The renovation of the top 15 floors is complete. By year-end 2009, the next 19 floors are expected to be complete and the mechanical infrastructure refresh will be substantially complete with the other stages to follow in the multi-year program.

In connection with the Bear Stearns merger, JPMorgan Chase acquired 383 Madison Avenue in New York City, a 45-story, 1.1 million square-foot office building on land which is subject to a ground lease for an additional 88 years. This building serves as the U.S. headquarters of JPMorgan Chase's Investment Bank.

In total, JPMorgan Chase owned or leased approximately 13.0 million square feet of commercial office space and retail space in New York City at December 31, 2008. JPMorgan Chase and its subsidiaries also own or lease significant administrative and operational facilities in Houston and Dallas, Texas (4.8 million square feet); Chicago, Illinois (4.0 million square feet); Columbus, Ohio (2.7 million square feet); Seattle, Washington (1.6 million square feet); Phoenix, Arizona (1.4 million square feet); Jersey City, New Jersey (1.2 million square feet); San Francisco, California (1.1 million square feet); Wilmington, Delaware (1.0 million square feet); Tampa, Florida (1.0 million square feet); San Antonio, Texas (1.0 million square feet); and 5,474 retail branches in 23 states. At December 31, 2008, the Firm occupied approximately 75.9 million total square feet of space in the United States.

At December 31, 2008, the Firm managed and occupied approximately 3.8 million total square feet of space in the United Kingdom, Europe, Middle East and Africa. In the United Kingdom, JPMorgan Chase leased approximately 2.6 million square feet of office space and owned a 360,000 square-foot operations center at December 31, 2008.

In 2008, JPMorgan Chase acquired a 999-year leasehold interest in land at Canary Wharf, London. It is intended to be the future site for construction of a new European headquarters building, which can contain up to approximately 1.9 million square feet of space and have up to five trading floors of approximately 80,000 square feet each. JPMorgan Chase, by agreement with the developer, has the ability to defer commencement of the main construction through at least October 2010. The building design will strive to achieve the highest possible environmental efficiency rating.

In addition, JPMorgan Chase and its subsidiaries occupy offices and other administrative and operational facilities in the Asia Pacific region, Latin America and Canada under various types of ownership and leasehold agreements, aggregating approximately 3.2 million total square feet of space at December 31, 2008. The properties occupied by JPMorgan Chase are used across all of the Firm's business segments and for corporate purposes.

JPMorgan Chase continues to evaluate its current and projected space requirements and may determine from time to time that certain of its premises and facilities are no longer necessary for its operations. There is no assurance that the Firm will be able to dispose of any such excess premises or that it will not incur charges in connection with such dispositions. Such disposition costs may be material to the Firm's results of operations in a given period. For a discussion of occupancy expense, see the Consolidated Results of Operations discussion on pages 33–37.

ITEM 3: LEGAL PROCEEDINGS

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

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

Furthermore, former members of Bear Stearns' Board of Directors and certain of Bear Stearns' former executive officers have been named as defendants in two purported shareholder derivative suits, each of which was commenced in the United States District Court for the Southern District of New York. Bear Stearns was named as a nominal defendant in both actions. By court order dated February 14, 2008, the actions were consolidated. A consolidated amended complaint was filed on March 3, 2008, asserting claims for breach of fiduciary duty, violations of federal securities laws, waste of corporate assets and gross mismanagement, unjust enrichment, abuse of control and indemnification and contribution in connection with the losses sustained by Bear Stearns as a result of its purchases of sub-prime loans and certain repurchases of its own common stock. Certain individual defendants are also alleged to have sold their holdings of Bear Stearns common stock while in possession of material nonpublic information. The amended complaint seeks compensatory damages in an unspecified amount and an order directing Bear Stearns to improve its corporate governance procedures.

On August 18, 2008, the Judicial Panel on Multidistrict Litigation ("MDL Panel") issued a Transfer Order joining for pre-trial purposes before the United States District Court for the Southern District of New York all then-pending securities and ERISA actions, as well as any later-filed actions, making allegations concerning "whether Bear Stearns and certain of its current and former officers and directors knowingly made material misstatements or omissions concerning the company's financial health that misled investors and caused investor losses when the company's stock price fell in March 2008." The consolidated shareholders' derivative lawsuit was also the subject of the Transfer order. All such actions were assigned to District Judge Robert Sweet. By order dated January 5, 2009, District Judge Sweet ordered the various putative securities class actions to be consolidated, and ordered that the putative ERISA class actions be separately consolidated. The Court also appointed lead plaintiffs and lead plaintiffs' counsel in both consolidated actions and appointed lead plaintiffs' counsel in the consolidated shareholder derivative action.

Bear Stearns Merger Litigation. Seven putative class actions (five that were commenced in New York and two that were commenced in Delaware) were consolidated in New York State Court in Manhattan under the caption *In re Bear Stearns Litigation*. Bear Stearns, as well as its former directors and certain of its former executive officers, were named as defendants. JPMorgan Chase was also named as a defendant. The actions, which were filed in the Supreme Court of the New York State

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Court, allege, among other things, that the individual defendants breached their fiduciary duties and obligations to Bear Stearns' shareholders by agreeing to the proposed merger. The Firm was alleged to have aided and abetted the alleged breaches of fiduciary duty; breached its fiduciary duty as controlling shareholder/controlling entity; tortuously interfered with the Bear Stearns shareholders' voting rights; and was also alleged to have been unjustly enriched. Plaintiffs initially sought to enjoin the proposed merger and enjoin the Firm from voting certain shares acquired by the Firm in connection with the proposed merger. The plaintiffs subsequently informed the Court that they were withdrawing that motion but amended the consolidated complaint to pursue claims, which included a claim for an unspecified amount of compensatory damages. In December 2008, the court ruled in favor of us and other defendants on our and their motion for summary judgment. As a result, the case has been dismissed pending the plaintiff's appeal from the summary judgment ruling.

Municipal Derivatives Investigation and Antitrust Litigation. The New York field office of the Department of Justice's Antitrust Division and the Philadelphia Office of the SEC have been conducting parallel investigations of JPMorgan Chase and Bear Stearns for possible antitrust and securities violations in connection with the bidding or sale of guaranteed investment contracts and derivatives to municipal issuers. The principal focus of the investigations to date has been the period 2001 to 2005. A group of state attorney generals and the OCC also opened investigations into the same underlying conduct. JPMorgan Chase has been cooperating with those investigations and has produced documents and other information.

On March 18, 2008, the Philadelphia Office of the SEC provided to JPMorgan Securities a Wells Notice that it intended to bring civil charges in connection with its investigations. JPMorgan Securities has responded to that Wells Notice. It also responded to a separate Wells Notice that that Office provided to Bear, Stearns & Co. Inc. (now known as J.P. Morgan Securities Inc.) on February 1, 2008.

In addition, beginning in March 2008, purported class action lawsuits and individual actions have been filed against JPMorgan Chase and Bear Stearns, as well as numerous other providers and brokers involved in the market for a variety of financial instruments related to municipal bonds and referred to collectively by plaintiffs as "municipal derivatives" (the "Municipal Derivatives Actions"), for alleged antitrust violations in connection with the bidding or sale of "municipal derivatives." The MDL Panel ordered the antitrust actions relating to "municipal derivatives" coordinated for pretrial proceedings in the United States District Court for the Southern District of New York (the "MDL court"). On August 22, 2008, certain class plaintiffs filed a consolidated class action complaint alleging violations of Section 1 of the Sherman Act based on the alleged conspiracy described above. On October 21, 2008, defendants filed a joint motion to dismiss the consolidated class action complaint. The MDL court declined to stay discovery pending disposition of the motions to dismiss.

There are a number of other actions that are proceeding separately from the consolidated class action complaint. These include purported class actions under the Sherman Act and California state law as well as individual actions that state claims solely under California state law. In addition, there are several actions that have been noticed as a tag-along action to the MDL Panel and are awaiting transfer to the MDL court.

Bear Stearns Hedge Fund Matters. Bear Stearns, certain of its current or former subsidiaries, including Bear Stearns Asset Management, Inc. ("BSAM") and Bear Stearns & Co. Inc., and certain current or former employees have been named as defendants ("Bear Stearns defendants") in a number of actions relating to the Bear Stearns High Grade Structured Credit Strategies Master Fund, Ltd. (the "High Grade Fund") and the Bear Stearns High Grade Structured Credit Strategies Enhanced Leverage Master Fund, Ltd. (the "Enhanced Leverage Fund") (collectively, the "Funds"). BSAM served as investment manager for both of the Funds, which were organized such that there were U.S. and Cayman Islands "feeder funds" that invested substantially all their assets, directly or indirectly, in the Funds. The Funds are in liquidation.

The Bear Stearns defendants have been sued in five civil actions in United States District Court for the Southern District of New York. The Joint Voluntary Liquidators of the Cayman Islands feeder funds has filed a complaint asserting claims for, among other things, fraud, breach of fiduciary duty, breach of contract, recklessness, gross negligence, negligence, and unjust enrichment. Also joining the Liquidators as plaintiffs are two purported investors in the U.S. feeder funds. In addition to individual claims, these two plaintiffs purport to assert derivative actions with the U.S. feeder funds as nominal defendants and seek damages of not less than $1.5 billion, unspecified punitive damages, costs, and fees. Two purported class action lawsuits have been filed on behalf of purchasers of partnership interests in the High Grade and Enhanced Leverage U.S. feeder funds, respectively. In each such action, the plaintiff has asserted claims for, among other things, breach of fiduciary duty. The class action complaints also purport to assert derivative actions with the High Grade and Enhanced Leverage U.S. feeder funds as nominal defendants. The relief being sought by these plaintiffs is unspecified damages, costs and fees. In addition, Bank of America and Banc of America Securities LLC (together "BofA") have filed a lawsuit in United States District Court for the Southern District of New York alleging breach of contract and fraud in connection with a May 2007 $4 billion dollar securitization, known as a "CDO-squared," for which BSAM served as collateral manager. This securitization was composed of certain collateralized debt obligation ("CDO") holdings that were purchased by BofA from the High Grade Fund and the Enhanced Leverage Fund. The Bear Stearns defendants have filed motions to dismiss each of the four civil actions described above. Finally, in connection with its investment and other transactions related to the Enhanced Leverage Fund, Barclays Bank brought an action asserting claims for, among other things, fraud, fraudulent concealment, breach of fiduciary duty, and negligent misrepresentation. On February 10, 2009, Barclays filed a notice of dismissal of that action against all defendants.

In addition, one or more Bear Stearns defendants have been named as parties in multiple FINRA arbitrations initiated by investors in the Funds. The relief being sought by the claimants in these matters is compensatory damages, unspecified punitive damages, costs and expenses.

BSAM and its affiliates have also been contacted by, and have received requests for information and documents from, various federal and state regulatory and law enforcement authorities as part of their investigations regarding the Funds, including the SEC, the United States Attorney's Office for the Eastern District of New York and the Securities Division of the Commonwealth of Massachusetts (the "Massachusetts Securities Division"). On November 14, 2007, the Massachusetts Securities Division filed an administrative complaint against BSAM alleging that BSAM violated multiple provisions of the Massachusetts Securities Act by failing to adequately disclose and/or manage conflicts of interest related to procedures for related party transactions. BSAM submitted an Offer of Settlement to resolve this matter that was accepted by the Massachusetts Securities Division, and then resolved through a Consent Order filed on November 13, 2008.

Enron Litigation. JPMorgan Chase and certain of its officers and directors are involved in a number of lawsuits arising out of its banking relationships with Enron Corp. and its subsidiaries ("Enron"). Several actions and other proceedings against the Firm have been resolved, including adversary proceedings brought by Enron's bankruptcy estate. In addition, the Firm resolved the lead class action litigation brought on behalf of the purchasers of Enron securities, captioned *Newby v. Enron Corp*., for approximately $2.2 billion (pretax), which the Firm funded on October 16, 2008.

The *Newby* settlement does not resolve Enron-related actions filed separately by plaintiffs who opted out of the class action or by certain plaintiffs who are asserting claims not covered by that action. Some of these other actions have been dismissed or settled separately. The remaining Enron-related actions include three actions against the Firm by plaintiffs who were bank lenders or claim to be successors-in-interest to bank lenders who participated in Enron credit facilities co-syndicated by the Firm; individual actions by Enron investors, creditors and counterparties; and a third-party action brought by a defendant in an Enron-related case seeking apportionment of responsibility and contribution under Texas state law against JPMorgan Chase and other defendants. Plaintiffs in the bank lender cases have moved for partial summary judgment, and JPMorgan Chase has moved for summary judgment and/or partial judgment on the pleadings. The three bank lender cases have been transferred to the United States District Court for the Southern District of New York.

In March 2006, two plaintiffs filed complaints in New York Supreme Court against JPMorgan Chase alleging breach of contract, breach of implied duty of good faith and fair dealing and breach of fiduciary duty based upon the Firm's role as Indenture Trustee in connection with two indenture agreements between JPMorgan Chase and Enron. The Firm removed both actions to the United States District Court for the Southern District of New York. The federal court dismissed one of these cases and remanded the other to New York State court. JPMorgan Chase filed a motion to dismiss plaintiffs' amended complaint in State court on May 24, 2007, which was denied. JPMorgan Chase appealed, and on December 23, 2008, the Supreme Court, Appellate Division for the First Department reversed the trial court's order, dismissing plaintiffs' complaint. Plaintiffs have moved for leave to further appeal this ruling.

In a purported, consolidated class action lawsuit by JPMorgan Chase stockholders alleging that the Firm issued false and misleading press releases and other public documents relating to Enron in violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, the United States District Court for the Southern District of New York dismissed the lawsuit in its entirety without prejudice in March 2005. Plaintiffs filed an amended complaint in May 2005. The Firm moved to dismiss the amended complaint, which the Court granted with prejudice on March 28, 2007. Plaintiffs appealed the dismissal. On January 21, 2009, the United States Court of Appeals for the Second Circuit affirmed the trial court's dismissal of the action.

A putative class action on behalf of JPMorgan Chase employees who participated in the Firm's 401(k) plan alleges claims under ERISA for alleged breaches of fiduciary duties and negligence by JPMorgan Chase, its directors and named officers. In August 2005, the United States District Court for the Southern District of New York denied plaintiffs' motion for class certification and ordered some of plaintiffs' claims dismissed. In September 2005, the Firm moved for summary judgment seeking dismissal of this ERISA lawsuit in its entirety, and in September 2006, the Court granted summary judgment in part, and ordered plaintiffs to show cause as to why the remaining claims should not be dismissed. On December 27, 2006, the Court dismissed the case with prejudice. Plaintiffs appealed the dismissal. On December 24, 2008, the United States Court of Appeals for the Second Circuit reversed the trial court's dismissal and remanded the case back to the District Court for further proceedings.

IPO Allocation Litigation. Beginning in May 2001, JPMorgan Chase and certain of its securities subsidiaries were named, along with numerous other firms in the securities industry, as defendants in a large number of putative class action lawsuits filed in the United States District Court for the Southern District of New York alleging improprieties in the allocation of securities in various public offerings, including some offerings for which a JPMorgan Chase entity served as an underwriter. They also claim violations of securities laws arising from alleged material misstatements and omissions in registration statements and prospectuses for the initial public offerings ("IPOs") and alleged market manipulation with respect to aftermarket transactions in the offered securities. The securities lawsuits allege, among other things, misrepresentation and market manipulation of the aftermarket trading for these offerings by tying allocations of shares in IPOs to undisclosed excessive commissions paid to the underwriter defendants, including JPMorgan Securities, and to required aftermarket purchase transactions by customers who received allocations of shares in the respective IPOs, as well as allegations of misleading analyst reports. Bear, Stearns & Co., Inc. is named as a defendant in 95 of the pending IPO securities cases. Antitrust lawsuits based on similar allegations have been dismissed with prejudice.

The District Court denied a motion to dismiss in all material respects relating to the underwriter defendants and generally granted plaintiffs' motion for class certification in six "focus cases." The U.S. Court of Appeals for the Second Circuit reversed the District Court's order granting class certification, denied plaintiffs' applications for rehearing and rehearing en banc, and remanded. On August 14, 2007, plaintiffs amended their complaints in the six “focus cases” as well as their master allegations for all such cases to reflect new class-related allegations. On September 27, 2007, plaintiffs filed a new motion for class certification in the District Court, and on November 14, 2007, JPMorgan Securities and the other defendants moved to dismiss the amended complaints. Following a mediation, a settlement in principle has been reached, subject to negotiation of definitive documentation and court approval. It has now been publicly reported by others that the aggregate total of the amounts agreed to be paid by or on behalf of all issuer and underwriter defendants, including Lehman Brothers, Inc., which is now in bankruptcy proceedings, totaled $610 million. JPMorgan Securities’ share of the settlement will not have a material adverse effect on the consolidated financial condition of the Firm.

JPMorgan Securities is also among numerous underwriting firms named as defendants in a number of complaints filed commencing October 3, 2007, in the United States District Court for the Western District of Washington under Section 16(b) of the Securities and Exchange Act of 1934 in connection with the IPO of securities for 23 issuers. Bear Stearns was named in complaints in connection with four issuers. Motions to dismiss have been fully briefed but have not been decided by the Court.

Interchange Litigation. On June 22, 2005, a group of merchants filed a putative class action complaint in the United States District Court for the District of Connecticut. The complaint alleged that VISA, MasterCard, Chase Bank USA, N.A., and JPMorgan Chase, as well as certain other banks, and their respective bank holding companies, conspired to set the price of credit card interchange fees in violation of Section 1 of the Sherman Act. The complaint further alleged tying/bundling and exclusive dealing. Since the filing of the Connecticut complaint, other complaints were filed in different United States District Courts challenging the setting of interchange, as well as the card associations’ respective rules. All cases have been consolidated in the Eastern District of New York for pretrial proceedings. An amended consolidated class action complaint was filed on April 24, 2006, that incorporated the interchange claims, described the alleged anticompetitive effects of card associations’ rules and extended claims beyond credit to debit cards. Defendants filed a motion to dismiss all claims that predated January 1, 2004. On January 8, 2008, the Court granted the motion to dismiss these claims. On January 30, 2009, a second amended consolidated class action complaint was served. The basic theories of the complaint remain the same. Fact discovery has closed, and expert discovery in the case is ongoing. The plaintiffs have filed a motion seeking class certification, and the defendants have opposed that motion. The Court has not yet ruled on the class certification motion.

In addition to the consolidated class action complaint, plaintiffs filed supplemental complaints challenging the MasterCard and Visa IPOs. With respect to MasterCard, plaintiffs first filed a supplemental complaint in May 2006 alleging that the offering violated Section 7 of the Clayton Act and Section 1 of the Sherman Act and that the offering was a fraudulent conveyance. Defendants filed a motion to dismiss both of those claims. After the issues were fully briefed, on November 25, 2008, the District Court dismissed the supplemental complaint with leave to replead. On January 30, 2009, the plaintiffs filed and served an amended supplemental complaint again challenging the MasterCard IPO, making antitrust claims similar to those that were set forth in the original supplemental complaint, as well as the fraudulent conveyance claim. With respect to the Visa IPO, on January 30, 2009, the plaintiffs filed a supplemental complaint challenging the Visa IPO on antitrust theories parallel to those articulated in the MasterCard IPO pleading.

Mortgage-Backed Securities Litigation. JPMorgan Securities, J.P. Morgan Acceptance Corp I (“JPMAC”) and 32 trusts that issued Mortgage Pass-Through Certificates and Asset-Backed Pass-Through Certificates, for which JPMorgan Securities served as underwriter and JPMAC as depositor, as well as certain officers and/or directors of JPMAC, are defendants in a purported class action suit commenced on March 26, 2008, in State court in New York. The suit was subsequently removed by defendants to the United States District Court for the Eastern District of New York. Plaintiffs, two employee benefit plans, assert claims for violations of the federal securities laws alleging that the disclosures in the offering materials for the certificates issued by the 32 trusts contained material misstatements and omissions, particularly as to mortgage origination standards and the risk profile of the investment. The complaint seeks unspecified damages and rescission. Pursuant to a stipulation among the parties, plaintiffs are to serve an amended complaint by March 9, 2009.

A purported class action suit was commenced on August 20, 2008, against Bear, Stearns & Co. Inc. and certain of its subsidiaries and former employees in New York Supreme Court on behalf of purchasers of certificates issued in an offering of Mortgage Loan Pass-Through Certificates. JPMorgan Chase is also named as a defendant solely in its alleged capacity as successor-in-interest to Bear, Stearns & Co. Inc. Plaintiff also asserts claims for violations of the federal securities laws, claiming the offering materials for the certificates allegedly contained material misstatements and omissions with respect to, among other things, mortgage origination standards and the risk profile of the investment. Plaintiff seeks recovery of unspecified compensatory damages and rescission. The defendants have removed this action to the District Court for the Southern District of New York.

Two purported nationwide class actions alleging violations of the federal securities laws in connection with the sale of mortgage-backed securities have also been brought against Washington Mutual Bank and certain of its former subsidiaries by three employee retirement plans. The first case (the “State-Filed Action”) was filed in the Superior Court of the State Washington, County of King on August 4, 2008, against Washington Mutual Bank; three former Washington Mutual Bank subsidiaries that are now subsidiaries of JPMorgan Chase Bank, N.A. (WaMu Asset Acceptance Corp., WaMu Capital Corp., Washington Mutual Mortgage Securities Corp.); and four former Washington Mutual Bank employees (some of whom are now JPMorgan Chase employees). The plaintiffs in this case allege that defendants made false and misleading statements and omissions relating to mortgage origination and underwriting standards in offering materials for Mortgage Pass-Through certificates, backed by pools of Washington Mutual Bank-originated, first-lien, prime mortgages. Plaintiffs also allege that defendants failed to disclose Washington Mutual Bank's alleged coercion of or collusion with appraisal vendors to inflate appraisal valuations and thus misrepresented the loan-to-value ratios of, and the adequacy of appraisals supporting, the loans in the pools. On January 28, 2009, the state court issued an order substituting the FDIC as defendant for Washington Mutual Bank. On January 29, 2009, the FDIC removed this action to the United States District Court for the Western District of Washington. On February 5, 2009, the FDIC moved to stay the State-Filed Action pending completion of the FDIC's administrative review of plaintiff's claims.

The second case (the "Federal-Filed Action") filed on January 12, 2009, is pending in the United States District Court for the Western District of Washington in Seattle against Washington Mutual Bank, WaMu Asset Acceptance Corp., WaMu Capital Corp., the same individuals named in the State-Filed Action, and 19 securitization trusts. The plaintiff in the Federal-Filed Action makes similar allegations to the State-Filed Action, but does not specifically challenge defendants' appraisal practices. On February 10, 2009, the Court in the Federal-Filed Action ordered that the FDIC be substituted as defendant for Washington Mutual Bank. On February 12, 2009, the FDIC moved to dismiss it from the Federal-Filed Action without prejudice because plaintiffs failed to exhaust administrative remedies before filing their lawsuit. On February 19, 2009, the non-FDIC defendants moved in the Federal-Filed Action to consolidate that action with the State-Filed Action.

EMC Mortgage Corporation ("EMC"), a subsidiary of JPMorgan Chase, has been named as a defendant in an action commenced on November 5, 2008, in the United States District Court for the Southern District of New York, by Ambac Assurance Corp., a mono-line bond insurer that guaranteed payment on certain classes of mortgage-backed securities issued by EMC. This lawsuit involves four EMC securitizations. Plaintiff claims the loans that served as collateral for the four transactions had origination defects that purportedly violate certain representations and warranties given by EMC to plaintiff and that EMC has breached the relevant agreements between the parties by failing to repurchase allegedly defective mortgage loans. Plaintiff seeks unspecified damages and an order compelling EMC to repurchase individual loans that are allegedly in breach of EMC's representations and warranties.

In addition, the Firm has been named as a defendant in its capacity as an underwriter for other issuers in other litigation involving mortgage-backed securities.

Auction-Rate Securities Investigations and Litigation. Beginning in March 2008, several regulatory authorities initiated investigations of a number of industry participants, including the Firm, concerning possible state and federal securities law violations in connection with the sale of auction-rate securities. The market for many such securities had frozen and a significant number of auctions for those securities began to fail in February 2008. Multiple state and federal agencies, including the SEC, the Financial Industry Regulatory Authority ("FINRA"), the Attorney General of the State of New York, the State of Florida Office of Financial Regulation, on behalf of the North American Securities Administrators Association ("NASAA"), and the Massachusetts Attorney General, have either requested information from JPMorgan Chase or issued subpoenas to JPMorgan Chase regarding the activities of its affiliates with respect to auction-rate securities.

On August 13, 2008, the Firm, on behalf of itself and affiliates, agreed to a settlement in principle with the New York Attorney General's Office which provided, among other things, that the Firm would offer to purchase at par certain auction-rate securities purchased from JPMorgan Securities, Chase Investment Services Corp. and Bear, Stearns & Co. Inc. by individual investors, charities, and small- to medium-sized businesses with account values of up to $10 million no later than November 12, 2008. On August 14, 2008, the Firm agreed to a substantively similar settlement in principle with the Office of Financial Regulation for the State of Florida and NASAA Task Force, which agreed to recommend approval of the settlement to all remaining states, Puerto Rico and the U.S. Virgin Islands. The agreements in principle provide for the payment of penalties totaling $25 million to New York and the other states.

JPMorgan Chase is currently in the process of negotiating final settlement documentation with the New York Attorney General's Office and the Office of Financial Regulation for the State of Florida. JPMorgan Chase has cooperated, and will continue to cooperate, with the ongoing SEC's investigation.

On October 17, 2008, following an investigation by FINRA into auction-rate securities practices of WaMu Investments Inc., a former Washington Mutual Bank subsidiary acquired by the Firm in the Washington Mutual transaction. WaMu Investments, Inc. resolved the matter by submitting a Letter of Acceptance, Waiver and Consent to FINRA. Without admitting or denying the findings, WaMu Investments, Inc. consented to findings by FINRA that it violated certain NASD Rules relating to communications with the public and supervisory procedures and, among other things, agreed to offer to purchase at par auction-rate securities purchased by certain WaMu Investments, Inc. customers and to pay a fine of $250,000.

The Firm is the subject of two putative securities class actions in the United States District Court for the Southern District of New York and a number of individual arbitrations and lawsuits relating to the Firm's sales of auction-rate securities. Each complaint alleges that JPMorgan Chase marketed auction-rate securities as safe, liquid, short-term investments although it knew that auction-rate securities were long-dated debt instruments. The complaints also allege that JPMorgan Chase and other broker-dealers artificially supported the auction-rate securities market and that JPMorgan Chase knew that the market would become illiquid if the firms stopped supporting the auctions but did not disclose this fact to investors. Each of the named plaintiffs in these actions accepted JPMorgan Chase's buy-back offer as part of its settlement with the regulatory agencies and no longer owns any auction-rate securities. Judge Berman of the United States District Court for the Southern District of New York consolidated the two putative securities class actions and appointed lead plaintiffs and lead counsel involving the sale of auction-rate securities. One of the groups of plaintiffs previously seeking lead plaintiff status filed a motion for reconsideration of the Court's order. The motion for reconsideration has been fully briefed and is pending before the Court.

Additionally, the Firm is the subject of two putative antitrust class actions in the United States District Court for the Southern District of New York, which actions allege that the Firm, in collusion with numerous other financial institution defendants, entered into an unlawful conspiracy in violation of Section 1 of the Sherman Act. Specifically, the complaints allege that defendants acted collusively to maintain and stabilize the auction-rate securities market and similarly acted collusively in withdrawing their support for the auction-rate securities market in February 2008. JPMorgan Chase and the other defendants filed a joint motion to dismiss both actions. Plaintiffs' opposition to the motion is due on March 19, 2009.

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

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

None.

Executive officers of the registrant

Name	Age (at December 31, 2008)	Positions and offices
James Dimon	**52**	Chairman of the Board since December 31, 2006, and President and Chief Executive Officer since December 31, 2005. He had been President and Chief Operating Officer from July 1, 2004, until December 31, 2005. Prior to the merger between JPMorgan Chase & Co. and Bank One Corporation (the "Merger"), he had been Chairman and Chief Executive Officer of Bank One Corporation.
Frank J. Bisignano	**49**	Chief Administrative Officer since December 2005. Prior to joining JPMorgan Chase, he had been Chief Executive Officer of Citigroup Inc.'s Global Transaction Services.
Steven D. Black	**56**	Co-Chief Executive Officer of the Investment Bank since March 2004, prior to which he had been Deputy Head of the Investment Bank.
Michael J. Cavanagh	**42**	Chief Financial Officer since September 2004, prior to which he had been Head of Middle Market Banking. Prior to the Merger, he had been Chief Administrative Officer of Commercial Banking and Chief Operating Officer of Middle Market Banking at Bank One Corporation.
Stephen M. Cutler	**47**	General Counsel since February 2007. Prior to joining JPMorgan Chase, he was a partner and co-chair of the Securities Department at the law firm of WilmerHale since October 2005. Prior to joining WilmerHale, he had been Director of the Division of Enforcement at the U.S. Securities and Exchange Commission since October 2001.
William M. Daley	**60**	Head of Corporate Responsibility since June 2007 and Chairman of the Midwest Region since May 2004. Prior to joining JPMorgan Chase, he had been President of SBC Communications.

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Ina R. Drew	**52**	Chief Investment Officer since February 2005, prior to which she was Head of Global Treasury.
Samuel Todd Maclin	**52**	Head of Commercial Banking since July 2004, prior to which he had been Chairman and CEO of the Texas Region and Head of Middle Market Banking.
Jay Mandelbaum	**46**	Head of Strategy and Business Development. Prior to the Merger, he had been Head of Strategy and Business Development since September 2002 at Bank One Corporation.
Heidi Miller	**55**	Chief Executive Officer of Treasury & Securities Services. Prior to the Merger, she had been Chief Financial Officer at Bank One Corporation.
Charles W. Scharf	**43**	Chief Executive Officer of Retail Financial Services. Prior to the Merger, he had been Head of Retail Banking at Bank One Corporation.
Gordon A. Smith	**50**	Chief Executive Officer of Card Services since June 2007. Prior to joining JPMorgan Chase, he was with American Express Company for more than 25 years. From August 2005 until June 2007, he was president of American Express' global commercial card business. Prior to that, he was president of the consumer card services group and was responsible for all consumer card products in the U.S.
James E. Staley	**52**	Chief Executive Officer of Asset Management.
William T. Winters	**47**	Co-Chief Executive Officer of the Investment Bank since March 2004, prior to which he had been Deputy Head of the Investment Bank and Head of Credit & Rate Markets.
Barry L. Zubrow	**55**	Chief Risk Officer since November 2007. Prior to joining JPMorgan Chase, he was a private investor and has been Chairman of the New Jersey Schools Development Authority since March 2006; prior to November 2003 he held a variety of positions at The Goldman Sachs Group, including Chief Administrative Officer from 1999.

Unless otherwise noted, during the five fiscal years ended December 31, 2008, all of JPMorgan Chase's above-named executive officers have continuously held senior-level positions with JPMorgan Chase or its predecessor institution, Bank One Corporation prior to the Merger. There are no family relationships among the foregoing executive officers.

Part II

ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The outstanding shares of JPMorgan Chase common stock are listed and traded on the New York Stock Exchange, the London Stock Exchange Limited and the Tokyo Stock Exchange. For the quarterly high and low prices of JPMorgan Chase's common stock on the New York Stock Exchange for the last two years, see the section entitled "Supplementary information – Selected quarterly financial data (unaudited)" on page 217. For a comparison of the cumulative total return for JPMorgan Chase common stock with the comparable total return of the S&P 500 Index and the S&P Financial Index over the five-year period ended December 31, 2008, see "Five-year stock performance," on page 27.

On February 23, 2009, the Board of Directors reduced the Firm's quarterly common stock dividend from $0.38 to $0.05 per share, effective for the dividend payable April 30, 2009 to shareholders of record on April 6, 2009. JPMorgan Chase declared quarterly cash dividends on its common stock in the amount of $0.38 for each quarter of 2008 and the second, third and fourth quarters of 2007, and $0.34 per share for the first quarter of 2007 and for each quarter of 2006. The common dividend payout ratio, based upon reported net income, was 114% for 2008, and 34% for both 2007 and 2006. For a discussion of restrictions on dividend payments, see Note 24 on pages 193–194 and for additional information regarding the reduction of the dividend, see page 32.

At January 31, 2009, there were 233,908 holders of record of JPMorgan Chase common stock.

On April 17, 2007, the Board of Directors authorized the repurchase of up to $10.0 billion of the Firm's common shares, which supercedes an $8.0 billion repurchase program approved in 2006. The $10.0 billion authorization includes shares to be repurchased to offset issuances under the Firm's employee stock-based plans. The actual number of shares repurchased is subject to various factors, including market conditions; legal considerations affecting the amount and timing of repurchase activity; the Firm's capital position (taking into account goodwill and intangibles); internal capital generation; and alternative potential investment opportunities. The repurchase program does not include specific price targets or timetables, may be executed through open market purchases or privately negotiated transactions, or utilizing a written trading plan under Rule 10b5-1 of the Securities Exchange Act of 1934, and may be suspended at any time. A Rule 10b5-1 repurchase plan allows the Firm to repurchase shares during periods when it would not otherwise be repurchasing common stock, for example during internal trading "black-out periods." All purchases under a Rule 10b5-1 plan must be made according to a predefined plan that is established when the Firm is not aware of material nonpublic information.

In order to maintain its capital objectives, the Firm did not repurchase any shares during the fourth quarter and full year of 2008, under the current $10.0 billion stock repurchase program. As of December 31, 2008, $6.2 billion of authorized repurchase capacity remained under the current stock repurchase program. For a discussion of restrictions on stock repurchases, see Capital Purchase Program on page 72 and Note 24 on pages 193–194.

Stock repurchases under the stock-based incentive plans

Participants in the Firm's stock-based incentive plans may have shares withheld to cover income taxes. Shares withheld to pay income taxes are repurchased pursuant to the terms of the applicable plan and not under the Firm's share repurchase program. Shares repurchased after October 28, 2008, were repurchased in accordance with an exemption from the Capital Purchase Program's stock repurchase restrictions. Shares repurchased pursuant to these plans during 2008 were as follows:

Year ended December 31, 2008	Total shares repurchased	Average price paid per share
First quarter	**2,043**	**$ 45.61**
Second quarter	**7,041**	**47.57**
Third quarter	**24,214**	**31.05**
October	362	39.89
November	369	44.17
December	460,896	44.29
Fourth quarter	**461,627**	**44.29**
Total for 2008	**494,925**	**$ 43.69**

ITEM 6: SELECTED FINANCIAL DATA

For five-year selected financial data, see "Five-year summary of consolidated financial highlights (unaudited)" on page 26 and "Selected annual financial data (unaudited)" on page 218.

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

Management's discussion and analysis of financial condition and results of operations, entitled "Management's discussion and analysis," appears on pages 27 through 114. Such information should be read in conjunction with the consolidated financial statements and notes thereto, which appear on pages 118 through 216.

ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For information related to market risk, see the "Market Risk Management" section on pages 99 through 104.

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements, together with the notes thereto and the report of PricewaterhouseCoopers LLP dated February 27, 2009, thereon, appear on pages 117 through 216.

Supplementary financial data for each full quarter within the two years ended December 31, 2008, are included on page 217 in the table entitled "Supplementary information – Selected quarterly financial data (unaudited)." Also included is a "Glossary of terms'' on pages 219–222.

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

None.

ITEM 9A: CONTROLS AND PROCEDURES

As of the end of the period covered by this report, an evaluation was carried out under the supervision and with the participation of the Firm's management, including its Chairman and Chief Executive Officer and its Chief Financial Officer, of the effectiveness of its disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, the Chairman and Chief Executive Officer and the Chief Financial Officer concluded that these disclosure controls and procedures were effective. See Exhibits 31.1 and 31.2 for the Certification statements issued by the Chairman and Chief Executive Officer and Chief Financial Officer.

The Firm is committed to maintaining high standards of internal control over financial reporting. Nevertheless, because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, in a firm as large and complex as JPMorgan Chase, lapses or deficiencies in internal controls may occur from time to time, and there can be no assurance that any such deficiencies will not result in significant deficiencies – or even material weaknesses – in internal controls in the future. See page 116 for "Management's report on internal control over financial reporting." There was no change in the Firm's internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) that occurred during the fourth quarter of 2008 that has materially affected, or is reasonably likely to materially affect, the Firm's internal control over financial reporting.

ITEM 9B: OTHER INFORMATION

None.

Part III and IV

Part III

ITEM 10: DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

See Item 13 below.

ITEM 11: EXECUTIVE COMPENSATION

See Item 13 below.

ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

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

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

December 31, 2008 (Shares in thousands)	Number of shares to be issued upon exercise of outstanding options/SARs	Weighted-average exercise price of outstanding options/SARs	Number of shares remaining available for future issuance under stock compensation plans
Plan category			
Employee stock-based incentive plans approved by shareholders	**191,679**	**$47.91**	**347,956**(a)
Employee stock-based incentive plans not approved by shareholders	**90,731**	**45.16**	**—**
Total	**282,410**	**$47.02**	**347,956**

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

All future shares will be issued under the shareholder-approved 2005 Long-Term Incentive Plan, as amended and restated effective May 20, 2008. For further information see Note 10 on pages 155–158.

ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information to be provided in Items 10, 11, 12, 13 and 14 of Form 10-K and not otherwise included herein is incorporated by reference to the Firm's definitive proxy statement for its 2008 Annual Meeting of Stockholders to be held on May 19, 2009, which will be filed with the SEC within 120 days of the end of the Firm's fiscal year ended December 31, 2008.

ITEM 14: PRINCIPAL ACCOUNTING FEES SERVICES

See Item 13 above.

Part IV

ITEM 15: EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Exhibits, financial statement schedules

1. Financial statements

   The Consolidated financial statements, the Notes thereto and the report thereon listed in Item 8 are set forth commencing on page 18.

2. Financial statement schedules

3. Exhibits

3.1 Restated Certificate of Incorporation of JPMorgan Chase & Co., effective April 5, 2006 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of JPMorgan Chase & Co. (File No. 1-5805) filed April 7, 2006).

3.2 Certificate of Designations of Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series I (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of JPMorgan Chase & Co. (File No. 1-5805) filed April 24, 2008).

3.3 Certificate of Designations of 6.15% Cumulative Preferred Stock, Series E (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of JPMorgan Chase & Co. (File No. 1-5805) filed July 16, 2008).

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Part IV

3.4 Certificate of Designations of 5.72% Cumulative Preferred Stock, Series F (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K of JPMorgan Chase & Co. (File No. 1-5805) filed July 16, 2008).

3.5 Certificate of Designations of 5.49% Cumulative Preferred Stock, Series G (incorporated by reference to Exhibit 3.3 to the Current Report on Form 8-K of JPMorgan Chase & Co. (File No. 1-5805) filed July 16, 2008).

3.6 Certificate of Designations of 8.625% Non-Cumulative Preferred Stock, Series J (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K/A of JPMorgan Chase & Co. (File No. 1-5805) filed September 17, 2008).

3.7 Certificate of Designations of Fixed Rate Cumulative Preferred Stock, Series K (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of JPMorgan Chase & Co. (File No. 1-5805) filed October 31, 2008).

3.8 By-laws of JPMorgan Chase & Co., effective July 15, 2008 (incorporated by reference to Exhibit 3.4 to the Current Report on Form 8-K of JPMorgan Chase & Co. (File No. 1-5805) filed July 16, 2008).

4.1(a) Indenture, dated as of December 1, 1989, between Chemical Banking Corporation (now known as JPMorgan Chase & Co.) and The Chase Manhattan Bank (National Association) (succeeded by Deutsche Bank Trust Company Americas), as Trustee.

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

4.1(c) Fifth Supplemental Indenture, dated as of December 22, 2008, between JPMorgan Chase & Co. and Deutsche Bank Trust Company Americas, as Trustee, to the Indenture, dated as of December 1, 1989.

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

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

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

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

4.4(a) Junior Subordinated Indenture, dated as of December 1, 1996, between The Chase Manhattan Corporation (now known as JPMorgan Chase & Co.) and The Bank of New York (succeeded by The Bank of New York Mellon), as Trustee.

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

4.4(c) Supplemental Indenture (Second), dated as of May 19, 2005, between JPMorgan Chase & Co. and The Bank of New York (succeeded by The Bank of New York Mellon), as Debenture Trustee, to the Junior Subordinated Indenture, dated as of December 1, 1996 (incorporated by reference to Exhibit 4.3 to the Registration Statement on Form S-3 of JPMorgan Chase & Co. (File No. 333-126750) filed July 21, 2005.

4.5 Form of Deposit Agreement (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of JPMorgan Chase & Co. (File No. 1-5805) filed April 24, 2008).

4.6 Form of Deposit Agreement (incorporated by reference to Exhibit 4(d) to the Registration Statement on Form S-4 of JPMorgan Chase & Co. (File No. 333-152214) filed July 9, 2007).

4.7 Form of Deposit Agreement (incorporated by reference to Exhibit 4(e) to the Registration Statement on Form S-4 of JPMorgan Chase & Co. (File No. 333-152214) filed July 9, 2007).

4.8 Form of Deposit Agreement (incorporated by reference to Exhibit 4(f) to the Registration Statement on Form S-4 of JPMorgan Chase & Co. (File No. 333-152214) filed July 9, 2007).

4.9 Form of Deposit Agreement (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of JPMorgan Chase & Co. (File No. 1-5805) filed August 21, 2008).

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

10.1 Deferred Compensation Plan for Non-Employee Directors of JPMorgan Chase & Co., as amended and restated July 2001 and as of December 31, 2004 (incorporated by reference to Exhibit 10.1 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2007). *

10.2 2005 Deferred Compensation Plan for Non-Employee Directors of JPMorgan Chase & Co., effective as of January 1, 2005 (incorporated by reference to Exhibit 10.2 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2007). *

10.3 Post-Retirement Compensation Plan for Non-Employee Directors of The Chase Manhattan Corporation, as amended and restated, effective May 21, 1996. *

10.4 2005 Deferred Compensation Program of JPMorgan Chase & Co., restated effective as of December 31, 2008. *

10.5 JPMorgan Chase & Co. 2005 Long-Term Incentive Plan as amended and restated effective May 20, 2008 (incorporated by reference to Appendix B of Schedule 14A of JPMorgan Chase & Co. (File No. 1-5805) filed March 31, 2008). *

10.6 Key Executive Performance Plan of JPMorgan Chase & Co., restated as of January 1, 2005 (incorporated by reference to Exhibit 10.7 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2005). *

10.7 Excess Retirement Plan of JPMorgan Chase & Co., restated and amended as of December 31, 2008. *

10.8 1995 Stock Incentive Plan of J.P. Morgan & Co. Incorporated and Affiliated Companies, as amended, dated December 11, 1996. *

10.9 Executive Retirement Plan of JPMorgan Chase & Co., as amended and restated December 31, 2008.*

10.10 Amendment to Bank One Corporation Director Stock Plan, as amended and restated effective February 1, 2003. *

10.11 Summary of Bank One Corporation Director Deferred Compensation Plan (incorporated by reference to Exhibit 10.19 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2005). *

10.12 Bank One Corporation Stock Performance Plan, as amended and restated effective February 20, 2001. *

10.13 Bank One Corporation Supplemental Savings and Investment Plan, as amended and restated effective December 31, 2008. *

10.14 Revised and Restated Banc One Corporation 1989 Stock Incentive Plan, effective January 18, 1989. *

10.15 Banc One Corporation Revised and Restated 1995 Stock Incentive Plan, effective April 17, 1995. *

10.16 Form of JPMorgan Chase & Co. Long-Term Incentive Plan Award Agreement of January 2005 stock appreciation rights (incorporated by reference to Exhibit 10.31 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2005). *

10.17 Form of JPMorgan Chase & Co. Long-Term Incentive Plan Award Agreement of October 2005 stock appreciation rights (incorporated by reference to Exhibit 10.33 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2005). *

10.18 Form of JPMorgan Chase & Co. Long-Term Incentive Plan Award Agreement of January 22, 2008 stock appreciation rights (incorporated by reference to Exhibit 10.25 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2007). *

10.19 Form of JPMorgan Chase & Co. Long-Term Incentive Plan Award Agreement of January 22, 2008 restricted stock units (incorporated by reference to Exhibit 10.26 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2007). *

10.20 Form of JPMorgan Chase & Co. Long-Term Incentive Plan Terms and Conditions for stock appreciation rights, dated as of January 20, 2009. *

10.21 Form of JPMorgan Chase & Co. Long-Term Incentive Plan Terms and Conditions for Operating Committee member stock appreciation rights, dated as of January 20, 2009. *

10.22 Form of JPMorgan Chase & Co. Long-Term Incentive Plan Terms and Conditions for restricted stock units, dated as of January 20, 2009. *

10.23 Form of JPMorgan Chase & Co. Long-Term Incentive Plan Terms and Conditions for Operating Committee member restricted stock units, dated as of January 20, 2009. *

10.24 Form of JPMorgan Chase & Co. Long-Term Incentive Plan Award Agreement of January 22, 2008 stock appreciation rights for James Dimon (incorporated by reference to Exhibit 10.27 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2007). *

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10.25 Letter Agreement, including the Securities Purchase Agreement-Standard Terms incorporated therein, dated October 26, 2008, between JPMorgan Chase & Co. and the United States Department of the Treasury (incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K of JPMorgan Chase & Co. (File No. 1-5805) filed October 31, 2008).

10.26 Warrant to purchase up to 88,401,697 shares of Common Stock, issued on October 28, 2008 (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K of JPMorgan Chase & Co. (File No. 1-5805) filed October 31, 2008).

12.1 Computation of ratio of earnings to fixed charges.

12.2 Computation of ratio of earnings to fixed charges and preferred stock dividend requirements.

21.1 List of Subsidiaries of JPMorgan Chase & Co.

22.1 Annual Report on Form 11-K of The JPMorgan Chase 401(k) Savings Plan for the year ended December 31, 2008 (to be filed pursuant to Rule 15d-21 under the Securities Exchange Act of 1934).

23.1 Consent of independent registered public accounting firm.

31.1 Certification.

31.2 Certification.

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

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

Pages 23 and 24 not used

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Five-year summary of consolidated financial highlights

(unaudited) (in millions, except per share, headcount and ratio data) As of or for the year ended December 31,	2008(f)	2007	2006	2005	2004(g)
Selected income statement data					
Total net revenue	**$ 67,252**	$ 71,372	$ 61,999	$ 54,248	$ 42,736
Provision for credit losses	**19,445**	6,864	3,270	3,483	1,686
Provision for credit losses – accounting conformity(a)	**1,534**	—	—	—	858
Total noninterest expense	**43,500**	41,703	38,843	38,926	34,336
Income from continuing operations before income tax expense (benefit)	**2,773**	22,805	19,886	11,839	5,856
Income tax expense (benefit)(b)	**(926)**	7,440	6,237	3,585	1,596
Income from continuing operations	**3,699**	15,365	13,649	8,254	4,260
Income from discontinued operations(c)	**—**	—	795	229	206
Income before extraordinary gain	**3,699**	15,365	14,444	8,483	4,466
Extraordinary gain(d)	**1,906**	—	—	—	—
Net income	**$ 5,605**	$ 15,365	$ 14,444	$ 8,483	$ 4,466
Per common share					
Basic earnings per share					
Income from continuing operations	**$ 0.86**	$ 4.51	$ 3.93	$ 2.36	$ 1.51
Net income	**1.41**	4.51	4.16	2.43	1.59
Diluted earnings per share					
Income from continuing operations	**$ 0.84**	$ 4.38	$ 3.82	$ 2.32	$ 1.48
Net income	**1.37**	4.38	4.04	2.38	1.55
Cash dividends declared per share	**1.52**	1.48	1.36	1.36	1.36
Book value per share	**36.15**	36.59	33.45	30.71	29.61
Common shares outstanding					
Average: Basic	**3,501**	3,404	3,470	3,492	2,780
Diluted	**3,605**	3,508	3,574	3,557	2,851
Common shares at period-end	**3,733**	3,367	3,462	3,487	3,556
Share price(e)					
High	**$ 50.63**	$ 53.25	$ 49.00	$ 40.56	$ 43.84
Low	**19.69**	40.15	37.88	32.92	34.62
Close	**31.53**	43.65	48.30	39.69	39.01
Market capitalization	**117,695**	146,986	167,199	138,387	138,727
Selected ratios					
Return on common equity ("ROE"):					
Income from continuing operations	**2%**	13%	12%	8%	6%
Net income	**4**	13	13	8	6
Return on assets ("ROA"):					
Income from continuing operations	**0.21**	1.06	1.04	0.70	0.44
Net income	**0.31**	1.06	1.10	0.72	0.46
Overhead ratio	**65**	58	63	72	80
Tier 1 capital ratio	**10.9**	8.4	8.7	8.5	8.7
Total capital ratio	**14.8**	12.6	12.3	12.0	12.2
Tier 1 leverage ratio	**6.9**	6.0	6.2	6.3	6.2
Selected balance sheet data (period-end)					
Trading assets	**$ 509,983**	$ 491,409	$ 365,738	$ 298,377	$ 288,814
Securities	**205,943**	85,450	91,975	47,600	94,512
Loans	**744,898**	519,374	483,127	419,148	402,114
Total assets	**2,175,052**	1,562,147	1,351,520	1,198,942	1,157,248
Deposits	**1,009,277**	740,728	638,788	554,991	521,456
Long-term debt	**252,094**	183,862	133,421	108,357	95,422
Common stockholders' equity	**134,945**	123,221	115,790	107,072	105,314
Total stockholders' equity	**166,884**	123,221	115,790	107,211	105,653
Headcount	**224,961**	180,667	174,360	168,847	160,968

(a) Results for 2008 and 2004 included an accounting conformity loan loss reserve provision related to the acquisition of Washington Mutual Bank's banking operations and the merger with Bank One Corporation, respectively.

(b) The income tax benefit in 2008 is the result of the release of previously established deferred tax liabilities on non-U.S. earnings and business tax credits.

(c) On October 1, 2006, JPMorgan Chase & Co. completed the exchange of selected corporate trust businesses for the consumer, business banking and middle-market banking businesses of The Bank of New York Company Inc. The results of operations of these corporate trust businesses are being reported as discontinued operations for each of the periods presented.

(d) Effective September 25, 2008, JPMorgan Chase acquired the banking operations of Washington Mutual Bank for $1.9 billion. The fair value of the net assets acquired exceeded the purchase price which resulted in negative goodwill. In accordance with SFAS 141, nonfinancial assets that are not held-for-sale were written down against that negative goodwill. The negative goodwill that remained after writing down nonfinancial assets was recognized as an extraordinary gain in 2008.

(e) JPMorgan Chase's common stock is listed and traded on the New York Stock Exchange, the London Stock Exchange Limited and the Tokyo Stock Exchange. The high, low and closing prices of JPMorgan Chase's common stock are from The New York Stock Exchange Composite Transaction Tape.

(f) On September 25, 2008, JPMorgan Chase acquired the banking operations of Washington Mutual Bank. On May 30, 2008, the Bear Stearns merger was consummated. Each of these transactions was accounted for as a purchase and their respective results of operations are included in the Firm's results from each respective transaction date. For additional information on these transactions, see Note 2 on pages 123-128 of this Annual Report.

(g) On July 1, 2004, Bank One Corporation merged with and into JPMorgan Chase. Accordingly, 2004 results include six months of the combined Firm's results and six months of heritage JPMorgan Chase results.

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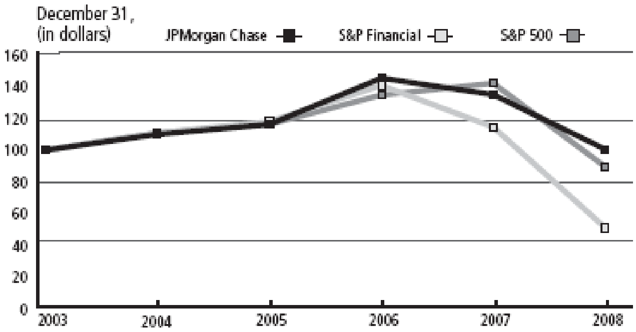
FIVE-YEAR STOCK PERFORMANCE

The following table and graph compare the five-year cumulative total return for JPMorgan Chase & Co. ("JPMorgan Chase" or the "Firm") common stock with the cumulative return of the S&P 500 Stock Index and the S&P Financial Index. The S&P 500 Index is a commonly referenced U.S. equity benchmark consisting of leading companies from different economic sectors. The S&P Financial Index is an index of 81 financial companies, all of which are within the S&P 500. The Firm is a component of both industry indices.

The following table and graph assumes simultaneous investments of $100 on December 31, 2003, in JPMorgan Chase common stock and in each of the above S&P indices. The comparison assumes that all dividends are reinvested.

December 31, (in dollars)	2003	2004	2005	2006	2007	**2008**
JPMorgan Chase	$100.00	$109.92	$116.02	$145.36	$134.91	**$100.54**
S&P Financial Index	100.00	110.89	118.07	140.73	114.51	**51.17**
S&P500	100.00	110.88	116.33	134.70	142.10	**89.53**



This section of the JPMorgan Chase's Annual Report for the year ended December 31, 2008 ("Annual Report") provides management's discussion and analysis of the financial condition and results of operations ("MD&A") of JPMorgan Chase. See the Glossary of terms on pages 218–221 for definitions of terms used throughout this Annual Report. The MD&A included in this Annual Report contains statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are based 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 JPMorgan Chase's results to differ materially from those set forth in such forward-looking statements. Certain of such risks and uncertainties are described herein (see Forward-looking statements on page 115 of this Annual Report) and in the JPMorgan Chase Annual Report on Form 10-K for the year ended December 31, 2008 ("2008 Form 10-K"), in Part I, Item 1A: Risk factors, to which reference is hereby made.

INTRODUCTION

JPMorgan Chase & Co., a financial holding company incorporated under Delaware law in 1968, is a leading global financial services firm and one of the largest banking institutions in the United States of America ("U.S."), with $2.2 trillion in assets, $166.9 billion in stockholders' equity and operations in more than 60 countries as of December 31, 2008. The Firm is a leader in investment banking, financial services for consumers and businesses, financial transaction processing and asset management. Under the J.P. Morgan and Chase brands, the Firm serves millions of customers in the U.S. and many of the world's most prominent corporate, institutional and government clients.

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

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

A description of the Firm's business segments, and the products and services they provide to their respective client bases, follows.

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

Retail Financial Services
Retail Financial Services ("RFS"), which includes the Retail Banking and Consumer Lending reporting segments, serves consumers and businesses through personal service at bank branches and through ATMs, online banking and telephone banking as well as through auto dealerships and school financial aid offices. Customers can use more than 5,400 bank branches (third-largest nationally) and 14,500 ATMs (second-largest nationally) as well as online and mobile banking around the clock. More than 21,400 branch salespeople assist

customers with checking and savings accounts, mortgages, home equity and business loans, and investments across the 23-state footprint from New York and Florida to California. Consumers also can obtain loans through more than 16,000 auto dealerships and 4,800 schools and universities nationwide.

Card Services
Chase Card Services ("CS") is one of the nation's largest credit card issuers with more than 168 million cards in circulation and more than $190 billion in managed loans. Customers used Chase cards to meet more than $368 billion worth of their spending needs in 2008. Chase has a market leadership position in building loyalty and rewards programs with many of the world's most respected brands and through its proprietary products, which include the Chase Freedom program.

Through its merchant acquiring business, Chase Paymentech Solutions, Chase is one of the leading processors of MasterCard and Visa payments.

Commercial Banking
Commercial Banking ("CB") serves more than 26,000 clients nationally, including corporations, municipalities, financial institutions and not-for-profit entities with annual revenue generally ranging from $10 million to $2 billion, and nearly 30,000 real estate investors/owners. Delivering extensive industry knowledge, local expertise and dedicated service, CB partners with the Firm's other businesses to provide comprehensive solutions, including lending, treasury services, investment banking and asset management to meet its clients' domestic and international financial needs.

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

Asset Management
Asset Management ("AM"), with assets under supervision of $1.5 trillion, is a global leader in investment and wealth management. AM clients include institutions, retail investors and high-net-worth individuals in every major market throughout the world. AM offers global investment management in equities, fixed income, real estate, hedge funds, private equity and liquidity, including money market instruments and bank deposits. AM also provides trust and estate, banking and brokerage services to high-net-worth clients, and retirement services for corporations and individuals. The majority of AM's client assets are in actively managed portfolios.

EXECUTIVE OVERVIEW

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

Financial performance of JPMorgan Chase

Year ended December 31, (in millions, except per share and ratio data)	2008[c]	2007	Change
Selected income statement data			
Total net revenue	**$67,252**	$71,372	(6)%
Provision for credit losses[a]	**20,979**	6,864	206
Total noninterest expense	**43,500**	41,703	4
Income before extraordinary gain	**3,699**	15,365	(76)
Extraordinary gain[b]	**1,906**	—	NM
Net income	**5,605**	15,365	(64)
Diluted earnings per share			
Income before extraordinary gain	**$ 0.84**	$ 4.38	(81)
Net income	**1.37**	4.38	(69)
Return on common equity			
Income before extraordinary gain	**2%**	13%	
Net income	**4%**	13%	

(a) Includes an accounting conformity provision for credit losses of $1.5 billion related to the acquisition of Washington Mutual's banking operations in 2008.
(b) JPMorgan Chase acquired the banking operations of Washington Mutual Bank from the Federal Deposit Insurance Corporation ("FDIC") for $1.9 billion. The fair value of the net assets acquired from the FDIC exceeded the purchase price which resulted in negative goodwill. In accordance with SFAS 141, nonfinancial assets that are not held-for-sale were written down against that negative goodwill. The negative goodwill that remained after writing down nonfinancial assets was recognized as an extraordinary gain in 2008. The allocation of the purchase price to the net assets acquired (based on their respective fair values at September 25, 2008) and the resulting negative goodwill may be modified through September 25, 2009, as more information is obtained about the fair value of assets acquired and liabilities assumed.
(c) On September 25, 2008, JPMorgan Chase acquired the banking operations of Washington Mutual Bank. On May 30, 2008, the Bear Stearns merger was consummated. Each of these transactions was accounted for as a purchase and their respective results of operations are included in the Firm's results from each respective transaction date. For additional information on these transactions, see Note 2 on pages 123-128 of this Annual Report.

Business overview

JPMorgan Chase reported 2008 net income of $5.6 billion, or $1.37 per share, and total net revenue of $67.3 billion, compared with record net income of $15.4 billion, or $4.38 per share, and record total net revenue of $71.4 billion, for 2007. Return on common equity was 4% in 2008, compared with 13% in 2007. Results in 2008 include the acquisition of The Bear Stearns Companies Inc. ("Bear Stearns") on May 30, 2008, and the acquisition of the banking operations of Washington Mutual Bank ("Washington Mutual") on September 25, 2008.

The decline in net income for the year was the result of a significantly higher provision for credit losses, reflecting the addition of $13.7 billion to the Firm's allowance for credit losses in 2008; a decline in total net revenue driven by over $10 billion of markdowns on mortgage-related positions and leveraged lending exposures in the Investment Bank; and an increase in total noninterest expense due to the impact of the Washington Mutual transaction and the Bear Stearns merger.

The business environment for financial services firms was extremely challenging in 2008. The global economy slowed, with many countries, including the U.S., slipping into recession. Financial conditions worsened throughout the year amid a number of unprecedented developments that undermined the economic outlook and eroded confidence in global financial markets. JPMorgan Chase acquired Bear Stearns through a merger consummated in May and acquired the banking operations of Washington Mutual from the Federal Deposit Insurance Corporation ("FDIC") in September. The U.S. federal government placed the Federal Home Loan Mortgage Corporation ("Freddie Mac") and the Federal National Mortgage Association ("Fannie Mae") under its control. Lehman Brothers Holdings Inc. declared bankruptcy. The Bank of America Corporation acquired Merrill Lynch & Co., Inc. and Wells Fargo & Company acquired Wachovia Corporation. The government provided a loan to American International Group, Inc. ("AIG") in exchange for an equity interest in AIG to prevent the insurer's failure. Morgan Stanley, The Goldman Sachs Group, Inc., GMAC, American Express, Discover Financial Services and CIT Group received approval from the Board of Governors of the Federal Reserve System (the "Federal Reserve") to become federal bank holding companies. In other industries, the U.S. government provided temporary loans to General Motors Corporation and Chrysler LLC.

These events accompanied severe strains in term funding markets, reflecting heightened concerns about counterparty risk. As a result, LIBOR rates rose significantly in the fall, despite a round of coordinated rate cuts by a number of central banks. By year-end, LIBOR rates eased in response to proposals to insure deposits and selected debt of financial institutions. The turmoil in financial markets during 2008 led to tighter credit conditions and diminished liquidity, causing consumers and businesses around the world to become more cautious and curtail spending and investment activity. As a result, the U.S. economy contracted sharply, 2.8 million jobs were lost in 2008, and the U.S. unemployment rate rose significantly, to 7.2% by year-end.

The continued economic and financial disruption led the Federal Reserve to reduce its target overnight interest rates to near zero in the fourth quarter of 2008, capping off a year of near-continuous rate reductions. In addition, the U.S. Department of the Treasury (the "U.S. Treasury"), the Federal Reserve and the FDIC, working in cooperation with foreign governments and other central banks, including the Bank of England, the European Central Bank and the Swiss National Bank, began, in the fourth quarter of 2008, to take a variety of extraordinary measures designed to restore confidence in the financial markets and strengthen financial institutions, including capital injections, guarantees of bank liabilities and the acquisition of illiquid assets from banks. In particular, on October 3, 2008, the Emergency Economic Stabilization Act of 2008 (the "EESA") was signed into law. Pursuant to the EESA, the U.S. Treasury has the authority to take a range of

Management's discussion and analysis

actions to stabilize and provide liquidity to the U.S. financial markets, including the purchase by the U.S. Treasury of certain troubled assets from financial institutions (the "Troubled Asset Relief Program") and the direct purchase by the U.S. Treasury of equity of financial institutions (the "Capital Purchase Program").

The efforts to restore confidence in the financial markets and promote economic growth continue in 2009, with initiatives including a fiscal stimulus bill, the American Reinvestment and Recovery Act of 2009, which was signed into law by President Barack Obama on February 17, 2009. Also in February, the U.S. Treasury outlined a plan to restore stability to the financial system and President Obama proposed a plan to help distressed homeowners. The Federal Reserve, working with other government and regulatory agencies, has also implemented a number of new programs to promote the proper functioning of the credit markets and reintroduce liquidity to the financial system. Such actions taken by U.S. regulatory agencies include the introduction of programs to restore liquidity to money market mutual funds, the commercial paper market, and other fixed-income securities markets. In addition, the FDIC issued a temporary liquidity guarantee program (the "TLG Program") for the senior debt of all FDIC-insured institutions, as well as deposits in noninterest-bearing transaction deposit accounts.

Despite the difficult operating environment and overall drop in earnings, JPMorgan Chase maintained a strong balance sheet and produced underlying growth in many business areas. The Tier 1 capital ratio was 10.9% at year-end; Treasury & Securities Services and Commercial Banking each reported record revenue and net income for the second straight year; the consumer businesses opened millions of new checking and credit card accounts; Asset Management experienced record net inflows in assets under management; and the Investment Bank gained market share in all major fee categories. The diversified nature of the Firm's businesses and its strong capital position enabled it to weather the recessionary environment during 2008.

JPMorgan Chase has taken a leadership role in helping to stabilize the financial markets. It assumed the risk and expended the necessary resources to acquire Bear Stearns and the banking operations of Washington Mutual. In October 2008, the Firm agreed to accept a $25 billion capital investment by the U.S. Treasury under the Capital Purchase Program. JPMorgan Chase has continued to lend to clients in a safe and sound manner and to provide liquidity to multiple financial markets. The Firm has implemented programs that have prevented more than 300,000 foreclosures, with plans to help more than 400,000 more families keep their homes through Chase-owned mortgage modifications over the next two years. The Firm has expanded this effort to include over $1.1 trillion of investor-owned mortgages.

The discussion that follows highlights the performance of each business segment compared with the prior year, and discusses results on a managed basis unless otherwise noted. For more information about managed basis, see Explanation and reconciliation of the Firm's use of non-GAAP financial measures on pages 38–39 of this Annual Report.

Investment Bank reported a net loss for the year, compared with net income in 2007. The significant decline in results reflected lower total net revenue, a higher provision for credit losses and higher total noninterest expense. Markdowns of over $10 billion on mortgage-related positions and leveraged lending funded and unfunded commitments drove fixed income trading revenue lower; investment banking fees and equity trading revenue declined as well. These decreases were offset by record performance in rates and currencies, credit trading, commodities and emerging markets, as well as strong equity client revenue, and gains from the widening of the Firm's credit spread on certain structured liabilities and derivatives. The provision for credit losses rose from the 2007 level, predominantly reflecting a higher allowance for credit losses, driven by a weakening credit environment, as well as the effect of the transfer of $4.9 billion of funded and unfunded leveraged lending commitments to retained loans from held-for-sale in the first quarter of 2008. The increase in total noninterest expense was largely driven by additional expense relating to the Bear Stearns merger, offset partially by lower performance-based compensation expense. In addition, IB benefited from a reduction in deferred tax liabilities on overseas earnings.

Retail Financial Services net income declined, reflecting a significant increase in the provision for credit losses, predominantly offset by positive mortgage servicing rights ("MSR") risk management results and the positive impact of the Washington Mutual transaction. Additional drivers of revenue growth included wider loan and deposit spreads and higher loan and deposit balances. The provision for credit losses increased as housing price declines have continued to result in significant increases in estimated losses, particularly for high loan-to-value home equity and mortgage loans. The provision was also affected by an increase in estimated losses for the auto, student and business banking loan portfolios. Total noninterest expense rose from the 2007 level, reflecting the impact of the Washington Mutual transaction, higher mortgage reinsurance losses, increased mortgage servicing expense and investments in the retail distribution network.

Card Services net income declined, driven by a higher provision for credit losses partially offset by higher managed total net revenue. The growth in managed total net revenue was driven by the impact of the Washington Mutual transaction, higher average managed loan balances, wider loan spreads and increased interchange income, off-set predominantly by increased rewards expense and higher volume-driven payments to partners, as well as the effect of higher revenue reversals associated with higher charge-offs. The managed provision for credit losses increased from the prior year due to an increase in the allowance for loan losses and a higher level of charge-offs. Total noninterest expense rose from last year, largely due to the impact of the Washington Mutual transaction.

Commercial Banking net income increased, surpassing the record level posted in 2007. The results were driven by record total net revenue, partially offset by an increase in the provision for credit losses. The increase in revenue was driven by double-digit growth in liability and loan balances, the impact of the Washington Mutual transaction, higher deposit and lending-related fees, and increases in other fee income. These were partially offset by spread compression in the liability and loan portfolios. The increase in the provision for credit losses reflected a weakening credit environment and growth in loan balances. Total noninterest expense decreased from the prior year, due to lower performance-based incentive compensation and volume-based charges from service providers, predominantly offset by the impact of the Washington Mutual transaction.

Treasury & Securities Services net income increased over the record level set in 2007, driven by record total net revenue, partially offset by higher noninterest expense. Worldwide Securities Services posted record net revenue, driven by wider spreads in securities lending, foreign exchange and liability products, increased product usage by new and existing clients, and higher liability balances. These benefits were partially offset by market depreciation. Treasury Services posted record net revenue, reflecting higher liability balances and volume growth in electronic funds transfer products and trade loans. Total noninterest expense increased, reflecting higher expense related to business and volume growth, as well as continued investment in new product platforms.

Asset Management net income decreased, driven by lower total net revenue, offset partially by lower total noninterest expense. The decline in revenue was due to lower performance fees and the effect of lower markets, including the impact of lower market valuations of seed capital investments. Partially offsetting these revenue declines were higher deposit and loan balances, the benefit of the Bear Stearns merger, increased revenue from net asset inflows and wider deposit spreads. The provision for credit losses rose from the prior year, reflecting an increase in loan balances, higher net charge-offs and a weakening credit environment. Total noninterest expense declined compared with 2007, driven by lower performance-based compensation, largely offset by the effect of the Bear Stearns merger and higher compensation expense resulting from increased average headcount.

Corporate/Private Equity net income declined from the 2007 level and included an extraordinary gain related to the Washington Mutual transaction and a conforming loan loss provision. Excluding these items, the decrease in net income from the prior year was driven by private equity losses in 2008, compared with gains in 2007, losses on preferred securities of Fannie Mae and Freddie Mac, and a charge related to the offer to repurchase auction-rate securities. These declines were partially offset by the proceeds from the sale of Visa shares in its initial public offering and a gain on the dissolution of the Chase Paymentech Solutions joint venture and the gain from the sale of MasterCard shares. The decrease in total noninterest expense reflected a reduction of credit card-related litigation expense, partially offset by higher merger costs.

The Firm's managed provision for credit losses was $24.6 billion for 2008, compared with $9.2 billion for 2007. The total consumer-managed provision for credit losses was $21.3 billion, compared with $8.3 billion in the prior year, reflecting increases in the allowance for credit losses related to home equity, mortgage and credit card loans, as well as higher net charge-offs. Consumer-managed net charge-offs were $13.0 billion, compared with $6.8 billion in the prior year, resulting in managed net charge-off rates of 3.06% and 1.97%, respectively. The wholesale provision for credit losses was $3.3 billion, compared with $934 million in the prior year, due to an increase in the allowance for credit losses reflecting the effect of a weakening credit environment and loan growth. Wholesale net charge-offs were $402 million, compared with net charge-offs of $72 million in the prior year, resulting in net charge-off rates of 0.18% and 0.04%, respectively. The Firm had total nonperforming assets of $12.7 billion at December 31, 2008, up from the prior-year level of $3.9 billion.

Total stockholders' equity at December 31, 2008, was $166.9 billion, and the Tier 1 capital ratio was 10.9%. During 2008, the Firm raised $11.5 billion of common equity and $32.8 billion of preferred equity, including a warrant issued to the U.S. Treasury.

2009 Business outlook

The following forward-looking 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 JPMorgan Chase's actual results to differ materially from those set forth in such forward-looking statements.

JPMorgan Chase's outlook for 2009 should be viewed against the backdrop of the global and U.S. economies, financial markets activity, the geopolitical environment, the competitive environment and client activity levels. Each of these linked factors will affect the performance of the Firm and its lines of business. In addition, as a result of recent market conditions and events, Congress and regulators have increased their focus on the regulation of financial institutions. The Firm's current expectations are for the global and U.S. economic environments to weaken further and potentially faster, capital markets to remain under stress, for there to be a continued decline in U.S. housing prices, and for Congress and regulators to continue to adopt legislation and regulations that could limit or restrict the Firm's operations, or impose additional costs upon the Firm in order to comply with such new laws or rules. These factors are likely to continue to adversely impact the Firm's revenue, credit costs, overall business volumes and earnings.

Given the potential stress on the consumer from rising unemployment, the continued downward pressure on housing prices and the elevated national inventory of unsold homes, management remains extremely cautious with respect to the credit outlook for home equity, mortgage and credit card portfolios. Management expects continued deterioration in credit trends for the home equity, mortgage and credit card portfolios, which will likely require additions to the consumer loan loss allowance in 2009 or beyond. Economic data released in early 2009 indicated that housing prices and the labor market have weakened further since year-end, and that deterioration could continue into late 2009. Based on management's current economic outlook, quarterly net charge-offs could, over the next several quarters, reach $1.0 billion to $1.4 billion for the home equity portfolio, $375 million to $475 million for the prime mortgage portfolio, and $375 million to $475 million for the subprime mortgage portfolio. Management expects the managed net charge-off rate for Card Services (excluding the impact resulting from the acquisition of Washington Mutual's banking operations) to approach 7% in the first quarter of 2009 and likely higher by the end of the year depending on unemployment levels. These charge-off rates could increase even further if the economic environment continues to deteriorate

Management's discussion and analysis

further than management's current expectations. The wholesale provision for credit losses and nonperforming assets are likely to increase over time as a result of the deterioration in underlying credit conditions. Wholesale net charge-offs in 2008 increased from historic lows in 2007 and are likely to increase materially in 2009 as a result of increasing weakness in the credit environment.

The Investment Bank continues to be negatively affected by the disruption in the credit and mortgage markets, as well as by overall lower levels of liquidity. The continuation of these factors could potentially lead to reduced levels of client activity, lower investment banking fees and lower trading revenue. In addition, if the Firm's own credit spreads tighten, as they did in the fourth quarter of 2008, the change in the fair value of certain trading liabilities would also negatively affect trading results. The Firm held $12.6 billion (gross notional) of legacy leveraged loans and unfunded commitments as held-for-sale as of December 31, 2008. Markdowns averaging 45% of the gross notional value have been taken on these legacy positions as of December 31, 2008, resulting in a net carrying value of $6.9 billion. Leveraged loans and unfunded commitments are difficult to hedge effectively, and if market conditions further deteriorate, additional markdowns may be necessary on this asset class. The Investment Bank also held, at December 31, 2008, an aggregate $6.1 billion of prime and Alt-A mortgage exposure, which is also difficult to hedge effectively, and $875 million of subprime mortgage exposure. In addition, the Investment Bank had $7.7 billion of commercial mortgage exposure. In spite of active hedging, mortgage exposures could be adversely affected by worsening market conditions and further deterioration in the housing market. The combination of credit costs and additional markdowns on the various exposures noted above could reach or exceed $2.0 billion for the first quarter of 2009.

Earnings in Commercial Banking and Treasury & Securities Services could decline due to the impact of tighter spreads in the low interest rate environment or a decline in the level of liability balances. Earnings in Treasury & Securities Services and Asset Management will likely deteriorate if market levels continue to decline, due to reduced levels of assets under management, supervision and custody. Earnings in the Corporate/Private Equity segment could be more volatile due to increases in the size of the Firm's investment portfolio, which is largely comprised of investment-grade securities. Private Equity results are dependent upon the capital markets and at current market levels, management believes additional write-downs of $400 million or more are likely in the first quarter of 2009.

Assuming economic conditions do not worsen beyond management's current expectations, management continues to believe that the net income impact of the acquisition of Washington Mutual's banking operations could be approximately $0.50 per share in 2009; the Bear Stearns merger could contribute $1 billion (after-tax) annualized after 2009; and merger-related items, which include both the Washington Mutual transaction and the Bear Stearns merger, could be approximately $600 million (after-tax) in 2009.

Recent Developments

On February 23, 2009, the Board of Directors reduced the Firm's quarterly common stock dividend from $0.38 to $0.05 per share, effective for the dividend payable April 30, 2009 to shareholders of record on April 6, 2009. The action will enable the Firm to retain an additional $5.0 billion in common equity per year. The Firm expects to maintain the dividend at this level for the time being. The action was taken in order to help ensure that the Firm's balance sheet retained the capital strength necessary to weather a further decline in economic conditions. The Firm intends to return to a more normalized dividend payout as soon as feasible after the environment has stabilized.

CONSOLIDATED RESULTS OF OPERATIONS

The following section provides a comparative discussion of JPMorgan Chase's Consolidated Results of Operations on a reported basis for the three-year period ended December 31, 2008. Factors that related primarily to a single business segment are discussed in more detail within that business segment. For a discussion of the Critical Accounting Estimates Used by the Firm that affect the Consolidated Results of Operations, see pages 107–111 of this Annual Report.

Revenue

Year ended December 31, (in millions)	2008(a)	2007	2006
Investment banking fees	**$ 5,526**	$ 6,635	$ 5,520
Principal transactions	**(10,699)**	9,015	10,778
Lending & deposit-related fees	**5,088**	3,938	3,468
Asset management, administration and commissions	**13,943**	14,356	11,855
Securities gains (losses)	**1,560**	164	(543)
Mortgage fees and related income	**3,467**	2,118	591
Credit card income	**7,419**	6,911	6,913
Other income	**2,169**	1,829	2,175
Noninterest revenue	**28,473**	44,966	40,757
Net interest income	**38,779**	26,406	21,242
Total net revenue	**$ 67,252**	$71,372	$61,999

(a) On September 25, 2008, JPMorgan Chase acquired the banking operations of Washington Mutual Bank. On May 30, 2008, the Bear Stearns merger was consummated. Each of these transactions was accounted for as a purchase and their respective results of operations are included in the Firm's results from each respective transaction date. For additional information on these transactions, see Note 2 on pages 123-128 of this Annual Report.

2008 compared with 2007

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

Investment banking fees were down from the record level of the prior year due to lower debt underwriting fees, as well as lower advisory and equity underwriting fees, both of which were at record levels in 2007. These declines were attributable to reduced market activity. For a further discussion of investment banking fees, which are primarily recorded in IB, see IB segment results on pages 42–44 of this Annual Report.

In 2008, principal transactions revenue, which consists of revenue from the Firm's trading and private equity investing activities, declined by $19.7 billion from the prior year. Trading revenue decreased $14.5 billion to a negative $9.8 billion compared with a positive $4.7 billion in 2007. The decline in trading revenue was largely driven by higher net markdowns of $5.9 billion on mortgage-related exposures compared with $1.4 billion in the prior year; higher net markdowns of $4.7 billion on leveraged lending funded and unfunded commitments compared with $1.3 billion in the prior year; losses of $1.1 billion on preferred securities of Fannie Mae and Freddie Mac; and weaker equity trading results compared with a record level in 2007. In addition, trading revenue was adversely impacted by the Bear Stearns merger. Partially offsetting the decline in trading revenue were record results in rates and currencies, credit trading, commodities and emerging markets, as well as strong equity client revenue across products and total gains of $2.0 billion from the widening of the Firm's credit spread on certain structured liabilities and derivatives, compared with $1.3 billion in 2007. Private equity results also declined substantially from the prior year, swinging to losses of $908 million in 2008 from gains of $4.3 billion in 2007. In addition, the first quarter of 2007 included a fair value adjustment related to the adoption of SFAS 157. For a further discussion of principal transactions revenue, see IB and Corporate/Private Equity segment results on pages 42–44 and 61–63, respectively, and Note 6 on pages 146–148 of this Annual Report.

Lending & deposit-related fees rose from the prior year, predominantly resulting from higher deposit-related fees and the impact of the Washington Mutual transaction. For a further discussion of lending & deposit-related fees, which are mostly recorded in RFS, TSS and CB, see the RFS segment results on pages 45–50, the TSS segment results on pages 56–57, and the CB segment results on pages 54–55 of this Annual Report.

The decline in asset management, administration and commissions revenue compared with 2007 was driven by lower asset management fees in AM due to lower performance fees and the effect of lower markets on assets under management. This decline was partially offset by an increase in commissions revenue related predominantly to higher brokerage transaction volume within IB's equity markets revenue, which included additions from Bear Stearns' Prime Services business; and higher administration fees in TSS driven by wider spreads in securities lending and increased product usage by new and existing clients. For additional information on these fees and commissions, see the segment discussions for IB on pages 42–44, RFS on pages 45–50, TSS on pages 56–57, and AM on pages 58–60 of this Annual Report.

The increase in securities gains compared with the prior year was due to the repositioning of the Corporate investment securities portfolio as a result of lower interest rates as part of managing the structural interest rate risk of the Firm, and higher gains from the sale of MasterCard shares. For a further discussion of securities gains, which are mostly recorded in the Firm's Corporate business, see the Corporate/Private Equity segment discussion on pages 61–63 of this Annual Report.

Mortgage fees and related income increased from the prior year, driven by higher net mortgage servicing revenue, which benefited from an improvement in MSR risk management results and increased loan servicing revenue. Mortgage production revenue increased slightly, as the impact of growth in originations was predominantly offset by markdowns on the mortgage warehouse and increased reserves related to the repurchase of previously sold loans. For a discussion of mortgage fees and related income, which is recorded primarily in RFS' Consumer Lending business, see the Consumer Lending discussion on pages 47–50 of this Annual Report.

Credit card income rose compared with the prior year, driven by increased interchange income due to higher customer charge volume in CS and higher debit card transaction volume in RFS, the impact of the Washington Mutual transaction, and increased servicing fees resulting from a higher level of securitized receivables. These results were partially offset by increases in volume-driven payments to partners and expense related to rewards programs. For a further discussion of credit card income, see CS' segment results on pages 51–53 of this Annual Report.

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

Net interest income rose from the prior year, due predominantly to the following: higher trading-related net interest income in IB, the impact of the Washington Mutual transaction, wider net interest spread in Corporate/Private Equity, growth in liability and deposit balances in the wholesale and RFS businesses, higher consumer and wholesale loan balances, and wider spreads on consumer loans in RFS. The Firm's total average interest-earning assets for 2008 were $1.4 trillion, up 23% from the prior year, driven by higher loans, AFS securities, securities borrowed, brokerage receivables and other interest-earning assets balances. The Firm's total average interest-bearing liabilities for 2008 were $1.3 trillion, up 24% from the prior year, driven by higher deposits, long-term debt, brokerage payables and other borrowings balances. The net interest yield on the Firm's interest-earning assets, on a fully taxable equivalent basis, was 2.87%, an increase of 48 basis points from the prior year.

2007 compared with 2006

Total net revenue of $71.4 billion was up $9.4 billion, or 15%, from the prior year. Higher net interest income, very strong private equity gains, record asset management, administration and commissions revenue, higher mortgage fees and related income, and record investment banking fees contributed to the revenue growth. These increases were offset partially by lower trading revenue.

Investment banking fees grew in 2007 to a level higher than the previous record set in 2006. Record advisory and equity underwriting fees drove the results, partially offset by lower debt underwriting fees. For a further discussion of investment banking fees, which are primarily recorded in IB, see IB segment results on pages 42–44 of this Annual Report.

Principal transactions revenue consists of trading revenue and private equity gains. Trading revenue declined significantly from the 2006 level, primarily due to net markdowns in IB of $1.4 billion on sub-prime positions, including subprime collateralized debt obligations ("CDOs"), and $1.3 billion on leveraged lending funded loans and unfunded commitments. Also in IB, markdowns of securitized products related to nonsubprime mortgages and weak credit trading performance more than offset record revenue in currencies and strong revenue in both rates and equities. Equities benefited from strong client activity and record trading results across all products. IB's Credit Portfolio results increased compared with the prior year, primarily driven by higher revenue from risk management activities. The increase in private equity gains from 2006 reflected a significantly higher level of gains, the classification of certain private equity carried interest as compensation expense and a fair value adjustment in the first quarter of 2007 on nonpublic private equity investments resulting from the adoption of SFAS 157 ("Fair Value Measurements"). For a further discussion of principal transactions revenue, see IB and Corporate/Private Equity segment results on pages 42–44 and 61–63, respectively, and Note 6 on pages 146–148 of this Annual Report.

Lending & deposit-related fees rose from the 2006 level, driven primarily by higher deposit-related fees and the Bank of New York transaction. For a further discussion of lending & deposit-related fees, which are mostly recorded in RFS, TSS and CB, see the RFS segment results on pages 45–50, the TSS segment results on pages 56–57, and the CB segment results on pages 54–55 of this Annual Report.

Asset management, administration and commissions revenue reached a level higher than the previous record set in 2006. Increased assets under management and higher performance and placement fees in AM drove the record results. The 18% growth in assets under management from year-end 2006 came from net asset inflows and market appreciation across all segments: Institutional, Retail, Private Bank and Private Wealth Management. TSS also contributed to the rise in asset management, administration and commissions revenue, driven by increased product usage by new and existing clients and market appreciation on assets under custody. Finally, commissions revenue increased, due mainly to higher brokerage transaction volume (primarily included within Fixed Income and Equity Markets revenue of IB), which more than offset the sale of the insurance business by RFS in the third quarter of 2006 and a charge in the first quarter of 2007 resulting from accelerated surrenders of customer annuities. For additional information on these fees and commissions, see the segment discussions for IB on pages 42–44, RFS on pages 45–50, TSS on pages 56–57, and AM on pages 58–60 of this Annual Report.

The favorable variance resulting from securities gains in 2007 compared with securities losses in 2006 was primarily driven by improvements in the results of repositioning of the Corporate investment securities portfolio. Also contributing to the positive variance was a $234 million gain from the sale of MasterCard shares. For a further discussion of securities gains (losses), which are mostly recorded in the Firm's Corporate business, see the Corporate/Private Equity segment discussion on pages 61–63 of this Annual Report.

Mortgage fees and related income increased from the prior year as MSRs asset valuation adjustments and growth in third-party mortgage loans serviced drove an increase in net mortgage servicing revenue. Production revenue also grew, as an increase in mortgage loan originations and the classification of certain loan origination costs as expense (loan origination costs previously netted against revenue commenced being recorded as an expense in the first quarter of 2007 due to the adoption of SFAS 159) more than offset markdowns on the mortgage warehouse and pipeline. For a discussion of mortgage fees and related income, which is recorded primarily in RFS' Consumer Lending business, see the Consumer Lending discussion on pages 47–50 of this Annual Report.

Credit card income remained relatively unchanged from the 2006 level, as lower servicing fees earned in connection with securitization activities, which were affected unfavorably by higher net credit losses and narrower loan margins, were offset by increases in net interchange income earned on the Firm's credit and debit cards. For further discussion of credit card income, see CS' segment results on pages 51–53 of this Annual Report.

Other income declined compared with the prior year, driven by lower gains from loan sales and workouts, and the absence of a $103 million gain in the second quarter of 2006 related to the sale of MasterCard shares in its initial public offering. (The 2007 gain on the sale of MasterCard shares was recorded in securities gains (losses) as the shares were transferred to the AFS portfolio subsequent to the IPO.) Increased income from automobile operating leases and higher gains on the sale of leveraged leases and student loans partially offset the decline.

Net interest income rose from the prior year, primarily due to the following: higher trading-related net interest income, due to a shift of Interest expense to principal transactions revenue (related to certain IB structured notes to which fair value accounting was elected in connection with the adoption of SFAS 159); growth in liability and deposit balances in the wholesale and consumer businesses; a higher level of credit card loans; the impact of the Bank of New York transaction; and an improvement in Corporate's net interest spread. The Firm's total average interest-earning assets for 2007 were $1.1 trillion, up 12% from the prior year. The increase was primarily driven by higher trading assets – debt instruments, loans, and AFS securities, partially offset by a decline in interests in purchased receivables as a result of the restructuring and deconsolidation during the second quarter of 2006 of certain multi-seller conduits that the Firm administered. The net interest yield on these assets, on a fully taxable equivalent basis, was 2.39%, an increase of 23 basis points from the prior year, due in part to the adoption of SFAS 159.

Provision for credit losses

Year ended December 31, (in millions)	**2008**[b]	2007	2006
Wholesale:			
Provision for credit losses	**$ 2,681**	$ 934	$ 321
Provision for credit losses – accounting conformity[a]	**646**	—	—
Total wholesale provision for credit losses	**3,327**	934	321
Consumer:			
Provision for credit losses	**16,764**	5,930	2,949
Provision for credit losses – accounting conformity[a]	**888**	—	—
Total consumer provision for credit losses	**17,652**	5,930	2,949
Total provision for credit losses	**$20,979**	$6,864	$3,270

(a) 2008 included adjustments to the provision for credit losses to conform the Washington Mutual loan loss reserve methodologies to the Firm's methodologies in connection with the Washington Mutual transaction.
(b) On September 25, 2008, JPMorgan Chase acquired the banking operations of Washington Mutual Bank. On May 30, 2008, the Bear Stearns merger was consummated. Each of these transactions was accounted for as a purchase and their respective results of operations are included in the Firm's results from each respective transaction date. For additional information on these transactions, see Note 2 on pages 123-128 of this Annual Report.

2008 compared with 2007
The provision for credit losses in 2008 rose by $14.1 billion compared with the prior year due to increases in both the consumer and wholesale provisions. The increase in the consumer provision reflected higher estimated losses for home equity and mortgages resulting from declining housing prices; an increase in estimated losses for the auto, student and business banking loan portfolios; and an increase in the allowance for loan losses and higher charge-offs of credit card loans. The increase in the wholesale provision was driven by a higher allowance resulting from a weakening credit environment and growth in retained loans. The wholesale provision in the first quarter of 2008 also included the effect of the transfer of $4.9 billion of funded and unfunded leveraged lending commitments to retained loans from held-for-sale. In addition, in 2008 both the consumer and wholesale provisions were affected by a $1.5 billion charge to conform assets acquired from Washington Mutual to the Firm's loan loss methodologies. For a more detailed discussion of the loan portfolio and the allowance for loan losses, see the segment discussions for RFS on pages 45–50, CS on pages 51–53, IB on pages 42–44 and CB on pages 54–55, and the Credit Risk Management section on pages 80–99 of this Annual Report.

2007 compared with 2006
The provision for credit losses in 2007 rose $3.6 billion from the prior year due to increases in both the consumer and wholesale provisions. The increase in the consumer provision from the prior year was largely due to an increase in estimated losses related to home equity, credit card and subprime mortgage loans. Credit card net charge-offs in 2006 benefited following the change in bankruptcy legislation in the fourth quarter of 2005. The increase in the wholesale provision from the prior year primarily reflected an increase in the allowance for

Management's discussion and analysis

credit losses due to portfolio activity, which included the effect of a weakening credit environment and portfolio growth. For a more detailed discussion of the loan portfolio and the allowance for loan losses, see the segment discussions for RFS on pages 45–50, CS on pages 51–53, IB on pages 42–44, CB on pages 54–55 and Credit Risk Management on pages 80–99 of this Annual Report.

Noninterest expense

Year ended December 31, (in millions)	2008(a)	2007	2006
Compensation expense	**$22,746**	$22,689	$21,191
Noncompensation expense:			
Occupancy expense	**3,038**	2,608	2,335
Technology, communications and equipment expense	**4,315**	3,779	3,653
Professional & outside services	**6,053**	5,140	4,450
Marketing	**1,913**	2,070	2,209
Other expense	**3,740**	3,814	3,272
Amortization of intangibles	**1,263**	1,394	1,428
Total noncompensation expense	**20,322**	18,805	17,347
Merger costs	**432**	209	305
Total noninterest expense	**$43,500**	$41,703	$38,843

(a) On September 25, 2008, JPMorgan Chase acquired the banking operations of Washington Mutual Bank. On May 30, 2008, the Bear Stearns merger was consummated. Each of these transactions was accounted for as a purchase and their respective results of operations are included in the Firm's results from each respective transaction date. For additional information on these transactions, see Note 2 on pages 123-128 of this Annual Report.

2008 compared with 2007

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

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

Noncompensation expense increased from the prior year as a result of the Bear Stearns merger and Washington Mutual transaction. Excluding the effect of these transactions, noncompensation expense decreased due to a net reduction in other expense related to litigation; lower credit card and consumer lending marketing expense; and a decrease in the amortization of intangibles as certain purchased credit card relationships were fully amortized in 2007 and the amortization rate for core deposit intangibles declined in accordance with the amortization schedule. These decreases were offset partially by increases in professional & outside services, driven by investments in new product platforms in TSS, business and volume growth in CS credit card processing and IB brokerage, clearing and exchange transaction processing. Also contributing to the increases were an increase in other expense due to higher mortgage reinsurance losses and mortgage servicing expense due to increased delinquencies and defaults in RFS; an increase in technology, communications and equipment expense reflecting higher depreciation expense on owned automobiles subject to operating leases in RFS, and other technology-related investments across the businesses; and, an increase in occupancy expense partly for the expansion of RFS' retail distribution network. For a further discussion of amortization of intangibles, refer to Note 18 on pages 186–189 of this Annual Report.

For information on merger costs, refer to Note 11 on page 158 of this Annual Report.

2007 compared with 2006

Total noninterest expense for 2007 was $41.7 billion, up $2.9 billion, or 7%, from the prior year. The increase was driven by higher compensation expense, as well as investments across the business segments and acquisitions.

The increase in compensation expense from 2006 was primarily the result of investments and acquisitions in the businesses, including additional headcount from the Bank of New York transaction; the classification of certain private equity carried interest from principal transactions revenue; the classification of certain loan origination costs (loan origination costs previously netted against revenue commenced being recorded as an expense in the first quarter of 2007 due to the adoption of SFAS 159); and higher performance-based incentives. Partially offsetting these increases were business divestitures and continuing business efficiencies.

Noncompensation expense increased from 2006 due to higher professional & outside services primarily reflecting higher brokerage expense and credit card processing costs resulting from growth in transaction volume, as well as investments in the businesses and acquisitions. Also contributing to the increase was higher other expense due to increased net legal-related costs, reflecting a lower level of insurance recoveries and increased costs of credit card-related litigation, and other increases driven by business growth and investments in the businesses. Other noncompensation expense increases also included higher occupancy expense driven by ongoing investments in the businesses, in particular, the retail distribution network and the Bank of New York transaction; and higher technology, communications and equipment expense due primarily to higher depreciation expense on owned automobiles subject to operating leases in RFS, and other technology-related investments in the businesses to support business growth. These increases were offset partially by lower credit card marketing expense; decreases due to the sale of the insurance business at the beginning of the third quarter of 2006 and lower credit card fraud-related losses, both in other expense. In addition, expense in general was reduced by the effect of continuing business efficiencies. For a discussion of amortization of intangibles, refer to Note 18 on pages 186–189 of this Annual Report.

For information on merger costs, refer to Note 11 on page 158 of this Annual Report.

Income tax expense

The Firm's income from continuing operations before income tax expense (benefit), income tax expense (benefit) and effective tax rate were as follows for each of the periods indicated.

Year ended December 31, (in millions, except rate)	**2008**(a)	2007	2006
Income from continuing operations before income tax expense (benefit)	**$2,773**	$22,805	$19,886
Income tax expense (benefit)	**(926)**	7,440	6,237
Effective tax rate	**(33.4)%**	32.6%	31.4%

(a) On September 25, 2008, JPMorgan Chase acquired the banking operations of Washington Mutual Bank. On May 30, 2008, the Bear Stearns merger was consummated. Each of these transactions was accounted for as a purchase and their respective results of operations are included in the Firm's results from each respective transaction date. For additional information on these transactions, see Note 2 on pages 123–128 of this Annual Report.

2008 compared with 2007

The decrease in the effective tax rate in 2008 compared with the prior year was the result of significantly lower reported pretax income combined with changes in the proportion of income subject to U.S. federal taxes. Also contributing to the decrease in the effective tax rate was increased business tax credits and the realization of a $1.1 billion benefit from the release of deferred tax liabilities. These deferred tax liabilities were associated with the undistributed earnings of certain non-U.S. subsidiaries that were deemed to be reinvested indefinitely. These decreases were partially offset by changes in state and local taxes, and equity losses representing the Firm's 49.4% ownership interest in Bear Stearns' losses from April 8 to May 30, 2008, for which no income tax benefit was recorded. For a further discussion of income taxes, see Critical Accounting Estimates used by the Firm on pages 107–111 and Note 28 on pages 197–199 of this Annual Report.

2007 compared with 2006

The increase in the effective tax rate for 2007, as compared with the prior year, was primarily the result of higher reported pretax income combined with changes in the proportion of income subject to federal, state and local taxes. Also contributing to the increase in the effective tax rate was the recognition in 2006 of $367 million of benefits related to the resolution of tax audits.

Income from discontinued operations

As a result of the transaction with The Bank of New York on October 1, 2006, the results of operations of the selected corporate trust businesses (i.e., trustee, paying agent, loan agency and document management services) were reported as discontinued operations.

Income from discontinued operations in 2006 was due predominantly to a gain of $622 million from exiting selected corporate trust businesses in the fourth quarter of 2006. No income from discontinued operations was recorded in 2008 or 2007.

Extraordinary gain

The Firm recorded an extraordinary gain of $1.9 billion in 2008 associated with the acquisition of the banking operations of Washington Mutual. The transaction is being accounted for under the purchase method of accounting in accordance with SFAS 141. The adjusted fair value of net assets of the banking operations, after purchase accounting adjustments, was higher than JPMorgan Chase's purchase price. There were no extraordinary gains recorded in 2007 or 2006.

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EXPLANATION AND RECONCILIATION OF THE FIRM'S USE OF NON-GAAP FINANCIAL MEASURES

The Firm prepares its consolidated financial statements using accounting principles generally accepted in the United States of America ("U.S. GAAP"); these financial statements appear on pages 118–216 of this Annual Report. That presentation, which is referred to as "reported basis," provides the reader with an understanding of the Firm's results that can be tracked consistently from year to year and enables a comparison of the Firm's performance with other companies' U.S. GAAP financial statements.

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

The presentation of CS results on a managed basis assumes that credit card loans that have been securitized and sold in accordance with SFAS 140 remain on the Consolidated Balance Sheets and that the earnings on the securitized loans are classified in the same manner as the earnings on retained loans recorded on the Consolidated Balance Sheets. JPMorgan Chase uses the concept of managed basis to evaluate the credit performance and overall financial performance of the entire managed credit card portfolio. Operations are funded and decisions are made about allocating resources, such as employees and capital, based upon managed financial information. In addition, the same underwriting standards and ongoing risk monitoring

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

Year ended December 31, (in millions, except per share and ratio data)	2008 Reported results	2008 Credit card(c)	2008 Fully tax-equivalent adjustments	2008 Managed basis	2007 Reported results	2007 Credit card(c)	2007 Fully tax-equivalent adjustments	2007 Managed basis
Revenue								
Investment banking fees	$ 5,526	$ —	$ —	$ 5,526	$ 6,635	$ —	$ —	$ 6,635
Principal transactions	(10,699)	—	—	(10,699)	9,015	—	—	9,015
Lending & deposit-related fees	5,088	—	—	5,088	3,938	—	—	3,938
Asset management, administration and commissions	13,943	—	—	13,943	14,356	—	—	14,356
Securities gains (losses)	1,560	—	—	1,560	164	—	—	164
Mortgage fees and related income	3,467	—	—	3,467	2,118	—	—	2,118
Credit card income	7,419	(3,333)	—	4,086	6,911	(3,255)	—	3,656
Other income	2,169	—	1,329	3,498	1,829	—	683	2,512
Noninterest revenue	28,473	(3,333)	1,329	26,469	44,966	(3,255)	683	42,394
Net interest income	38,779	6,945	579	46,303	26,406	5,635	377	32,418
Total net revenue	67,252	3,612	1,908	72,772	71,372	2,380	1,060	74,812
Provision for credit losses	19,445	3,612	—	23,057	6,864	2,380	—	9,244
Provision for credit losses – accounting conformity(a)	1,534	—	—	1,534	—	—	—	—
Noninterest expense	43,500	—	—	43,500	41,703	—	—	41,703
Income from continuing operations before income tax expense	2,773	—	1,908	4,681	22,805	—	1,060	23,865
Income tax expense (benefit)	(926)	—	1,908	982	7,440	—	1,060	8,500
Income from continuing operations	3,699	—	—	3,699	15,365	—	—	15,365
Income from discontinued operations	—	—	—	—	—	—	—	—
Income before extraordinary gain	3,699	—	—	3,699	15,365	—	—	15,365
Extraordinary gain	1,906	—	—	1,906	—	—	—	—
Net income	$ 5,605	$ —	$ —	$ 5,605	$ 15,365	$ —	$ —	$ 15,365
Diluted earnings per share(b)	$ 0.84	$ —	$ —	$ 0.84	$ 4.38	$ —	$ —	$ 4.38
Return on common equity(b)	2%	—%	—%	2%	13%	—%	—%	13%
Return on common equity less goodwill(b)	4	—	—	4	21	—	—	21
Return on assets(b)	0.21	NM	NM	0.20	1.06	NM	NM	1.01
Overhead ratio	65	NM	NM	60	58	NM	NM	56
Loans–Period-end	$ 744,898	$ 85,571	$ —	$ 830,469	$ 519,374	$ 72,701	$ —	$ 592,075
Total assets – average	1,791,617	76,904	—	1,868,521	1,455,044	66,780	—	1,521,824

(a) 2008 included an accounting conformity loan loss reserve provision related to the acquisition of Washington Mutual's banking operations.
(b) Based on income from continuing operations.
(c) Credit card securitizations affect CS. See pages 51–53 of this Annual Report for further information.

are used for both loans on the Consolidated Balance Sheets and securitized loans. Although securitizations result in the sale of credit card receivables to a trust, JPMorgan Chase retains the ongoing customer relationships, as the customers may continue to use their credit cards; accordingly, the customer's credit performance will affect both the securitized loans and the loans retained on the Consolidated Balance Sheets. JPMorgan Chase believes managed basis information is useful to investors, enabling them to understand both the credit risks associated with the loans reported on the Consolidated Balance Sheets and the Firm's retained interests in securitized loans. For a reconciliation of reported to managed basis results for CS, see CS segment results on pages 51–53 of this Annual Report. For information regarding the securitization process, and loans and residual interests sold and securitized, see Note 16 on pages 168–176 of this Annual Report.

Total net revenue for each of the business segments and the Firm is presented on a FTE basis. Accordingly, revenue from tax-exempt securities and investments that receive tax credits is presented in the managed results on a basis comparable to taxable securities and investments. This non-GAAP financial measure allows management to assess the comparability of revenue arising from both taxable and tax-exempt sources. The corresponding income tax impact related to these items is recorded within income tax expense.

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

(Table continued from previous page)

2006			
Reported results	Credit card (c)	Fully tax-equivalent adjustments	Managed basis
$ 5,520	$ —	$ —	$ 5,520
10,778	—	—	10,778
3,468	—	—	3,468
11,855	—	—	11,855
(543)	—	—	(543)
591	—	—	591
6,913	(3,509)	—	3,404
2,175	—	676	2,851
40,757	(3,509)	676	37,924
21,242	5,719	228	27,189
61,999	2,210	904	65,113
3,270	2,210	—	5,480
—	—	—	—
38,843	—	—	38,843
19,886	—	904	20,790
6,237	—	904	7,141
13,649	—	—	13,649
795	—	—	795
14,444	—	—	14,444
—	—	—	—
$ 14,444	$ —	$ —	$ 14,444
$ 3.82	$ —	$ —	$ 3.82
12%	—%	—%	12%
20	—	—	20
1.04	NM	NM	1.00
63	NM	NM	60
$ 483,127	$ 66,950	$ —	$ 550,077
1,313,794	65,266	—	1,379,060

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

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

Return on common equity

Net income*/ Average common stockholders' equity

Return on common equity less goodwill(d)

Net income*/ Average common stockholders' equity less goodwill

Return on assets

Reported: Net income / Total average assets
Managed: Net income / Total average managed assets(e)
(including average securitized credit card receivables)

Overhead ratio

Total noninterest expense / Total net revenue

* Represents net income applicable to common stock

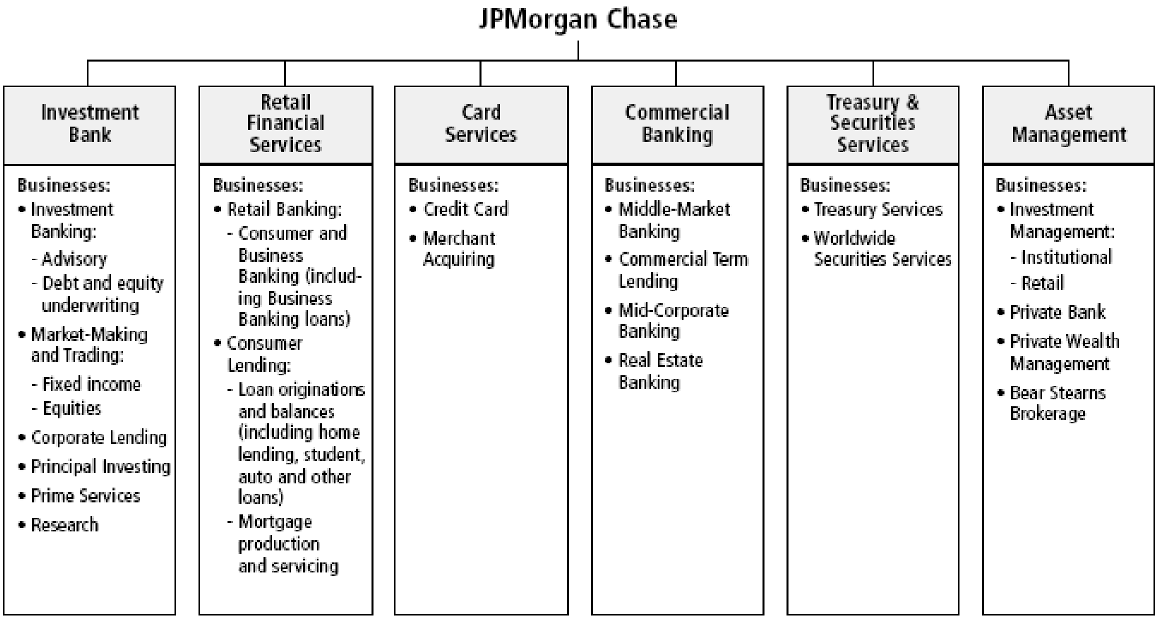
(d) The Firm uses return on common equity less goodwill, a non-GAAP financial measure, to evaluate the operating performance of the Firm and to facilitate comparisons to competitors.
(e) The Firm uses return on managed assets, a non-GAAP financial measure, to evaluate the overall performance of the managed credit card portfolio, including securitized credit card loans.

Management's discussion and analysis

BUSINESS SEGMENT RESULTS

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

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



Business segment changes
Commencing October 1, 2008,RFS was reorganized into the following two reporting segments: Retail Banking and Consumer Lending. Previously, RFS consisted of three reporting segments: Regional Banking, Mortgage Banking and Auto Finance. The new Retail Banking reporting segment now comprises consumer banking and business banking activities, which previously were reported in Regional Banking. The new Consumer Lending reporting segment now comprises: (a) the prior Mortgage Banking and Auto Finance reporting segments,(b) the home equity, student and other lending business activities which were previously reported in the Regional Banking reporting segment and (c) loan activity related to prime mortgages that were originated by RFS, but reported in the Corporate/Private Equity business segment. This reorganization is reflected in this Annual Report and the financial information for prior periods has been revised to reflect the changes as if they had been in effect throughout all periods reported.

Description of business segment reporting methodology
Results of the business segments are intended to reflect each segment as if it were essentially a stand-alone business. The management reporting process that derives business segment results allocates income and expense using market-based methodologies.

Business segment reporting methodologies used by the Firm are discussed below. The Firm continues to assess the assumptions, methodologies and reporting classifications used for segment reporting, and further refinements may be implemented in future periods.

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

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

Capital allocation
Each business segment is allocated capital by taking into consideration stand-alone peer comparisons, economic risk measures and regulatory capital requirements. The amount of capital assigned to each business is referred to as equity. Line of business equity increased during the second quarter of 2008 in IB and AM due to the Bear Stearns merger and, for AM, the purchase of the additional equity interest in Highbridge. At the end of the third quarter of 2008, equity was increased for each line of business with a view toward the future implementation of the new Basel II capital rules. For further details on these rules, see Basel II on page 72 of this Annual Report. In addition, equity allocated to RFS,CS and CB was increased as a result of the Washington Mutual transaction. For a further discussion, see Capital management—Line of business equity on page 70 of this Annual Report.

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

Segment results – Managed basis(a)(b)
The following table summarizes the business segment results for the periods indicated.

Year ended December 31, (in millions, except ratios)	Total net revenue 2008	2007	2006	Noninterest expense 2008	2007	2006
Investment Bank	**$ 12,214**	$ 18,170	$ 18,833	**$ 13,844**	$ 13,074	$ 12,860
Retail Financial Services	**23,520**	17,305	14,825	**12,077**	9,905	8,927
Card Services	**16,474**	15,235	14,745	**5,140**	4,914	5,086
Commercial Banking	**4,777**	4,103	3,800	**1,946**	1,958	1,979
Treasury & Securities Services	**8,134**	6,945	6,109	**5,223**	4,580	4,266
Asset Management	**7,584**	8,635	6,787	**5,298**	5,515	4,578
Corporate/Private Equity	**69**	4,419	14	**(28)**	1,757	1,147
Total	**$ 72,772**	$ 74,812	$ 65,113	**$ 43,500**	$ 41,703	$ 38,843

Year ended December 31, (in millions, except ratios)	Net income (loss) 2008	2007	2006	Return on equity 2008	2007	2006
Investment Bank	**$ (1,175)**	$ 3,139	$ 3,674	**(5)%**	15%	18%
Retail Financial Services	**880**	2,925	3,213	**5**	18	22
Card Services	**780**	2,919	3,206	**5**	21	23
Commercial Banking	**1,439**	1,134	1,010	**20**	17	18
Treasury & Securities Services	**1,767**	1,397	1,090	**47**	47	48
Asset Management	**1,357**	1,966	1,409	**24**	51	40
Corporate/Private Equity(c)	**557**	1,885	842	**NM**	NM	NM
Total	**$ 5,605**	$ 15,365	$ 14,444	**4%**	13%	13%

(a) Represents reported results on a tax-equivalent basis and excludes the impact of credit card securitizations.
(b) On September 25, 2008, JPMorgan Chase acquired the banking operations of Washington Mutual Bank. On May 30, 2008, the Bear Stearns merger was consummated. Each of these transactions was accounted for as a purchase and their respective results of operations are included in the Firm's results from each respective transaction date. For additional information on these transactions, see Note 2 on pages 123-128 of this Annual Report.
(c) Net income included an extraordinary gain of $1.9 billion related to the Washington Mutual transaction for 2008 and income from discontinued operations of $795 million for 2006.

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INVESTMENT BANK

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

On May 30, 2008, JPMorgan Chase merged with The Bear Stearns Companies, Inc. The merger provided IB with a leading global prime brokerage business and expanded the existing energy platform. It also strengthened IB's franchise in Equity and Fixed Income Markets, as well as client coverage.

Selected income statement data

Year ended December 31, (in millions, except ratios)	2008[g]	2007	2006
Revenue			
Investment banking fees	**$ 5,907**	$ 6,616	$ 5,537
Principal transactions[a]	**(7,042)**	4,409	9,512
Lending & deposit-related fees	**463**	446	517
Asset management, administration and commissions	**3,064**	2,701	2,240
All other income[b]	**(462)**	(78)	528
Noninterest revenue	**1,930**	14,094	18,334
Net interest income[c]	**10,284**	4,076	499
Total net revenue[d]	**12,214**	18,170	18,833
Provision for credit losses	**2,015**	654	191
Credit reimbursement from TSS[e]	**121**	121	121
Noninterest expense			
Compensation expense	**7,701**	7,965	8,190
Noncompensation expense	**6,143**	5,109	4,670
Total noninterest expense	**13,844**	13,074	12,860
Income (loss) before income tax expense (benefit)	**(3,524)**	4,563	5,903
Income tax expense (benefit)[f]	**(2,349)**	1,424	2,229
Net income (loss)	**$ (1,175)**	$ 3,139	$ 3,674
Financial ratios			
ROE	**(5)%**	15%	18%
ROA	**(0.14)**	0.45	0.57
Overhead ratio	**113**	72	68
Compensation expense as % of total net revenue	**63**	44	41

(a) The 2008 results include net markdowns on mortgage-related exposures and leveraged lending funded and unfunded commitments of $5.9 billion and $4.7 billion, respectively, compared with $1.4 billion and $1.3 billion, respectively, in 2007.
(b) All other income for 2008 decreased from the prior year due to increased revenue sharing agreements with other business segments. All other income for 2007 decreased from the prior year due mainly to losses on loan sales and lower gains on sales of assets.
(c) Net interest income for 2008 increased from the prior year due to an increase in interest-earning assets, including the addition of the Bear Stearns' Prime Services business combined with wider spreads on certain fixed income products. The increase in 2007 from the prior year was due primarily to an increase in interest-earning assets.
(d) Total net revenue included tax-equivalent adjustments, predominantly due to income tax credits related to affordable housing investments and tax-exempt income from municipal bond investments of $1.7 billion, $927 million and $802 million for 2008, 2007 and 2006,respectively.
(e) TSS is charged a credit reimbursement related to certain exposures managed within IB credit portfolio on behalf of clients shared with TSS.
(f) The income tax benefit in 2008 includes the result of reduced deferred tax liabilities on overseas earnings.
(g) Results for 2008 include seven months of the combined Firm's (JPMorgan Chase's and Bear Stearns') results and five months of heritage JPMorgan Chase results. All prior periods reflect heritage JPMorgan Chase results.

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

Year ended December 31, (in millions)	2008[d]	2007	2006
Revenue by business			
Investment banking fees:			
Advisory	**$ 2,008**	$ 2,273	$ 1,659
Equity underwriting	**1,749**	1,713	1,178
Debt underwriting	**2,150**	2,630	2,700
Total investment banking fees	**5,907**	6,616	5,537
Fixed income markets[a]	**1,957**	6,339	8,736
Equity markets[b]	**3,611**	3,903	3,458
Credit portfolio[c]	**739**	1,312	1,102
Total net revenue	**$12,214**	$18,170	$18,833
Revenue by region			
Americas	**$ 2,530**	$ 8,165	$ 9,601
Europe/Middle East/Africa	**7,681**	7,301	7,421
Asia/Pacific	**2,003**	2,704	1,811
Total net revenue	**$12,214**	$18,170	$18,833

(a) Fixed income markets include client and portfolio management revenue related to both market-making and proprietary risk-taking across global fixed income markets, including foreign exchange, interest rate, credit and commodities markets.
(b) Equities markets include client and portfolio management revenue related to market-making and proprietary risk-taking across global equity products, including cash instruments, derivatives and convertibles.
(c) Credit portfolio revenue includes net interest income, fees and the impact of loan sales activity, as well as gains or losses on securities received as part of a loan restructuring, for IB's credit portfolio. Credit portfolio revenue also includes the results of risk management related to the Firm's lending and derivative activities, and changes in the credit valuation adjustment, which is the component of the fair value of a derivative that reflects the credit quality of the counterparty. Additionally, credit portfolio revenue incorporates an adjustment to the valuation of the Firm's derivative liabilities as a result of the adoption of SFAS 157 on January 1, 2007. See pages 80–99 of the Credit Risk Management section of this Annual Report for further discussion.
(d) Results for 2008 include seven months of the combined Firm's (JPMorgan Chase's and Bear Stearns') results and five months of heritage JPMorgan Chase results. All prior periods reflect heritage JPMorgan Chase results.

2008 compared with 2007

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

Total net revenue was $12.2 billion, down $6.0 billion, or 33%, from the prior year. Investment banking fees were $5.9 billion, down 11% from the prior year, driven by lower debt underwriting and advisory fees reflecting reduced market activity. Debt underwriting fees were $2.2 billion, down 18% from the prior year, driven by lower loan syndication and bond underwriting fees. Advisory fees of $2.0 billion declined 12% from the prior year. Equity underwriting fees were $1.7 billion, up 2% from the prior year driven by improved market share. Fixed Income Markets revenue was $2.0 billion, compared with $6.3 billion in the prior year. The decrease was driven by $5.9

billion of net markdowns on mortgage-related exposures and $4.7 billion of net markdowns on leveraged lending funded and unfunded commitments. Revenue was also adversely impacted by additional losses and cost to risk reduce related to Bear Stearns' positions. These results were offset by record performance in rates and currencies, credit trading, commodities and emerging markets as well as $814 million of gains from the widening of the Firm's credit spread on certain structured liabilities and derivatives. Equity Markets revenue was $3.6 billion, down 7% from the prior year, reflecting weak trading results, partially offset by strong client revenue across products including prime services, as well as $510 million of gains from the widening of the Firm's credit spread on certain structured liabilities and derivatives. Credit portfolio revenue was $739 million, down 44%, driven by losses from widening counterparty credit spreads.

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

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

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

2007 compared with 2006

Net income was $3.1 billion, a decrease of $535 million, or 15%, from the prior year. The decrease reflected lower fixed income revenue, a higher provision for credit losses and increased noninterest expense, partially offset by record investment banking fees and equity markets revenue.

Total net revenue was $18.2 billion, down $663 million, or 4%,from the prior year. Investment banking fees were $6.6 billion, up 19% from the prior year, driven by record fees across advisory and equity underwriting, partially offset by lower debt underwriting fees. Advisory fees were $2.3 billion, up 37%, and equity underwriting fees were $1.7 billion, up 45%; both were driven by record performance across all regions. Debt underwriting fees of $2.6 billion declined 3%, reflecting lower loan syndication and bond underwriting fees, which were negatively affected by market conditions in the second half of the year. Fixed Income Markets revenue decreased 27% from the prior year. The decrease was due to net markdowns of $1.4 billion on subprime positions, including subprime CDOs and net markdowns of $1.3 billion on leveraged lending funded loans and unfunded commitments. Fixed Income Markets revenue also decreased due to markdowns in securitized products on nonsubprime mortgages and weak credit trading performance. These lower results were offset partially by record revenue in currencies and strong revenue in rates. Equity Markets revenue was $3.9 billion, up 13%, benefiting from strong client activity and record trading results across all products. Credit Portfolio revenue was $1.3 billion, up 19%, primarily due to higher revenue from risk management activities, partially offset by lower gains from loan sales and workouts.

The provision for credit losses was $654 million, an increase of $463 million from the prior year. The change was due to a net increase of $532 million in the allowance for credit losses, primarily due to portfolio activity, which included the effect of a weakening credit environment, and an increase in allowance for unfunded leveraged lending commitments, as well as portfolio growth. In addition, there were $36 million of net charge-offs in 2007, compared with $31 million of net recoveries in the prior year. The allowance for loan losses to average loans was 2.14% for 2007, compared with a ratio of 1.79% in the prior year.

Noninterest expense was $13.1 billion, up $214 million, or 2%, from the prior year.

Return on equity was 15% on $21.0 billion of allocated capital compared with 18% on $20.8 billion in 2006.

Selected metrics

Year ended December 31, (in millions, except headcount)	**2008**	2007	2006
Selected balance sheet data (period-end)			
Equity	**$ 33,000**	$ 21,000	$ 21,000
Selected balance sheet data (average)			
Total assets	**$832,729**	$700,565	$647,569
Trading assets–debt and equity instruments[a]	**350,812**	359,775	275,077
Trading assets–derivative receivables	**112,337**	63,198	54,541
Loans:			
Loans retained[b]	**73,108**	62,247	58,846
Loans held-for-sale and loans at fair value[a]	**18,502**	17,723	21,745
Total loans	**91,610**	79,970	80,591
Adjusted assets[c]	**679,780**	611,749	527,753
Equity	**26,098**	21,000	20,753
Headcount	**27,938**	25,543	23,729

(a) As a result of the adoption of SFAS 159 in the first quarter of 2007, $11.7 billion of loans were reclassified to trading assets. Loans held-for-sale and loans at fair value were excluded when calculating the allowance coverage ratio and net charge-off (recovery) rate.

(b) Loans retained included credit portfolio loans, leveraged leases and other accrual loans, and excluded loans at fair value.

(c) Adjusted assets, a non-GAAP financial measure, equals total assets minus (1) securities purchased under resale agreements and securities borrowed less securities sold, not yet purchased; (2) assets of variable interest entities ("VIEs") consolidated under FIN 46R; (3) cash and securities segregated and on deposit for regulatory and other purposes; (4) goodwill and intangibles; (5) securities received as collateral; and (6) investments purchased under the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility. The amount of adjusted assets is presented to assist the reader in comparing IB's asset and capital levels to other investment banks in the securities industry. Asset-to-equity leverage ratios are commonly used as one measure to assess a company's capital adequacy. IB believes an adjusted asset amount that excludes the assets discussed above, which were considered to have a low risk profile, provides a more meaningful measure of balance sheet leverage in the securities industry.

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Selected metrics

Year ended December 31, (in millions, except ratio data)	2008	2007	2006
Credit data and quality statistics			
Net charge-offs (recoveries)	**$ 105**	$ 36	$ (31)
Nonperforming assets:			
Nonperforming loans[a]	**1,175**	353	231
Other nonperforming assets	**1,326**	100	38
Total nonperforming assets	**2,501**	453	269
Allowance for credit losses:			
Allowance for loan losses	**3,444**	1,329	1,052
Allowance for lending-related commitments	**360**	560	305
Total allowance for credit losses	**3,804**	1,889	1,357
Net charge-off (recovery) rate[a][b][c]	**0.14%**	0.06%	(0.05)%
Allowance for loan losses to average loans[a][b][c]	**4.71**[h]	2.14[h]	1.79
Allowance for loan losses to nonperforming loans[a]	**301**	439	461
Nonperforming loans to average loans	**1.28**	0.44	0.29
Market risk–average trading and credit portfolio VaR – 99% confidence level[d]			
Trading activities:			
Fixed income	**$ 181**	$ 80	$ 56
Foreign exchange	**34**	23	22
Equities	**57**	48	31
Commodities and other	**32**	33	45
Diversification[e]	**(108)**	(77)	(70)
Total trading VaR[f]	**196**	107	84
Credit portfolio VaR[g]	**69**	17	15
Diversification[e]	**(63)**	(18)	(11)
Total trading and credit portfolio VaR	**$ 202**	$ 106	$ 88

(a) Nonperforming loans included loans held-for-sale and loans at fair value of $32 million, $50 million and $3 million at December 31, 2008, 2007 and 2006, respectively, which were excluded from the allowance coverage ratios. Nonperforming loans at December 31, 2006, excluded distressed loans held-for-sale that were purchased as part of IB's proprietary activities. As a result of the adoption of SFAS 159 in the first quarter of 2007, these loans were reclassified to trading assets.
(b) As a result of the adoption of SFAS 159 in the first quarter of 2007, $11.7 billion of loans were reclassified to trading assets.
(c) Loans held-for-sale and loans at fair value were excluded when calculating the allowance coverage ratio and net charge-off (recovery) rate.
(d) Results for 2008 include seven months of the combined Firm's (JPMorgan Chase's and Bear Stearns') results and five months of heritage JPMorgan Chase results. All prior periods reflect heritage JPMorgan Chase results. For a more complete description of value-at-risk ("VaR"), see pages 100–103 of this Annual Report.
(e) Average VaRs were less than the sum of the VaRs of their market risk components, which was due to risk offsets resulting from portfolio diversification. The diversification effect reflected the fact that the risks were not perfectly correlated. The risk of a portfolio of positions is usually less than the sum of the risks of the positions themselves.
(f) Trading VaR includes predominantly all trading activities in IB; however, particular risk parameters of certain products are not fully captured, for example, correlation risk. Trading VaR does not include VaR related to held-for-sale funded loans and unfunded commitments, nor the debit valuation adjustments ("DVA") taken on derivative and structured liabilities to reflect the credit quality of the Firm. See the DVA Sensitivity table on page 103 of this Annual Report for further details. Trading VaR also does not include the MSR portfolio or VaR related to other corporate functions, such as Corporate/Private Equity. Beginning in the fourth quarter of 2008, trading VaR includes the estimated credit spread sensitivity of certain mortgage products.
(g) Included VaR on derivative credit valuation adjustments ("CVA"), hedges of the CVA and mark-to-market hedges of the retained loan portfolio, which were all reported in principal transactions revenue. This VaR does not include the retained loan portfolio.
(h) Excluding the impact of a loan originated in March 2008 to Bear Stearns, the adjusted ratio would be 4.84% for 2008. The average balance of the loan extended to Bear Stearns was $1.9 billion for 2008. The allowance for loan losses to period-end loans was 4.83% and 1.92% at December 31, 2008 and 2007, respectively.

Market shares and rankings[a]

	2008		2007		2006	
December 31,	Market share	Rankings	Market share	Rankings	Market share	Rankings
Global debt, equity and equity-related	**10%**	**#1**	8%	#2	7%	#2
Global syndicated loans	**12**	**1**	13	1	14	1
Global long-term debt [b]	**9**	**2**	7	3	6	3
Global equity and equity-related[c]	**12**	**1**	9	2	7	6
Global announced M&A[d]	**27**	**2**	27	4	26	4
U.S. debt, equity and equity-related	**16**	**1**	10	2	9	2
U.S. syndicated loans	**26**	**1**	24	1	26	1
U.S. long-term debt[b]	**15**	**1**	10	2	9	2
U.S. equity and equity-related[c]	**16**	**1**	11	5	8	6
U.S. announced M&A[d]	**33**	**3**	28	3	29	3

(a) Source: Thomson Reuters. The results for 2008 are pro forma for the Bear Stearns merger. The results for 2007 and 2006 represent heritage JPMorgan Chase only.
(b) Includes asset-backed securities, mortgage-backed securities and municipal securities.
(c) Includes rights offerings; U.S. domiciled equity and equity-related transactions.
(d) Global announced M&A is based upon rank value; all other rankings are based upon proceeds, with full credit to each book manager/equal if joint. Because of joint assignments, market share of all participants will add up to more than 100%. Global and U.S. announced M&A market share and rankings for 2007 and 2006 include transactions withdrawn since December 31, 2007 and 2006. U.S. announced M&A represents any U.S. involvement ranking.

According to Thomson Reuters, in 2008, the Firm improved its positions to #1 in Global Debt, Equity and Equity-related transactions and Global Equity and Equity-related transactions; and improved its position to #2 in Global Long-term Debt and Global Announced M&A. The Firm maintained its #1 position in Global Syndicated Loans.

According to Dealogic, the Firm was ranked #1 in Investment Banking fees generated during 2008, based upon revenue.

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Retail Financial Services, which includes the Retail Banking and Consumer Lending reporting segments, serves consumers and businesses through multiple channels. Customers can use more than 5,400 bank branches (third-largest nationally),14,500 ATMs (second-largest nationally) as well as online and mobile banking. More than 21,400 branch salespeople assist customers with checking and savings accounts, mortgages, home equity and business loans,and investments across the 23-state footprint from New York and Florida to California. Consumers also can obtain loans through more than 16,000 auto dealerships and 4,800 schools and universities nationwide.

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

During the first quarter of 2006, RFS completed the purchase of Collegiate Funding Services, which contributed a student loan servicing capability and provided an entry into the Federal Family Education Loan Program consolidation market. On July 1, 2006, RFS sold its life insurance and annuity underwriting businesses to Protective Life Corporation. On October 1, 2006, JPMorgan Chase completed the Bank of New York transaction, significantly strengthening RFS' distribution network in the New York tri-state area.

Selected income statement data

Year ended December 31, (in millions)	2008	2007	2006
Revenue			
Lending & deposit-related fees	**$ 2,546**	$ 1,881	$ 1,597
Asset management, administration and commissions	**1,510**	1,275	1,422
Securities gains (losses)	**—**	1	(57)
Mortgage fees and related income[a]	**3,621**	2,094	618
Credit card income	**939**	646	523
Other income	**739**	882	557
Noninterest revenue	**9,355**	6,779	4,660
Net interest income	**14,165**	10,526	10,165
Total net revenue	**23,520**	17,305	14,825
Provision for credit losses	**9,905**	2,610	561
Noninterest expense			
Compensation expense[a]	**5,068**	4,369	3,657
Noncompensation expense[a]	**6,612**	5,071	4,806
Amortization of intangibles	**397**	465	464
Total noninterest expense	**12,077**	9,905	8,927

Year ended December 31, (in millions, except ratios)	2008	2007	2006
Income before income tax expense	**1,538**	4,790	5,337
Income tax expense	**658**	1,865	2,124
Net income	**$ 880**	$2,925	$3,213
Financial ratios			
ROE	**5%**	18%	22%
Overhead ratio	**51**	57	60
Overhead ratio excluding core deposit intangibles[b]	**50**	55	57

(a) The Firm adopted SFAS 159 in the first quarter of 2007. As a result, beginning in the first quarter of 2007, certain loan-origination costs have been classified as expense.
(b) Retail Financial Services uses the overhead ratio (excluding the amortization of core deposit intangibles ("CDI")), a non-GAAP financial measure, to evaluate the underlying expense trends of the business. Including CDI amortization expense in the overhead ratio calculation results in a higher overhead ratio in the earlier years and a lower overhead ratio in later years; this method would result in an improving overhead ratio over time, all things remaining equal. This non-GAAP ratio excludes Retail Baking's core deposit intangible amortization expense related to the Bank of New York transaction and the Bank One merger of $394 million, $460 million and $458 million for the years ended December 31, 2008, 2007 and 2006, respectively.

2008 compared with 2007

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

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

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

Management's discussion and analysis

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

2007 compared with 2006

Net income was $2.9 billion, a decrease of $288 million, or 9%, from the prior year, as a decline in Consumer Lending was offset partially by improved results in Retail Banking.

Total net revenue was $17.3 billion, an increase of $2.5 billion, or 17%, from the prior year. Net interest income was $10.5 billion, up $361 million, or 4%, due to the Bank of New York transaction, wider loan spreads and higher deposit balances. These benefits were offset partially by the sale of the insurance business and a shift to narrower–spread deposit products. Noninterest revenue was $6.8 billion, up $2.1 billion, benefiting from positive MSR risk management results; an increase in deposit-related fees; and the absence of a prior-year $233 million loss related to $13.3 billion of mortgage loans transferred to held-for-sale. Noninterest revenue also benefited from the classification of certain mortgage loan origination costs as expense (loan origination costs previously netted against revenue commenced being recorded as an expense in the first quarter of 2007 due to the adoption of SFAS 159).

The provision for credit losses was $2.6 billion, compared with $561 million in the prior year. The current year provision includes a net increase of $1.0 billion in the allowance for loan losses related to home equity loans as continued weak housing prices have resulted in an increase in estimated losses for high loan-to-value loans. Home equity net charge-offs were $564 million (0.62% net charge-off rate), compared with $143 million (0.18% net charge-off rate) in the prior year. In addition, the current-year provision includes a $166 million increase in the allowance for loan losses related to subprime mortgage loans, reflecting an increase in estimated losses and growth in the portfolio. Subprime mortgage net charge-offs were $157 million (1.55% net charge-off rate),compared with $47 million (0.34% net charge-off rate) in the prior year.

Total noninterest expense was $9.9 billion, an increase of $978 million, or 11%, from the prior year due to the Bank of New York transaction; the classification of certain loan origination costs as expense due to the adoption of SFAS 159; investments in the retail distribution network; and higher mortgage production and servicing expense. These increases were offset partially by the sale of the insurance business.

Selected metrics

Year ended December 31, (in millions, except headcount and ratios)	**2008**	2007	2006
Selected balance sheet data – period-end			
Assets	**$419,831**	$256,351	$237,887
Loans:			
Loans retained	**368,786**	211,324	180,760
Loans held-for-sale and loans at fair value[a]	**9,996**	16,541	32,744
Total loans	**378,782**	227,865	213,504
Deposits	**360,451**	221,129	214,081
Equity	**25,000**	16,000	16,000
Selected balance sheet data (average)			
Assets	**$304,442**	$241,112	$231,566
Loans:			
Loans retained	**257,083**	191,645	187,753
Loans held-for-sale and loans at fair value[a]	**17,056**	22,587	16,129
Total loans	**274,139**	214,232	203,882
Deposits	**258,362**	218,062	201,127
Equity	**19,011**	16,000	14,629
Headcount	**102,007**	69,465	65,570
Credit data and quality statistics			
Net charge-offs	**$ 4,877**	$ 1,350	$ 576
Nonperforming loans[b][c][d][e]	**6,784**	2,828	1,677
Nonperforming assets[b][c][d][e]	**9,077**	3,378	1,902
Allowance for loan losses	**8,918**	2,668	1,392
Net charge-off rate[f]	**1.90%**	0.70%	0.31%
Net charge-off rate excluding credit-impaired loans[f][g]	**2.08**	0.70	0.31
Allowance for loan losses to ending loans[f]	**2.42**	1.26	0.77
Allowance for loan losses to ending loans excluding purchased credit-impaired loans[f][g]	**3.19**	1.26	0.77
Allowance for loan losses to nonperforming loans[f]	**136**	97	89
Nonperforming loans to total loans	**1.79**	1.24	0.79

(a) Loans included prime mortgage loans originated with the intent to sell, which, for new originations on or after January 1, 2007, were accounted for at fair value under SFAS 159. These loans, classified as trading assets on the Consolidated Balance Sheets, totaled $8.0 billion and $12.6 billion at December 31, 2008 and 2007, respectively. Average loans included prime mortgage loans, classified as trading assets on the Consolidated Balance Sheets, of $14.2 billion and $11.9 billion for the years ended December 31, 2008 and 2007, respectively.

(b) Excludes purchased credit-impaired loans accounted for under SOP 03-3 that were acquired as part of the Washington Mutual transaction. These loans were accounted for on a pool basis and the pools are considered to be performing under SOP 03-3.

(c) Nonperforming loans and assets included loans held-for-sale and loans accounted for at fair value of $236 million, $69 million and $116 million at December 31, 2008, 2007 and 2006, respectively. Certain of these loans are classified as trading assets on the Consolidated Balance Sheets.

(d) Nonperforming loans and assets excluded (1) loans eligible for repurchase as well as loans repurchased from Governmental National Mortgage Association ("GNMA") pools that are insured by U.S. government agencies of $3.3 billion, $1.5 billion and $1.2 billion at December 31, 2008, 2007 and 2006, respectively, and (2) student loans that are 90 days past due and still accruing, which are insured by U.S. government agencies under the Federal Family Education Loan Program of $437 million, $417 million and $387 million at December 31, 2008, 2007 and 2006, respectively. These amounts were excluded, as reimbursement is proceeding normally.

(e) During the second quarter of 2008, the policy for classifying subprime mortgage and home equity loans as nonperforming was changed to conform to all other home lending products. Amounts for 2007 have been revised to reflect this change. Amounts for 2006 have not been revised as the impact was not material.

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

(g) Excludes the impact of purchased credit-impaired loans accounted for under SOP 03-3 that were acquired as part of the Washington Mutual transaction at December 31, 2008. These loans were accounted for at fair value on the acquisition date, which included the impact of credit losses over the remaining life of the portfolio. Accordingly, no allowance for loan losses has been recorded for these loans.

Retail Banking

Selected income statement data

Year ended December 31, (in millions, except ratios)	2008	2007	2006
Noninterest revenue	**$ 4,951**	$3,763	$3,259
Net interest income	**7,659**	6,193	5,698
Total net revenue	**12,610**	9,956	8,957
Provision for credit losses	**449**	79	114
Noninterest expense	**7,232**	6,166	5,667
Income before income tax expense	**4,929**	3,711	3,176
Net income	**$ 2,982**	$2,245	$1,922
Overhead ratio	**57%**	62%	63%
Overhead ratio excluding core deposit intangibles(a)	**54**	57	58

(a) Retail Banking uses the overhead ratio (excluding the amortization of core deposit intangibles (“CDI”)), a non-GAAP financial measure, to evaluate the underlying expense trends of the business. Including CDI amortization expense in the overhead ratio calculation results in a higher overhead ratio in the earlier years and a lower overhead ratio in later years; this method would result in an improving overhead ratio over time, all things remaining equal. This ratio excludes Retail Baking’s core deposit intangible amortization expense related to the Bank of New York transaction and the Bank One merger of $394 million, $460 million and $458 million for the years ended December 31, 2008, 2007 and 2006, respectively.

2008 compared with 2007

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

2007 compared with 2006

Retail Banking net income was $2.2 billion, an increase of $323 million, or 17%, from the prior year. Total net revenue was $10.0 billion, up $1.0 billion, or 11%, benefiting from the following: the Bank of New York transaction; increased deposit-related fees; and growth in deposits. These benefits were offset partially by a shift to narrower-spread deposit products. The provision for credit losses was $79 million, compared with $114 million in the prior year. Noninterest expense was $6.2 billion, up $499 million, or 9%, from the prior year, driven by the Bank of New York transaction and investments in the retail distribution network.

Selected metrics

Year ended December 31, (in billions, except ratios and where otherwise noted)	2008	2007	2006
Business metrics			
Selected ending balances			
Business banking origination volume	**$ 5.5**	$ 6.9	$ 5.7
End-of-period loans owned	**18.4**	15.6	14.0
End-of-period deposits			
Checking	**$ 109.2**	$ 66.9	$ 67.1
Savings	**144.0**	96.0	91.5
Time and other	**89.1**	48.6	43.2
Total end-of-period deposits	**342.3**	211.5	201.8
Average loans owned	**$ 16.7**	$ 14.9	$ 13.4
Average deposits			
Checking	**$ 77.1**	$ 65.8	$ 62.7
Savings	**114.3**	97.1	89.7
Time and other	**53.2**	43.8	37.5
Total average deposits	**244.6**	206.7	189.9
Deposit margin	**2.89%**	2.72%	2.74%
Average assets	**$ 26.3**	$ 25.0	$ 20.5
Credit data and quality statistics (in millions, except ratio)			
Net charge-offs	**$ 346**	$ 163	$ 114
Net charge-off rate	**2.07%**	1.09%	0.85%
Nonperforming assets	**$ 424**	$ 294	$ 244

Retail branch business metrics

Year ended December 31,	2008	2007	2006
Investment sales volume (in millions)	**$17,640**	$18,360	$14,882
Number of:			
Branches	**5,474**	3,152	3,079
ATMs	**14,568**	9,186	8,506
Personal bankers(a)	**15,825**	9,650	7,573
Sales specialists(a)	**5,661**	4,105	3,614
Active online customers (in thousands)	**11,710**	5,918	4,909
Checking accounts (in thousands)	**24,499**	10,839	9,995

(a) Employees acquired as part of the Bank of New York transaction are included beginning in 2007.

Consumer Lending

Selected income statement data

Year ended December 31, (in millions, except ratio)	2008	2007	2006
Noninterest revenue	**$ 4,404**	$3,016	$1,401
Net interest income	**6,506**	4,333	4,467
Total net revenue	**10,910**	7,349	5,868
Provision for credit losses	**9,456**	2,531	447
Noninterest expense	**4,845**	3,739	3,260
Income (loss) before income tax expense	**(3,391)**	1,079	2,161
Net income (loss)	**$ (2,102)**	$ 680	$1,291
Overhead ratio	**44%**	51%	56%

Management's discussion and analysis

2008 compared with 2007
Consumer Lending net loss was $2.1 billion, compared with net income of $680 million in the prior year. Total net revenue was $10.9 billion, up $3.6 billion, or 48%, driven by higher mortgage fees and related income (due primarily to positive MSR risk management results), the impact of the Washington Mutual transaction, higher loan balances and wider loan spreads.

The increase in mortgage fees and related income was primarily driven by higher net mortgage servicing revenue. Mortgage production revenue of $898 million was up $18 million, as higher mortgage origination volume was predominantly offset by an increase in reserves related to the repurchase of previously sold loans and markdowns of the mortgage warehouse. Net mortgage servicing revenue (which includes loan servicing revenue, MSR risk management results and other changes in fair value) was $2.7 billion, an increase of $1.5 billion, or 124%, from the prior year. Loan servicing revenue was $3.3 billion, an increase of $924 million. Third-party loans serviced increased 91%, primarily due to the Washington Mutual transaction. MSR risk management results were $1.5 billion, compared with $411 million in the prior year. Other changes in fair value of the MSR asset were negative $2.1 billion, compared with negative $1.5 billion in the prior year.

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

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

2007 compared with 2006
Consumer Lending net income was $680 million, a decrease of $611 million, or 47%, from the prior year. Total net revenue was $7.3 billion, up $1.5 billion, or 25%, benefiting from positive MSR risk management results, increased mortgage production revenue, wider loan spreads and the absence of a prior-year $233 million loss related to $13.3 billion of mortgage loans transferred to held-for-sale. These benefits were offset partially by the sale of the insurance business.

Mortgage production revenue was $880 million, up $576 million, reflecting the impact of an increase in mortgage loan originations and the classification of certain loan origination costs as expense (loan origination costs previously netted against revenue commenced being recorded as an expense in the first quarter of 2007 due to the adoption of SFAS 159).These benefits were offset partially by markdowns of $241 million on the mortgage warehouse and pipeline. Net mortgage servicing revenue, which includes loan servicing revenue, MSR risk management results and other changes in fair value, was $1.2 billion, compared with $314 million in the prior year. Loan servicing revenue of $2.3 billion increased $195 million on 17% growth in third-party loans serviced. MSR risk management results were positive $411 million compared with negative $385 million in the prior year. Other changes in fair value of the MSR asset were negative $1.5 billion, compared with negative $1.4 billion in the prior year.

The provision for credit losses was $2.5 billion, compared with $447 million in the prior year. The increase in the provision was due to the home equity and subprime mortgage portfolios (see Retail Financial Services discussion of the provision for credit losses for further detail).

Noninterest expense was $3.7 billion, an increase of $479 million, or 15%. The increase reflected the classification of certain loan origination costs due to the adoption of SFAS 159; higher servicing costs due to increased delinquencies and defaults; higher production expense due to growth in originations; and increased depreciation expense on owned automobiles subject to operating leases. These increases were offset partially by the sale of the insurance business.

Selected metrics

Year ended December 31, (in billions)	2008	2007	2006
Business metrics			
Selected ending balances			
Loans excluding purchased credit-impaired			
End-of-period loans owned			
Home equity	**$114.3**	$ 94.8	$ 85.7
Prime mortgage	**65.2**	34.0	46.5
Subprime mortgage	**15.3**	15.5	13.2
Option ARMs	**9.0**	—	—
Student loans	**15.9**	11.0	10.3
Auto	**42.6**	42.3	41.0
Other	**1.3**	2.1	2.8
Total end-of-period loans	**$263.6**	$199.7	$199.5
Average loans owned			
Home equity	**$ 99.9**	$ 90.4	$ 78.3
Prime mortgage	**45.0**	30.4	43.3
Subprime mortgage	**15.3**	12.7	15.4
Option ARMs	**2.3**	—	—
Student loans	**13.6**	10.5	8.3
Auto	**43.8**	41.1	42.7
Other loans	**1.1**	2.3	2.4
Total average loans	**$221.0**	$187.4	$190.4

Year ended December 31, (in billions)	2008	2007	2006
Purchased credit-impaired loans(a)			
End-of-period loans owned			
Home equity	**$28.6**	$ —	$ —
Prime mortgage	**21.8**	—	—
Subprime mortgage	**6.8**	—	—
Option ARMs	**31.6**	—	—
Total end-of-period loans	**$88.8**	$ —	$ —
Average loans owned			
Home equity	**$ 7.1**	$ —	$ —
Prime mortgage	**5.4**	—	—
Subprime mortgage	**1.7**	—	—
Option ARMs	**8.0**	—	—
Total average loans	**$22.2**	$ —	$ —

Year ended December 31, (in billions)	2008	2007	2006
Total consumer lending portfolio			
End-of-period loans owned			
Home equity	**$142.9**	$ 94.8	$ 85.7
Prime mortgage	**87.0**	34.0	46.5
Subprime mortgage	**22.1**	15.5	13.2
Option ARMs	**40.6**	—	—
Student loans	**15.9**	11.0	10.3
Auto loans	**42.6**	42.3	41.0
Other	**1.3**	2.1	2.8
Total end-of-period loans	**$352.4**	$199.7	$199.5
Average loans owned			
Home equity	**$107.0**	$ 90.4	$ 78.3
Prime mortgage	**50.4**	30.4	43.3
Subprime mortgage	**17.0**	12.7	15.4
Option ARMs	**10.3**	—	—
Student loans	**13.6**	10.5	8.3
Auto loans	**43.8**	41.1	42.7
Other	**1.1**	2.3	2.4
Total average loans owned(b)	**$243.2**	$187.4	$190.4

(a) Purchased credit-impaired loans represent loans acquired in the Washington Mutual transaction that are accounted for under SOP 03-3.
(b) Total average loans owned includes loans held-for-sale of $2.8 billion, $10.6 billion and $16.1 billion for the years ended December 31, 2008, 2007 and 2006, respectively.

Credit data and quality statistics

(in millions, except ratios)	2008	2007	2006
Net charge-offs excluding purchased credit-impaired(a)			
Home equity	**$2,391**	$ 564	$ 143
Prime mortgage	**526**	33	9
Subprime mortgage	**933**	157	47
Option ARMs	**—**	—	—
Auto loans	**568**	354	238
Other	**113**	79	25
Total net charge-offs	**$4,531**	1,187	462
Net charge-off rate excluding purchased credit-impaired(a)			
Home equity	**2.39%**	0.62%	0.18%
Prime mortgage	**1.18**	0.13	0.03
Subprime mortgage	**6.10**	1.55	0.34
Option ARMs	**—**	—	—
Auto loans	**1.30**	0.86	0.56
Other	**0.93**	0.88	0.31
Total net charge-off rate excluding purchased credit-impaired(b)	**2.08**	0.67	0.27
Net charge-off rate – reported			
Home equity	**2.23%**	0.62%	0.18%
Prime mortgage	**1.05**	0.13	0.03
Subprime mortgage	**5.49**	1.55	0.34
Option ARMs	**—**	—	—
Auto loans	**1.30**	0.86	0.56
Other	**0.93**	0.88	0.31
Total net charge-off rate(b)	**1.89**	0.67	0.27
30+ day delinquency rate excluding purchased credit-impaired(c)(d)(e)	**4.21%**	3.10%	1.80%
Nonperforming assets(f)(g)(h)	**$8,653**	$3,084	$1,658
Allowance for loan losses to ending loans	**2.36%**	1.24%	0.64%
Allowance for loan losses to ending loans excluding purchased credit-impaired loans(a)	**3.16**	1.24	0.64

(a) Excludes the impact of purchased credit-impaired loans accounted for under SOP 03-3 that were acquired as part of the Washington Mutual transaction. Under SOP 03-3, these loans were accounted for at fair value on the acquisition date, which includes the impact of estimated credit losses over the remaining lives of the loans. Accordingly, no charge-offs and no allowance for loan losses has been recorded for these loans.
(b) Average loans included loans held-for-sale of $2.8 billion, $10.6 billion and $16.1 billion for the years ended December 31, 2008, 2007 and 2006, respectively. These amounts were excluded when calculating the net charge-off rate.
(c) Excluded loans eligible for repurchase as well as loans repurchased from GNMA pools that are insured by U.S. government agencies of $3.2 billion, $1.2 billion and $960 million, at December 31, 2008 ,2007 and 2006, respectively. These amounts were excluded, as reimbursement is proceeding normally.
(d) Excluded loans that are 30 days past due and still accruing, which are insured by U.S. government agencies under the Federal Family Education Loan Program of $824 million, $663 million and $464 million at December 31, 2008, 2007 and 2006, respectively. These amounts are excluded as reimbursement is proceeding normally.
(e) Excludes purchased credit-impaired loans. The 30+ day delinquency rate for these loans was 17.89% at December 31, 2008. There were no purchased credit-impaired loans at December 31, 2007 and 2006.
(f) Nonperforming assets excluded (1) loans eligible for repurchase as well as loans repurchased from Governmental National Mortgage Association ("GNMA") pools that are insured by U.S. government agencies of $3.3 billion, $1.5 billion and $1.2 billion at December 31, 2008, 2007 and 2006, respectively, and (2) student loans that are 90 days past due and still accruing, which are insured by U.S. government agencies under the Federal Family Education Loan Program of $437 million, $417 million and $387 million at December 31, 2008, 2007 and 2006, respectively. These amounts for GNMA and student loans are excluded, as reimbursement is proceeding normally.
(g) During the second quarter of 2008, the policy for classifying subprime mortgage and home equity loans as nonperforming was changed to conform to all other home lending products. Amounts for 2007 have been revised to reflect this change. Amounts for 2006 have not been revised as the impact was not material.
(h) Excludes purchased credit-impaired loans accounted for under SOP 03-3 that were acquired as part of the Washington Mutual transaction. These loans are accounted for on a pool basis, and the pools are considered to be performing under SOP 03-3.

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Consumer Lending (continued) (in billions, except ratios and where otherwise noted)	2008	2007	2006
Origination volume			
Mortgage origination volume by channel			
Retail	**$ 41.1**	$ 45.5	$ 40.5
Wholesale	**29.4**	42.7	32.8
Correspondent	**55.5**	27.9	13.3
CNT (negotiated transactions)	**43.0**	43.3	32.6
Total mortgage origination volume	**169.0**	159.4	119.2
Home equity	**16.3**	48.3	51.9
Student loans	**6.9**	7.0	8.1
Auto	**19.4**	21.3	19.3
Avg. mortgage loans held-for-sale and loans at fair value(a)	**14.6**	18.8	12.9
Average assets	**278.1**	216.1	211.1
Third-party mortgage loans serviced (ending)	**1,172.6**	614.7	526.7
MSR net carrying value (ending)	**9.3**	8.6	7.5
Supplemental mortgage fees and related income details (in millions)			
Production revenue	**$ 898**	$ 880	$ 304
Net mortgage servicing revenue:			
Loan servicing revenue	**3,258**	2,334	2,139
Changes in MSR asset fair value:			
Due to inputs or assumptions in model	**(6,849)**	(516)	165
Other changes in fair value	**(2,052)**	(1,531)	(1,440)
Total changes in MSR asset fair value	**(8,901)**	(2,047)	(1,275)
Derivative valuation adjustments and other	**8,366**	927	(550)
Total net mortgage servicing revenue	**2,723**	1,214	314
Mortgage fees and related income	**3,621**	2,094	618

(a) Included $14.2 billion and $11.9 billion of prime mortgage loans at fair value for the years ended December 31, 2008 and 2007, respectively.

Mortgage origination channels comprise the following:

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

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

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

Correspondent negotiated transactions ("CNT") – Mid-to large-sized mortgage lenders, banks and bank-owned companies that sell loans or servicing to the Firm on an as-originated basis, excluding bulk servicing transactions.

Production revenue – Includes net gains or losses on originations and sales of prime and subprime mortgage loans and other production-related fees.

Net mortgage servicing revenue components: Servicing revenue – Represents all gross income earned from servicing third-party mortgage loans, including stated service fees, excess service fees, late fees and other ancillary fees.

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

Changes in MSR asset fair value due to other changes – Includes changes in the MSR value due to modeled servicing portfolio runoff (or time decay).

Derivative valuation adjustments and other – Changes in the fair value of derivative instruments used to offset the impact of changes in market-based inputs to the MSR valuation model.

MSR risk management results – Includes changes in MSR asset fair value due to inputs or assumptions and derivative valuation adjustments and other.

CARD SERVICES

Chase Card Services is one of the nation's largest card issuers with more than 168 million credit cards in circulation and more than $190 billion in managed loans. Customers used Chase cards to meet more than $368 billion worth of their spending needs in 2008. Chase has a market leadership position in building loyalty and rewards programs with many of the world's most respected brands and through its proprietary products, which include the Chase Freedom program.

Through its merchant acquiring business, Chase Paymentech Solutions, Chase is one of the leading processors of MasterCard and Visa payments.

JPMorgan Chase uses the concept of "managed basis" to evaluate the credit performance of its credit card loans, both loans on the balance sheet and loans that have been securitized. For further information, see Explanation and reconciliation of the Firm's use of non-GAAP financial measures on pages 38–39 of this Annual Report. Managed results exclude the impact of credit card securitizations on total net revenue, the provision for credit losses, net charge-offs and loan receivables. Securitization does not change reported net income; however, it does affect the classification of items on the Consolidated Statements of Income and Consolidated Balance Sheets.

The following discussion of CS' financial results reflects the acquisition of Washington Mutual's credit card operations, including $28.3 billion of managed credit card loans, as a result of the Washington Mutual transaction on September 25, 2008, and the dissolution of the Chase Paymentech Solutions joint venture on November 1, 2008. See Note 2 on pages 123–128 of this Annual Report for more information concerning these transactions.

Selected income statement data – managed basis

Year ended December 31, (in millions, except ratios)	2008	2007	2006
Revenue			
Credit card income	**$ 2,768**	$ 2,685	$ 2,587
All other income	**(49)**	361	357
Noninterest revenue	**2,719**	3,046	2,944
Net interest income	**13,755**	12,189	11,801
Total net revenue	**16,474**	15,235	14,745
Provision for credit losses	**10,059**	5,711	4,598
Noninterest expense			
Compensation expense	**1,127**	1,021	1,003
Noncompensation expense	**3,356**	3,173	3,344
Amortization of intangibles	**657**	720	739
Total noninterest expense	**5,140**	4,914	5,086
Income before income tax expense	**1,275**	4,610	5,061
Income tax expense	**495**	1,691	1,855
Net income	**$ 780**	$ 2,919	$ 3,206
Memo: Net securitization gains (amortization)	**$(183)**	$ 67	$ 82
Financial ratios			
ROE	**5%**	21%	23%
Overhead ratio	**31**	32	34

2008 compared with 2007

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

Average managed loans were $162.9 billion, an increase of $13.5 billion, or 9%, from the prior year. Excluding Washington Mutual, average managed loans were $155.9 billion. End-of-period managed loans were $190.3 billion, an increase of $33.3 billion, or 21%, from the prior year. Excluding Washington Mutual, end-of-period managed loans were $162.1 billion. The increases in both average managed loans and end-of-period managed loans were predominantly due to the impact of the Washington Mutual transaction and organic portfolio growth.

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

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

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

Management's discussion and analysis

2007 compared with 2006

Net income of $2.9 billion was down $287 million, or 9%, from the prior year. Prior-year results benefited from significantly lower net charge-offs following the change in bankruptcy legislation in the fourth quarter of 2005. The increase in net charge-offs was offset partially by higher revenue.

End-of-period managed loans of $157.1 billion increased $4.2 billion, or 3%, from the prior year. Average managed loans of $149.3 billion increased $8.2 billion, or 6%, from the prior year. The increases in both end-of-period and average managed loans resulted from organic growth.

Managed total net revenue was $15.2 billion, an increase of $490 million, or 3%, from the prior year. Net interest income was $12.2 billion, up $388 million, or 3%, from the prior year. The increase in net interest income was driven by a higher level of fees and higher average loan balances. These benefits were offset partially by narrower loan spreads, the discontinuation of certain billing practices (including the elimination of certain over-limit fees and the two-cycle billing method for calculating finance charges beginning in the second quarter of 2007) and the effect of higher revenue reversals associated with higher charge-offs. Noninterest revenue was $3.0 billion, an increase of $102 million, or 3%, from the prior year. The increase reflected a higher level of fee-based revenue and increased net interchange income, which benefited from higher charge volume. Charge volume growth was 4%, reflecting a 9% increase in sales volume, offset primarily by a lower level of balance transfers, the result of more targeted marketing efforts.

The managed provision for credit losses was $5.7 billion, an increase of $1.1 billion, or 24%, from the prior year. The increase was primarily due to a higher level of net charge-offs (the prior year benefited from the change in bankruptcy legislation in the fourth quarter of 2005) and an increase in the allowance for loan losses, driven by higher estimated net charge-offs in the portfolio. The managed net charge-off rate was 3.68%, up from 3.33% in the prior year. The 30-day managed delinquency rate was 3.48%, up from 3.13% in the prior year.

Noninterest expense was $4.9 billion, a decrease of $172 million, or 3%, compared with the prior year, primarily due to lower marketing expense and lower fraud-related expense, partially offset by higher volume-related expense.

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

- **Charge volume** – Represents the dollar amount of cardmember purchases, balance transfers and cash advance activity.
- **Net accounts opened** – Includes originations, purchases and sales.
- **Merchant acquiring business** – Represents a business that processes bank card transactions for merchants.
  - –**Bank card volume** – Represents the dollar amount of transactions processed for merchants.
  - –**Total transactions** – Represents the number of transactions and authorizations processed for merchants.

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Selected metrics

Year ended December 31, (in millions, except headcount, ratios and where otherwise noted)	2008	2007	2006
Financial metrics			
% of average managed outstandings:			
Net interest income	**8.45%**	8.16%	8.36%
Provision for credit losses	**6.18**	3.82	3.26
Noninterest revenue	**1.67**	2.04	2.09
Risk adjusted margin[a]	**3.94**	6.38	7.19
Noninterest expense	**3.16**	3.29	3.60
Pretax income (ROO)[b]	**0.78**	3.09	3.59
Net income	**0.48**	1.95	2.27
Business metrics			
Charge volume (in billions)	**$ 368.9**	$ 354.6	$ 339.6
Net accounts opened (in millions)[c]	**27.9**	16.4	45.9
Credit cards issued (in millions)	**168.7**	155.0	154.4
Number of registered Internet customers (in millions)	**35.6**	28.3	22.5
Merchant acquiring business[d]			
Bank card volume (in billions)	**$ 713.9**	$ 719.1	$ 660.6
Total transactions (in billions)	**21.4**	19.7	18.2
Selected balance sheet data (period-end)			
Loans:			
Loans on balance sheets	**$104,746**	$ 84,352	$ 85,881
Securitized loans	**85,571**	72,701	66,950
Managed loans	**$190,317**	$157,053	$152,831
Equity	**$ 15,000**	$ 14,100	$ 14,100
Selected balance sheet data (average)			
Managed assets	**$173,711**	$155,957	$148,153
Loans:			
Loans on balance sheets	**$ 83,293**	$ 79,980	$ 73,740
Securitized loans	**79,566**	69,338	67,367
Managed average loans	**$162,859**	$149,318	$141,107
Equity	**$ 14,326**	$ 14,100	$ 14,100
Headcount	**24,025**	18,554	18,639
Managed credit quality statistics			
Net charge-offs	**$ 8,159**	$ 5,496	$ 4,698
Net charge-off rate[e]	**5.01%**	3.68%	3.33%
Managed delinquency ratios			
30+ day[e]	**4.97%**	3.48%	3.13%
90+ day[e]	**2.34**	1.65	1.50
Allowance for loan losses[f][i]	**$ 7,692**	$ 3,407	$ 3,176
Allowance for loan losses to period-end loans[f]	**7.34%**	4.04%	3.70%
Key stats – Washington Mutual only[g]			
Managed loans	**$ 28,250**		
Managed average loans	**6,964**		
Net interest income[h]	**14.87%**		
Risk adjusted margin[a][h]	**4.18**		
Net charge-off rate[e]	**7.11**		
30+ day delinquency rate[e]	**8.50**		
90+ day delinquency rate[e]	**3.75**		

Year ended December 31, (in millions, except headcount, ratios and where otherwise noted)	2008	2007	2006
Key stats – excluding Washington Mutual			
Managed loans	**$162,067**	$157,053	$152,831
Managed average loans	**155,895**	149,318	141,107
Net interest income[h]	**8.16%**	8.16%	8.36%
Risk adjusted margin[a][h]	**3.93**	6.38	7.19
Net charge-off rate	**4.92**	3.68	3.33
30+ day delinquency rate	**4.36**	3.48	3.13
90+ day delinquency rate	**2.09**	1.65	1.50

(a) Represents total net revenue less provision for credit losses.
(b) Pretax return on average managed outstandings.
(c) Results for 2008 included approximately 13 million credit card accounts acquired in the Washington Mutual transaction. Results for 2006 included approximately 30 million accounts from loan portfolio acquisitions.
(d) The Chase Paymentech Solutions joint venture was dissolved effective November 1, 2008. For the period January 1, 2008 through October 31, 2008, the data presented represent activity for the Chase Paymentech Solutions joint venture and for the period November 1, 2008 through December 31, 2008, the data presented represent activity for Chase Paymentech Solutions.
(e) Results for 2008 reflect the impact of purchase accounting adjustments related to the Washington Mutual transaction.
(f) Based on loans on a reported basis.
(g) Statistics are only presented for periods after September 25, 2008, the date of the Washington Mutual transaction.
(h) As a percentage of average managed outstandings.
(i) The 2008 allowance for loan losses included an amount related to loans acquired in the Washington Mutual transaction.

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

Year ended December 31, (in millions)	2008	2007	2006
Income statement data[a]			
Credit card income			
Reported	**$ 6,082**	$ 5,940	$ 6,096
Securitization adjustments	**(3,314)**	(3,255)	(3,509)
Managed credit card income	**$ 2,768**	$ 2,685	$ 2,587
Net interest income			
Reported	**$ 6,838**	$ 6,554	$ 6,082
Securitization adjustments	**6,917**	5,635	5,719
Managed net interest income	**$ 13,755**	$ 12,189	$ 11,801
Total net revenue			
Reported	**$ 12,871**	$ 12,855	$ 12,535
Securitization adjustments	**3,603**	2,380	2,210
Managed total net revenue	**$ 16,474**	$ 15,235	$ 14,745
Provision for credit losses			
Reported	**$ 6,456**	$ 3,331	$ 2,388
Securitization adjustments	**3,603**	2,380	2,210
Managed provision for credit losses	**$ 10,059**	$ 5,711	$ 4,598
Balance sheet – average balances[a]			
Total average assets			
Reported	**$ 96,807**	$ 89,177	$ 82,887
Securitization adjustments	**76,904**	66,780	65,266
Managed average assets	**$173,711**	$155,957	$148,153
Credit quality statistics[a]			
Net charge-offs			
Reported	**$ 4,556**	$ 3,116	$ 2,488
Securitization adjustments	**3,603**	2,380	2,210
Managed net charge-offs	**$ 8,159**	$ 5,496	$ 4,698

(a) For a discussion of managed basis, see the non-GAAP financial measures discussion on pages 38–39 of this Annual Report.

Management's discussion and analysis

COMMERCIAL BANKING

Commercial Banking serves more than 26,000 clients nationally, including corporations, municipalities, financial institutions and not-for-profit entities with annual revenue generally ranging from $10 million to $2 billion, and nearly 30,000 real estate investors/owners. Delivering extensive industry knowledge, local expertise and dedicated service, CB partners with the Firm's other businesses to provide comprehensive solutions, including lending, treasury services, investment banking and asset management, to meet its clients' domestic and international financial needs.

On September 25, 2008, JPMorgan Chase acquired the banking operations of Washington Mutual from the FDIC, adding approximately $44.5 billion in loans to the Commercial Term Lending, Real Estate Banking and Other businesses in Commercial Banking. On October 1, 2006, JPMorgan Chase completed the acquisition of The Bank of New York's consumer, business banking and middle-market banking businesses, adding approximately $2.3 billion in loans and $1.2 billion in deposits in Commercial Banking.

Selected income statement data

Year ended December 31, (in millions, except ratios)	**2008**	2007	2006
Revenue			
Lending & deposit-related fees	**$ 854**	$ 647	$ 589
Asset management, administration and commissions	**113**	92	67
All other income(a)	**514**	524	417
Noninterest revenue	**1,481**	1,263	1,073
Net interest income	**3,296**	2,840	2,727
Total net revenue	**4,777**	4,103	3,800
Provision for credit losses	**464**	279	160
Noninterest expense			
Compensation expense	**692**	706	740
Noncompensation expense	**1,206**	1,197	1,179
Amortization of intangibles	**48**	55	60
Total noninterest expense	**1,946**	1,958	1,979
Income before income tax expense	**2,367**	1,866	1,661
Income tax expense	**928**	732	651
Net income	**$1,439**	$1,134	$1,010
Financial ratios			
ROE	**20%**	17%	18%
Overhead ratio	**41**	48	52

(a) Revenue from investment banking products sold to CB clients and commercial card revenue is included in all other income.

2008 compared with 2007

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

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

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

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

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

2007 compared with 2006

Net income was $1.1 billion, an increase of $124 million, or 12%, from the prior year due primarily to growth in total net revenue, partially offset by higher provision for credit losses.

Record total net revenue of $4.1 billion increased $303 million, or 8%. Net interest income of $2.8 billion increased $113 million, or 4%, driven by double-digit growth in liability balances and loans, which reflected organic growth and the Bank of New York transaction, largely offset by the continued shift to narrower-spread liability products and spread compression in the loan and liability portfolios. Noninterest revenue was $1.3 billion, up $190 million, or 18%, due to increased deposit-related fees, higher investment banking revenue, and gains on sales of securities acquired in the satisfaction of debt.

On a segment basis, Middle Market Banking revenue was $2.7 billion, an increase of $154 million, or 6%, primarily due to the Bank of New York transaction, higher deposit-related fees and growth in investment banking revenue. Mid-Corporate Banking revenue was $815 million, an increase of $159 million, or 24%, reflecting higher lending revenue, investment banking revenue, and gains on sales of securities acquired in the satisfaction of debt. Real Estate Banking revenue of $421 million decreased $37 million, or 8%.

Provision for credit losses was $279 million, compared with $160 million in the prior year. The increase in the allowance for credit losses reflected portfolio activity including slightly lower credit quality as well as growth in loan balances. The allowance for loan losses to average loans retained was 2.81%, compared with 2.86% in the prior year.

Noninterest expense was $2.0 billion, a decrease of $21 million, or 1%, largely due to lower compensation expense driven by the absence of prior-year expense from the adoption of SFAS 123R, partially offset by expense growth related to the Bank of New York transaction.

Selected metrics

Year ended December 31, (in millions, except headcount)	**2008**	2007	2006
Revenue by product:			
Lending	**$ 1,743**	$ 1,419	$ 1,344
Treasury services	**2,648**	2,350	2,243
Investment banking	**334**	292	253
Other	**52**	42	(40)
Total Commercial Banking revenue	**$ 4,777**	$ 4,103	$ 3,800
IB revenue, gross[(a)]	**$ 966**	$ 888	$ 716
Revenue by business:			
Middle Market Banking	**$ 2,939**	$ 2,689	$ 2,535
Commercial Term Lending[(b)]	**243**	—	—
Mid-Corporate Banking	**921**	815	656
Real Estate Banking[(b)]	**413**	421	458
Other[(b)]	**261**	178	151
Total Commercial Banking revenue	**$ 4,777**	$ 4,103	$ 3,800
Selected balance sheet data (period-end)			
Equity	**$ 8,000**	$ 6,700	$ 6,300
Selected balance sheet data (average)			
Total assets	**$114,299**	$87,140	$57,754
Loans:			
Loans retained	**81,931**	60,231	53,154
Loans held-for-sale and loans at fair value	**406**	863	442
Total loans	**$ 82,337**	$61,094	$53,596
Liability balances[(c)]	**103,121**	87,726	73,613
Equity	**$ 7,251**	$ 6,502	$ 5,702
Average loans by business:			
Middle Market Banking	**$ 42,193**	$37,333	$33,225
Commercial Term Lending[(b)]	**9,310**	—	—
Mid-Corporate Banking	**16,297**	12,481	8,632
Real Estate Banking[(b)]	**9,008**	7,116	7,566
Other[(b)]	**5,529**	4,164	4,173
Total Commercial Banking loans	**$ 82,337**	$61,094	$53,596
Headcount	**5,206**	4,125	4,459

Year ended December 31, (in millions, except ratios)	**2008**	2007	2006
Credit data and quality statistics:			
Net charge-offs	**$ 288**	$ 44	$ 27
Nonperforming loans[(d)]	**1,026**	146	121
Nonperforming assets	**1,142**	148	122
Allowance for credit losses:			
Allowance for loan losses[(e)]	**2,826**	1,695	1,519
Allowance for lending-related commitments	**206**	236	187
Total allowance for credit losses	**3,032**	1,931	1,706
Net charge-off rate[(f)]	**0.35%**	0.07%	0.05%
Allowance for loan losses to average loans[(d)(f)]	**3.04**[(g)]	2.81	2.86
Allowance for loan losses to nonperforming loans[(d)]	**275**	1,161	1,255
Nonperforming loans to average loans[(d)]	**1.10**[(g)]	0.24	0.23

(a) Represents the total revenue related to investment banking products sold to CB clients.
(b) Results for 2008 include total net revenue and average loans acquired in the Washington Mutual transaction.
(c) Liability balances include deposits and deposits swept to on-balance sheet liabilities such as commercial paper, federal funds purchased and securities loaned or sold under repurchase agreements.
(d) Purchased credit-impaired wholesale loans accounted for under SOP 03-3 that were acquired in the Washington Mutual transaction are considered nonperforming loans because the timing and amount of expected cash flows are not reasonably estimable. These nonperforming loans were included when calculating the allowance coverage ratio, the allowance for loan losses to nonperforming loans ratio, and the nonperforming loans to average loans ratio. The carrying amount of these purchased credit- impaired loans was $224 million at December 31, 2008.
(e) Beginning in 2008, the allowance for loan losses included an amount related to loans acquired in the Washington Mutual transaction and the Bear Stearns merger.
(f) Loans held-for-sale and loans accounted for at fair value were excluded when calculating the allowance coverage ratio and the net charge-off rate.
(g) The September 30, 2008, ending loan balance of $44.5 billion acquired in the Washington Mutual transaction is treated as if it had been part of the loan balance for the entire third quarter of 2008.

TREASURY & SECURITIES SERVICES

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

As a result of the transaction with the Bank of New York on October 1, 2006, selected corporate trust businesses were transferred from TSS to the Corporate/Private Equity segment and are reported in discontinued operations.

Selected income statement data

Year ended December 31, (in millions, except ratio data)	2008	2007	2006
Revenue			
Lending & deposit-related fees	**$1,146**	$ 923	$ 735
Asset management, administration and commissions	**3,133**	3,050	2,692
All other income	**917**	708	612
Noninterest revenue	**5,196**	4,681	4,039
Net interest income	**2,938**	2,264	2,070
Total net revenue	**8,134**	6,945	6,109
Provision for credit losses	**82**	19	(1)
Credit reimbursement to IB[(a)]	**(121)**	(121)	(121)
Noninterest expense			
Compensation expense	**2,602**	2,353	2,198
Noncompensation expense	**2,556**	2,161	1,995
Amortization of intangibles	**65**	66	73
Total noninterest expense	**5,223**	4,580	4,266
Income before income tax expense	**2,708**	2,225	1,723
Income tax expense	**941**	828	633
Net income	**$1,767**	$1,397	$1,090
Revenue by business			
Treasury Services	**$3,555**	$3,013	$2,792
Worldwide Securities Services	**4,579**	3,932	3,317
Total net revenue	**$8,134**	$6,945	$6,109
Financial ratios			
ROE	**47%**	47%	48%
Overhead ratio	**64**	66	70
Pretax margin ratio[(b)]	**33**	32	28

Year ended December 31, (in millions, except headcount)	2008	2007	2006
Selected balance sheet data (period-end)			
Equity	**$ 4,500**	$ 3,000	$ 2,200
Selected balance sheet data (average)			
Total assets	**$ 54,563**	$ 53,350	$ 31,760
Loans[(c)]	**26,226**	20,821	15,564
Liability balances[(d)]	**279,833**	228,925	189,540
Equity	**3,751**	3,000	2,285
Headcount	**27,070**	25,669	25,423

(a) TSS is charged a credit reimbursement related to certain exposures managed within IB credit portfolio on behalf of clients shared with TSS. Beginning in first quarter 2009, income statement and balance sheet items for credit portfolio activity related to joint IB/TSS clients will be reflected proportionally in the respective IB and TSS financials. This will replace the previous approach whereby a credit reimbursement was charged to TSS by IB.
(b) Pretax margin represents income before income tax expense divided by total net revenue, which is a measure of pretax performance and another basis by which management evaluates its performance and that of its competitors.
(c) Loan balances include wholesale overdrafts, commercial card and trade finance loans.
(d) Liability balances include deposits and deposits swept to on-balance sheet liabilities such as commercial paper, federal funds purchased and securities loaned or sold under repurchase agreements.

2008 compared with 2007

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

Total net revenue was a record $8.1 billion, an increase of $1.2 billion, or 17%, from the prior year. Worldwide Securities Services posted record net revenue of $4.6 billion, an increase of $647 million, or 16%, from the prior year. The growth was driven by wider spreads in securities lending, foreign exchange and liability products, increased product usage by new and existing clients (largely in custody, fund services, alternative investment services and depositary receipts) and higher liability balances, reflecting increased client deposit activity resulting from recent market conditions. These benefits were offset partially by market depreciation. Treasury Services posted record net revenue of $3.6 billion, an increase of $542 million, or 18%, reflecting higher liability balances and volume growth in electronic funds transfer products and trade loans. Revenue growth from higher liability balances reflects increased client deposit activity resulting from recent market conditions as well as organic growth. TSS firmwide net revenue, which includes Treasury Services net revenue recorded in other lines of business, grew to $11.1 billion, an increase of $1.5 billion, or 16%. Treasury Services firmwide net revenue grew to $6.5 billion, an increase of $869 million, or 15%.

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

2007 compared with 2006

Net income was a record $1.4 billion, an increase of $307 million, or 28%, from the prior year, driven by record total net revenue, partially offset by higher noninterest expense.

Total net revenue was $6.9 billion, an increase of $836 million, or 14%, from the prior year. Worldwide Securities Services net revenue of $3.9 billion was up $615 million, or 19%. The growth was driven by increased product usage by new and existing clients (primarily custody, securities lending, depositary receipts and fund services), market appreciation on assets under custody, and wider spreads on securities lending. These gains were offset partially by spread compression on liability products. Treasury Services net revenue was $3.0 billion, an increase of $221 million, or 8%, from the prior year. The results were driven by growth in electronic transaction volumes and higher liability balances, offset partially by a shift to narrower-spread liability products. TSS firmwide net revenue, which includes Treasury Services net revenue recorded in other lines of business, grew to $9.6 billion, up $1.0 billion, or 12%. Treasury Services firmwide net revenue grew to $5.6 billion, up $391 million, or 7%.

Noninterest expense was $4.6 billion, an increase of $314 million, or 7%, from the prior year, reflecting higher expense related to business and volume growth, as well as investment in new product platforms.

Treasury & Securities Services firmwide metrics include revenue recorded in the CB, Retail Banking and AM lines of business and excludes foreign exchange ("FX") revenue recorded in IB for TSS-related FX activity. In order to capture the firmwide impact of TS and TSS products and revenue, management reviews firmwide metrics such as liability balances, revenue and overhead ratios in assessing financial performance for TSS. Firmwide metrics are necessary in order to understand the aggregate TSS business.

Selected metrics

Year ended December 31, (in millions, except ratio data)	2008	2007	2006
TSS firmwide disclosures			
Treasury Services revenue – reported	**$ 3,555**	$ 3,013	$ 2,792
Treasury Services revenue reported in Commercial Banking	**2,648**	2,350	2,243
Treasury Services revenue reported in other lines of business	**299**	270	207
Treasury Services firmwide revenue(a)	**6,502**	5,633	5,242
Worldwide Securities Services revenue	**4,579**	3,932	3,317
Treasury & Securities Services firmwide revenue(a)	**$ 11,081**	$ 9,565	$ 8,559
Treasury Services firmwide liability balances (average)(b)	**$242,706**	$199,077	$162,020
Treasury & Securities Services firmwide liability balances (average)(b)	**382,947**	316,651	262,678
TSS firmwide financial ratios			
Treasury Services firmwide overhead ratio(c)	**51%**	56%	56%
Treasury & Securities Services firmwide overhead ratio(c)	**57**	60	62

Year ended December 31, (in millions, except ratio data and where otherwise noted)	2008	2007	2006
Firmwide business metrics			
Assets under custody (in billions)	**$ 13,205**	$ 15,946	$ 13,903
Number of:			
U.S.$ ACH transactions originated (in millions)	**4,000**	3,870	3,503
Total U.S.$ clearing volume (in thousands)	**115,742**	111,036	104,846
International electronic funds transfer volume (in thousands)(d)	**171,036**	168,605	145,325
Wholesale check volume (in millions)	**2,408**	2,925	3,409
Wholesale cards issued (in thousands)(e)	**22,784**	18,722	17,228
Credit data and quality statistics			
Net charge-offs (recoveries)	**$ (2)**	$ —	$ 1
Nonperforming loans	**30**	—	—
Allowance for loan losses	**74**	18	7
Allowance for lending-related commitments	**63**	32	1
Net charge-off (recovery) rate	**(0.01)%**	—%	0.01%
Allowance for loan losses to average loans	**0.28**	0.09	0.04
Allowance for loan losses to nonperforming loans	**247**	NM	NM
Nonperforming loans to average loans	**0.11**	—	—

(a) TSS firmwide FX revenue, which includes FX revenue recorded in TSS and FX revenue associated with TSS customers who are FX customers of IB, was $880 million, $552 million and $445 million for the years ended December 31, 2008, 2007 and 2006, respectively.
(b) Firmwide liability balances include TS' liability balances recorded in the Commercial Banking line of business.
(c) Overhead ratios have been calculated based upon firmwide revenue and TSS and TS expense, respectively, including those allocated to certain other lines of business. FX revenue and expense recorded in IB for TSS-related FX activity are not included in this ratio.
(d) International electronic funds transfer includes non-U.S. dollar ACH and clearing volume.
(e) Wholesale cards issued include domestic commercial card, stored value card, prepaid card and government electronic benefit card products.

Management's discussion and analysis

ASSET MANAGEMENT

AM, with assets under supervision of $1.5 trillion, is a global leader in investment and wealth management. AM clients include institutions, retail investors and high-net-worth individuals in every major market throughout the world. AM offers global investment management in equities, fixed income, real estate, hedge funds, private equity and liquidity, including money market instruments and bank deposits. AM also provides trust and estate, banking and brokerage services to high-net-worth clients, and retirement services for corporations and individuals. The majority of AM's client assets are in actively managed portfolios.

On May 30, 2008, JPMorgan Chase merged with The Bear Stearns Companies, Inc. The merger resulted in the addition of a new client segment, Bear Stearns Brokerage, but did not materially affect balances or business metrics.

Selected income statement data

Year ended December 31, (in millions, except ratios)	2008	2007	2006
Revenue			
Asset management, administration and commissions	**$6,004**	$6,821	$5,295
All other income	**62**	654	521
Noninterest revenue	**6,066**	7,475	5,816
Net interest income	**1,518**	1,160	971
Total net revenue	**7,584**	8,635	6,787
Provision for credit losses	**85**	(18)	(28)
Noninterest expense			
Compensation expense	**3,216**	3,521	2,777
Noncompensation expense	**2,000**	1,915	1,713
Amortization of intangibles	**82**	79	88
Total noninterest expense	**5,298**	5,515	4,578
Income before income tax expense	**2,201**	3,138	2,237
Income tax expense	**844**	1,172	828
Net income	**$1,357**	$1,966	$1,409
Revenue by client segment			
Private Bank(a)	**$2,565**	$2,362	$1,686
Institutional	**1,775**	2,525	1,972
Retail	**1,620**	2,408	1,885
Private Wealth Management(a)	**1,387**	1,340	1,244
Bear Stearns Brokerage	**237**	—	—
Total net revenue	**$7,584**	$8,635	$6,787
Financial ratios			
ROE	**24%**	51%	40%
Overhead ratio	**70**	64	67
Pretax margin ratio(b)	**29**	36	33

(a) In 2008, certain clients were transferred from Private Bank to Private Wealth Management. Prior periods have been revised to conform to this change.
(b) Pretax margin represents income before income tax expense divided by total net revenue, which is a measure of pretax performance and another basis by which management evaluates its performance and that of its competitors.

2008 compared with 2007

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

Total net revenue was $7.6 billion, a decrease of $1.1 billion, or 12%, from the prior year. Noninterest revenue was $6.1 billion, a decline of $1.4 billion, or 19%, due to lower performance fees and the effect of lower markets, including the impact of lower market valuations of seed capital investments. The lower results were offset partially by the benefit of the Bear Stearns merger and increased revenue from net asset inflows. Net interest income was $1.5 billion, up $358 million, or 31%, from the prior year, due to higher deposit and loan balances and wider deposit spreads.

Private Bank revenue grew 9% to $2.6 billion, due to increased deposit and loan balances and net asset inflows, partially offset by the effect of lower markets and lower performance fees. Institutional revenue declined 30% to $1.8 billion due to lower performance fees, partially offset by net liquidity inflows. Retail revenue declined 33% to $1.6 billion due to the effect of lower markets, including the impact of lower market valuations of seed capital investments and net equity outflows. Private Wealth Management revenue grew 4% to $1.4 billion due to higher deposit and loan balances. Bear Stearns Brokerage contributed $237 million to revenue.

The provision for credit losses was $85 million, compared with a benefit of $18 million in the prior year, reflecting an increase in loan balances, higher net charge-offs and a weakening credit environment.

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

2007 compared with 2006

Net income was a record $2.0 billion, an increase of $557 million, or 40%, from the prior year. Results benefited from record total net revenue, partially offset by higher noninterest expense.

Total net revenue was $8.6 billion, an increase of $1.8 billion, or 27%, from the prior year. Noninterest revenue, primarily fees and commissions, was $7.5 billion, up $1.7 billion, or 29%, largely due to increased assets under management and higher performance and placement fees. Net interest income was $1.2 billion, up $189 million, or 19%, from the prior year, largely due to higher deposit and loan balances.

Institutional revenue grew 28% to $2.5 billion, due to net asset inflows and performance fees. Private Bank revenue grew 40% to $2.4 billion, due to higher assets under management, performance and placement fees, and increased loan and deposit balances. Retail revenue grew 28%, to $2.4 billion, primarily due to market appreciation and net asset inflows. Private Wealth Management revenue grew 8% to $1.3 billion, reflecting higher assets under management and higher deposit balances.

The provision for credit losses was a benefit of $18 million, compared with a benefit of $28 million in the prior year.

Noninterest expense was $5.5 billion, an increase of $937 million, or 20%, from the prior year. The increase was due primarily to higher performance-based compensation expense and investments in all business segments.

Selected metrics

Year ended December 31, (in millions, except headcount, ranking data, and where otherwise noted)	2008	2007	2006
Business metrics			
Number of:			
Client advisors	**1,705**	1,729	1,506
Retirement planning services participants	**1,531,000**	1,501,000	1,362,000
Bear Stearns brokers	**324**	—	—
% of customer assets in 4 & 5 Star Funds[a]	**42%**	55%	58%
% of AUM in 1st and 2nd quartiles:[b]			
1 year	**54%**	57%	83%
3 years	**65%**	75%	77%
5 years	**76%**	76%	79%
Selected balance sheet data (period-end)			
Equity	**$ 7,000**	$ 4,000	$ 3,500
Selected balance sheet data (average)			
Total assets	**$ 65,550**	$ 51,882	$ 43,635
Loans[c]	**38,124**	29,496	26,507
Deposits	**70,179**	58,863	50,607
Equity	**5,645**	3,876	3,500
Headcount	**15,339**	14,799	13,298
Credit data and quality statistics			
Net charge-offs (recoveries)	**$ 11**	$ (8)	$ (19)
Nonperforming loans	**147**	12	39
Allowance for loan losses	**191**	112	121
Allowance for lending-related commitments	**5**	7	6
Net charge-off (recovery) rate	**0.03%**	(0.03)%	(0.07)%
Allowance for loan losses to average loans	**0.50**	0.38	0.46
Allowance for loan losses to nonperforming loans	**130**	933	310
Nonperforming loans to average loans	**0.39**	0.04	0.15

(a) Derived from following rating services: Morningstar for the United States; Micropal for the United Kingdom, Luxembourg, Hong Kong and Taiwan; and Nomura for Japan.
(b) Derived from following rating services: Lipper for the United States and Taiwan; Micropal for the United Kingdom, Luxembourg and Hong Kong; and Nomura for Japan.
(c) Reflects the transfer in 2007 of held-for-investment prime mortgage loans transferred from AM to Corporate within the Corporate/Private Equity segment.

AM's client segments comprise the following:

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

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

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

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

Bear Stearns Brokerage provides investment advice and wealth management services to high-net-worth individuals, money managers, and small corporations.

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

- Percentage of assets under management in funds rated 4 and 5 stars (3 year). Mutual fund rating services rank funds based on their risk-adjusted performance over various periods. A 5 star rating is the best and represents the top 10% of industry wide ranked funds. A 4 star rating represents the next 22% of industry wide ranked funds. The worst rating is a 1 star rating.
- Percentage of assets under management in first- or second- quartile funds (one, three and five years). Mutual fund rating services rank funds according to a peer-based performance system, which measures returns according to specific time and fund classification (small, mid, multi and large cap).

Assets under supervision

2008 compared with 2007

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

2007 compared with 2006

AUS were $1.6 trillion, an increase of $225 billion, or 17%, from the prior year. AUM were $1.2 trillion, up 18%, or $180 billion, from the prior year. The increase in AUM was the result of net asset inflows into liquidity and alternative products and market appreciation across all segments. Custody, brokerage, administration and deposit balances were $379 billion, up $45 billion. The Firm also has a 44% interest in American Century Companies, Inc., whose AUM totaled $102 billion and $103 billion at December 31, 2007 and 2006, respectively, which are excluded from the AUM above.

Assets under supervision[(a)]

As of or for the year ended December 31, (in billions)	2008	2007	2006
Assets by asset class			
Liquidity	**$ 613**	$ 400	$ 311
Fixed income	**180**	200	175
Equities & balanced	**240**	472	427
Alternatives	**100**	121	100
Total assets under management	**1,133**	1,193	1,013
Custody/brokerage/administration/deposits	**363**	379	334
Total assets under supervision	**$1,496**	$1,572	$1,347
Assets by client segment			
Institutional	**$ 681**	$ 632	$ 538
Private Bank[(b)]	**181**	183	142
Retail	**194**	300	259
Private Wealth Management[(b)]	**71**	78	74
Bear Stearns Brokerage	**6**	—	—
Total assets under management	**$1,133**	$1,193	$1,013
Institutional	**$ 682**	$ 633	$ 539
Private Bank[(b)]	**378**	403	328
Retail	**262**	394	343
Private Wealth Management[(b)]	**124**	142	137
Bear Stearns Brokerage	**50**	—	—
Total assets under supervision	**$1,496**	$1,572	$1,347

As of or for the year ended December 31, (in billions)	2008	2007	2006
Assets by geographic region			
U.S./Canada	**$ 798**	$ 760	$ 630
International	**335**	433	383
Total assets under management	**$1,133**	$1,193	$1,013
U.S./Canada	**$1,084**	$1,032	$ 889
International	**412**	540	458
Total assets under supervision	**$1,496**	$1,572	$1,347
Mutual fund assets by asset class			
Liquidity	**$ 553**	$ 339	$ 255
Fixed income	**41**	46	46
Equities	**99**	224	206
Total mutual fund assets	**$ 693**	$ 609	$ 507
Assets under management rollforward			
Beginning balance, January 1	**$1,193**	$1,013	$ 847
Net asset flows:			
Liquidity	**210**	78	44
Fixed income	**(12)**	9	11
Equities, balanced and alternative	**(47)**	28	34
Market/performance/other impacts[(c)]	**(211)**	65	77
Ending balance, December 31	**$1,133**	$1,193	$1,013
Assets under supervision rollforward			
Beginning balance, January 1	**$1,572**	$1,347	$1,149
Net asset flows	**181**	143	102
Market/performance/other impacts[(c)]	**(257)**	82	96
Ending balance, December 31	**$1,496**	$1,572	$1,347

(a) Excludes assets under management of American Century Companies, Inc., in which the Firm had a 43%, 44% and 43% ownership at December 31, 2008, 2007 and 2006, respectively.
(b) In 2008, certain clients were transferred from Private Bank to Private Wealth Management. Prior periods have been revised to conform to this change.
(c) Includes $15 billion for assets under management and $68 billion for assets under supervision from the Bear Stearns merger in the second quarter of 2008.

CORPORATE/PRIVATE EQUITY

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

Selected income statement data

Year ended December 31, (in millions)	2008	2007	2006
Revenue			
Principal transactions(a)(b)	**$(3,588)**	$ 4,552	$ 1,181
Securities gains (losses)(c)	**1,637**	39	(608)
All other income(d)	**1,673**	465	485
Noninterest revenue	**(278)**	5,056	1,058
Net interest income (expense)	**347**	(637)	(1,044)
Total net revenue	**69**	4,419	14
Provision for credit losses	**447**(j)(k)	(11)	(1)
Provision for credit losses – accounting conformity(e)	**1,534**	—	—
Noninterest expense			
Compensation expense	**2,340**	2,754	2,626
Noncompensation expense(f)	**1,841**	3,025	2,357
Merger costs	**432**	209	305
Subtotal	**4,613**	5,988	5,288
Net expense allocated to other businesses	**(4,641)**	(4,231)	(4,141)
Total noninterest expense	**(28)**	1,757	1,147
Income (loss) from continuing operations before income tax expense (benefit)	**(1,884)**	2,673	(1,132)
Income tax expense (benefit)(g)	**(535)**	788	(1,179)
Income (loss) from continuing operations	**(1,349)**	1,885	47
Income from discontinued operations(h)	**—**	—	795
Income before extraordinary gain	**(1,349)**	1,885	842
Extraordinary gain(i)	**1,906**	—	—
Net income	**$ 557**	$ 1,885	$ 842

(a) Included losses on preferred equity interests in Fannie Mae and Freddie Mac in 2008.
(b) The Firm adopted SFAS 157 in the first quarter of 2007. See Note 4 on pages 129–143 of this Annual Report for additional information.
(c) Included gain on sale of MasterCard shares in 2008.
(d) Included a gain from the dissolution of the Chase Paymentech Solutions joint venture and proceeds from the sale of Visa shares in its initial public offering in 2008.
(e) Represents an accounting conformity loan loss reserve provision related to the acquisition of Washington Mutual Bank's banking operations. For a further discussion, see Consumer Credit Portfolio on page 99 of this Annual Report.
(f) Included a release of credit card litigation reserves in 2008 and insurance recoveries related to settlement of the Enron and WorldCom class action litigations and for certain other material legal proceedings of $512 million for full year 2006.
(g) Includes tax benefits recognized upon resolution of tax audits.
(h) Included a $622 million gain from the sale of selected corporate trust businesses in 2006.
(i) Effective September 25, 2008, JPMorgan Chase acquired Washington Mutual's banking operations from the FDIC for $1.9 billion. The fair value of the Washington Mutual net assets acquired exceeded the purchase price, which resulted in negative goodwill. In accordance with SFAS 141, nonfinancial assets that are not held-for-sale were written down against that negative goodwill. The negative goodwill that remained after writing down nonfinancial assets was recognized as an extraordinary gain in 2008.
(j) In November 2008, the Firm transferred $5.8 billion of higher quality credit card loans from the legacy Chase portfolio to a securitization trust previously established by Washington Mutual ("the Trust"). As a result of converting higher credit quality Chase-originated on-book receivables to the Trust's seller's interest which has a higher overall loss rate reflective of the total assets within the Trust, approximately $400 million of incremental provision expense was recorded during the fourth quarter. This incremental provision expense was recorded in the Corporate segment as the action related to the acquisition of Washington Mutual's banking operations. For further discussion of credit card securitizations, see Note 16 on pages 169–170 of this Annual Report.
(k) Includes $9 million for credit card securitizations related to the Washington Mutual transaction.

2008 compared with 2007

Net income for Corporate/Private Equity was $557 million, compared with net income of $1.9 billion in the prior year. This segment includes the results of Private Equity and Corporate business segments, as well as merger-related items.

Net loss for Private Equity was $690 million, compared with net income of $2.2 billion in the prior year. Net revenue was negative $963 million, a decrease of $4.9 billion, reflecting Private Equity losses of $894 million, compared with gains of $4.1 billion in the prior year. Noninterest expense was negative $120 million, a decrease of $469 million from the prior year, reflecting lower compensation expense.

Net income for Corporate was $1.5 billion, compared with a net loss of $150 million in the prior year. Net revenue was $1.0 billion, an increase of $580 million. Excluding merger-related items, net revenue was $1.7 billion, an increase of $1.2 billion. Net revenue included a gain of $1.5 billion on the proceeds from the sale of Visa shares in its initial public offering, $1.0 billion on the dissolution of the Chase Paymentech Solutions joint venture, and $668 million from the sale of MasterCard shares, partially offset by losses of $1.1 billion on preferred securities of Fannie Mae and Freddie Mac and $464 million related to the offer to repurchase auction-rate securities. 2007 included a gain of $234 million on the sale of MasterCard shares. Noninterest expense was negative $736 million, compared with $959 million in the prior year, driven mainly by lower litigation expense.

Merger-related items were a net loss of $2.1 billion compared with a net loss of $130 million in the prior year. Washington Mutual merger-related items included conforming loan loss reserve of $1.5 billion, credit card related loan loss reserves of $403 million and net merger-related costs of $138 million. Bear Stearns merger-related included a net loss of $423 million, which represented JPMorgan Chase's 49.4% ownership in Bear Stearns losses from April 8 to May 30, 2008, and net merger-related costs of $665 million. 2007 included merger costs of $209 million related to the Bank One and Bank of New York transactions.

Management's discussion and analysis

2007 compared with 2006

Net income was $1.9 billion, compared with $842 million in the prior year, benefiting from strong Private Equity gains, partially offset by higher expense. Prior-year results also included Income from discontinued operations of $795 million, which included a one-time gain of $622 million from the sale of selected corporate trust businesses.

Net income for Private Equity was $2.2 billion, compared with $627 million in the prior year. Total net revenue was $4.0 billion, an increase of $2.8 billion. The increase was driven by Private Equity gains of $4.1 billion, compared with $1.3 billion, reflecting a higher level of gains and the change in classification of carried interest to compensation expense. Total noninterest expense was $589 million, an increase of $422 million from the prior year. The increase was driven by higher compensation expense, reflecting the change in the classification of carried interest.

Net loss for Corporate was $150 million, compared with a net loss of $391 million in the prior year. Corporate total net revenue was $452 million, an increase of $1.6 billion. Revenue benefited from net security gains compared with net security losses in the prior year and improved net interest spread. Total noninterest expense was $959 million, an increase of $284 million from the prior year. The increase reflected higher net litigation expense, driven by credit card-related litigation and the absence of prior-year insurance recoveries related to certain material litigation, partially offset by lower compensation expense.

Net loss for merger costs related to the Bank One and the Bank of New York transactions were $130 million, compared with a loss of $189 million in the prior year. Merger costs were $209 million, compared with $305 million in the prior year.

Selected metrics

Year ended December 31, (in millions, except headcount)	2008	2007	2006
Total net revenue			
Private equity[a]	**$ (963)**	$ 3,967	$ 1,142
Corporate	**1,032**	452	(1,128)
Total net revenue	**$ 69**	$ 4,419	$ 14
Net income (loss)			
Private equity[a]	**$ (690)**	$ 2,165	$ 627
Corporate[b][c]	**1,458**	(150)	(391)
Merger-related items[d]	**(2,117)**	(130)	(189)
Income (loss) from continuing operations	**(1,349)**	1,885	47
Income from discontinued operations (after-tax)[e]	**—**	—	795
Income before extraordinary gain	**(1,349)**	1,885	842
Extraordinary gain	**1,906**	—	—
Total net income	**$ 557**	$ 1,885	$ 842
Headcount	**23,376**	22,512	23,242

(a) The Firm adopted SFAS 157 in the first quarter of 2007. See Note 4 on pages 129–143 of this Annual Report for additional information.
(b) Included a release of credit card litigation reserves in 2008 and insurance recoveries related to settlement of the Enron and WorldCom class action litigations and for certain other material legal proceedings of $512 million for full year 2006.
(c) Includes tax benefits recognized upon resolution of tax audits.
(d) Includes an accounting conformity loan loss reserve provision related to the Washington Mutual transaction in 2008. 2008 also reflects items related to the Bear Stearns merger, which included Bear Stearns' losses, merger costs, Bear Stearns asset management liquidation costs and Bear Stearns private client services broker retention expense. Prior periods represent costs related to the Bank One transaction in 2004 and the Bank of New York transaction in 2006.
(e) Included a $622 million gain from the sale of selected corporate trust business in 2006.

Private equity portfolio

2008 compared with 2007

The carrying value of the private equity portfolio at December 31, 2008, was $6.9 billion, down from $7.2 billion at December 31, 2007. The portfolio decrease was primarily driven by unfavorable valuation adjustments on existing investments, partially offset by new investments, and the addition of the Bear Stearns portfolios. The portfolio represented 5.8% of the Firm's stockholders' equity less goodwill at December 31, 2008, down from 9.2% at December 31, 2007.

2007 compared with 2006

The carrying value of the private equity portfolio at December 31, 2007, was $7.2 billion, up from $6.1 billion at December 31, 2006. The portfolio increase was due primarily to favorable valuation adjustments on nonpublic investments and new investments, partially offset by sales activity. The portfolio represented 9.2% of the Firm's stockholders' equity less goodwill at December 31, 2007, up from 8.6% at December 31, 2006.

Selected income statement and balance sheet data

Year ended December 31, (in millions)	2008	2007	2006
Corporate			
Securities gains (losses)[a]	**$ 1,652**	$ 37	$ (619)
Investment securities portfolio (average)[b]	**106,801**	85,517	63,361
Investment securities portfolio (ending)[b]	**166,662**	76,200	82,091
Mortgage loans (average)[c]	**7,059**	5,639	—
Mortgage loans (ending)[c]	**7,292**	6,635	—
Private equity			
Realized gains	**$ 1,717**	$ 2,312	$ 1,223
Unrealized gains (losses)[d][e]	**(2,480)**	1,607	(1)
Total direct investments	**(763)**	3,919	1,222
Third-party fund investments	**(131)**	165	77
Total private equity gains (losses)[f]	**$ (894)**	$ 4,084	$ 1,299
Private equity portfolio information[g]			
Direct investments			
Publicly held securities			
Carrying value	**$ 483**	$ 390	$ 587
Cost	**792**	288	451
Quoted public value	**543**	536	831
Privately held direct securities			
Carrying value	**5,564**	5,914	4,692
Cost	**6,296**	4,867	5,795
Third-party fund investments[h]			
Carrying value	**805**	849	802
Cost	**1,169**	1,076	1,080
Total private equity portfolio – Carrying value	**$ 6,852**	$ 7,153	$ 6,081
Total private equity portfolio – Cost	**$ 8,257**	$ 6,231	$ 7,326

(a) Results for 2008 included a gain on the sale of MasterCard shares. All periods reflect repositioning of the Corporate investment securities portfolio and exclude gains/losses on securities used to manage risk associated with MSRs.
(b) Includes Chief Investment Office investment securities only.
(c) Held-for-investment prime mortgage loans were transferred from AM to the Corporate/Private Equity segment for risk management and reporting purposes. The initial transfer in 2007 had no material impact on the financial results of Corporate/Private Equity.
(d) Unrealized gains (losses) contain reversals of unrealized gains and losses that were recognized in prior periods and have now been realized.
(e) The Firm adopted SFAS 157 in the first quarter of 2007. For additional information, see Note 4 on pages 129–143 of this Annual Report.
(f) Included in principal transactions revenue in the Consolidated Statements of Income.
(g) For more information on the Firm's policies regarding the valuation of the private equity portfolio, see Note 4 on pages 129–143 of this Annual Report.
(h) Unfunded commitments to third-party equity funds were $1.4 billion, $881 million and $589 million at December 31, 2008, 2007 and 2006, respectively.

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BALANCE SHEET ANALYSIS

Selected balance sheet data

December 31, (in millions)	2008	2007
Assets		
Cash and due from banks	$ 26,895	$ 40,144
Deposits with banks	138,139	11,466
Federal funds sold and securities purchased under resale agreements	203,115	170,897
Securities borrowed	124,000	84,184
Trading assets:		
Debt and equity instruments	347,357	414,273
Derivative receivables	162,626	77,136
Securities	205,943	85,450
Loans	744,898	519,374
Allowance for loan losses	(23,164)	(9,234)
Loans, net of allowance for loan losses	721,734	510,140
Accrued interest and accounts receivable	60,987	24,823
Goodwill	48,027	45,270
Other intangible assets	14,984	14,731
Other assets	121,245	83,633
Total assets	$2,175,052	$1,562,147
Liabilities		
Deposits	$1,009,277	$ 740,728
Federal funds purchased and securities loaned or sold under repurchase agreements	192,546	154,398
Commercial paper and other borrowed funds	170,245	78,431
Trading liabilities:		
Debt and equity instruments	45,274	89,162
Derivative payables	121,604	68,705
Accounts payable and other liabilities	187,978	94,476
Beneficial interests issued by consolidated VIEs	10,561	14,016
Long-term debt and trust preferred capital debt securities	270,683	199,010
Total liabilities	2,008,168	1,438,926
Stockholders' equity	166,884	123,221
Total liabilities and stockholders' equity	$2,175,052	$1,562,147

Consolidated Balance Sheets overview

The following is a discussion of the significant changes in the Consolidated Balance Sheets from December 31, 2007.

Deposits with banks; federal funds sold and securities purchased under resale agreements; securities borrowed; federal funds purchased and securities loaned or sold under repurchase agreements

The Firm utilizes deposits with banks, federal funds sold and securities purchased under resale agreements, securities borrowed, and federal funds purchased and securities loaned or sold under repurchase agreements as part of its liquidity management activities to manage the Firm's cash positions and risk-based capital requirements and to support the Firm's trading and risk management activities. In particular, the Firm uses securities purchased under resale agreements and securities borrowed to provide funding or liquidity to clients by purchasing and borrowing clients' securities for the short-term. Federal funds purchased and securities loaned or sold under repurchase agreements are used as short-term funding sources for the Firm and to make securities available to clients for their short-term purposes. The increase from December 31, 2007, in deposits with banks reflected a higher level of interbank lending; a reclassification of deposits with the Federal Reserve Bank from cash and due from banks to deposits with banks reflecting a policy change of the Federal Reserve Bank to pay interest to depository institutions on reserve balances, and assets acquired as a result of the Bear Stearns merger. The increase in securities borrowed and securities purchased under resale agreements was related to assets acquired as a result of the Bear Stearns merger and growth in demand from clients for liquidity. The increase in securities sold under repurchase agreements reflected higher short-term funding requirements to fulfill clients' demand for liquidity and finance the Firm's AFS securities inventory, and the effect of the liabilities assumed in connection with the Bear Stearns merger. For additional information on the Firm's Liquidity Risk Management, see pages 76–80 of this Annual Report.

Trading assets and liabilities – debt and equity instruments

The Firm uses debt and equity trading instruments for both market-making and proprietary risk-taking activities. These instruments consist predominantly of fixed income securities, including government and corporate debt; equity, including convertible securities; loans, including certain prime mortgage and other loans warehoused by RFS and IB for sale or securitization purposes and accounted for at fair value under SFAS 159; and physical commodities inventories. The decreases in trading assets and liabilities – debt and equity instruments from December 31, 2007, reflected the effect of the challenging capital markets environment, particularly for debt securities, partially offset by positions acquired as a result of the Bear Stearns merger. For additional information, refer to Note 4 and Note 6 on pages 129–143 and 146–148, respectively, of this Annual Report.

Trading assets and liabilities – derivative receivables and payables

Derivative instruments enable end-users to increase, reduce or alter exposure to credit or market risks. The value of a derivative is derived from its reference to an underlying variable or combination of variables such as interest rate, credit, foreign exchange, equity or commodity prices or indices. JPMorgan Chase makes markets in derivatives for customers, is an end-user of derivatives for its principal risk-taking activities, and is also an end-user of derivatives to hedge or manage risks of market and credit exposures, modify the interest rate characteristics of related balance sheet instruments or meet longer-term investment objectives. The majority of the Firm's derivatives are entered into for market-making purposes. The increase in derivative receivables and payables from December 31, 2007, was primarily related to the decline in interest rates, widening credit spreads and volatile foreign exchange rates reflected in interest rate, credit and foreign exchange derivatives, respectively. The increase also included positions acquired in the Bear Stearns merger. For additional information, refer to derivative contracts, Note 4, Note 6 and Note 32 on pages 129–143, 146–148, and 202–205, respectively, of this Annual Report.

Securities
Almost all of the Firm's securities portfolio is classified as AFS and is used predominantly to manage the Firm's exposure to interest rate movements, as well as to make strategic longer-term investments. The AFS portfolio increased from December 31, 2007, predominantly as a result of purchases, partially offset by sales and maturities. For additional information related to securities, refer to the Corporate/Private Equity segment discussion, Note 4 and Note 12 on pages 61–63, 129–143 and 158–162, respectively, of this Annual Report.

Loans and allowance for loan losses
The Firm provides loans to a variety of customers, from large corporate and institutional clients to individual consumers. Loans increased from December 31, 2007, largely due to loans acquired in the Washington Mutual transaction, organic growth in lending in the wholesale businesses, particularly CB, and growth in the consumer prime mortgage portfolio driven by the decision to retain, rather than sell, new originations of nonconforming mortgage loans.

Both the consumer and wholesale components of the allowance for loan losses increased from the prior year reflecting the addition of noncredit-impaired loans acquired in the Washington Mutual transaction, including an increase to conform the allowance applicable to assets acquired from Washington Mutual to the Firm's loan loss methodologies. Excluding the Washington Mutual transaction the consumer allowance rose due to an increase in estimated losses for home equity, subprime mortgage, prime mortgage and credit card loans due to the effects of continued housing price declines, rising unemployment and a weakening economic environment. Excluding the Washington Mutual transaction, the increase in the wholesale allowance was due to the impact of the transfer of $4.9 billion of funded and unfunded leveraged lending loans in IB to the retained loan portfolio from the held-for-sale loan portfolio, the effect of a weakening credit environment and loan growth. For a more detailed discussion of the loan portfolio and the allowance for loan losses, refer to Credit Risk Management on pages 80–99, and Notes 4, 5, 14 and 15 on pages 129–143, 144–146, 163–166 and 166–168, respectively, of this Annual Report.

Accrued interest and accounts receivable; accounts payable and other liabilities
The Firm's accrued interest and accounts receivable consist of accrued interest receivable from interest-earning assets; receivables from customers (primarily from activities related to IB's Prime Services business); receivables from brokers, dealers and clearing organizations; and receivables from failed securities sales. The Firm's accounts payable and other liabilities consist of accounts payable to customers (primarily from activities related to IB's Prime Services business), payables to brokers, dealers and clearing organizations; payables from failed securities purchases; accrued expense, including for interest-bearing liabilities; and all other liabilities, including obligations to return securities received as collateral. The increase in accrued interest and accounts receivable from December 31, 2007, was due largely to the Bear Stearns merger, reflecting higher customer receivables in IB's Prime Services business and the Washington Mutual transaction. The increase in accounts payable and other liabilities was predominantly due to the Bear Stearns merger, reflecting higher customer payables (primarily related to IB's Prime Services business), as well as higher obligations to return securities received as collateral. For additional information, see Note 22 on page 190 of this Annual Report.

Goodwill
Goodwill arises from business combinations and represents the excess of the cost of an acquired entity over the net fair value amounts assigned to assets acquired and liabilities assumed. The increase in goodwill was due predominantly to the dissolution of Chase Paymentech Solutions joint venture, the merger with Bear Stearns, the purchase of an additional equity interest in Highbridge and tax-related purchase accounting adjustments associated with the Bank One merger, which increased goodwill attributed to IB. These items were offset partially by a decrease in goodwill attributed to TSS predominantly resulting from the sale of a previously consolidated subsidiary. For additional information, see Note 18 on pages 186–189 of this Annual Report.

Other intangible assets
The Firm's other intangible assets consist of MSRs, purchased credit card relationships, other credit card-related intangibles, core deposit intangibles, and other intangibles. MSRs increased due to the Washington Mutual transaction and the Bear Stearns merger; sales in RFS of originated loans; and purchases of MSRs. These increases in MSRs were partially offset by markdowns of the fair value of the MSR asset due to changes to inputs and assumptions in the MSR valuation model, including updates to prepayment assumptions to reflect current expectations, and to servicing portfolio run-offs. The decrease in other intangible assets reflects amortization expense associated with credit card-related and core deposit intangibles, partially offset by increases due to the dissolution of the Chase Paymentech Solutions joint venture, the purchase of an additional equity interest in Highbridge, and the acquisition of an institutional global custody portfolio. For additional information on MSRs and other intangible assets, see Note 18 on pages 186–189 of this Annual Report.

Other assets
The Firm's other assets consist of private equity and other investments, collateral received, corporate and bank-owned life insurance policies, premises and equipment, assets acquired in loan satisfaction (including real estate owned), and all other assets. The increase in other assets from December 31, 2007, was due to the Bear Stearns merger, which partly resulted in a higher volume of collateral received from customers, the Washington Mutual transaction, and the purchase of asset-backed commercial paper from money market mutual funds in connection with the Federal Reserve's Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility ("AML Facility"), which was established by the Federal Reserve on September 19, 2008, as a temporary lending facility to provide liquidity to eligible MMMFs. For additional information regarding the AML Facility, see Executive Overview and Note 22 on pages 29–32 and 190 respectively, of this Annual Report.

Deposits
The Firm's deposits represent a liability to customers, both retail and wholesale, related to non-brokerage funds held on their behalf. Deposits are generally classified by location (U.S. and non-U.S.), whether they are interest or noninterest-bearing, and by type (i.e., demand, money market deposit, savings, time or negotiable order of withdrawal accounts). Deposits help provide a stable and consistent source of funding for the Firm. Deposits were at a higher level compared with the level at December 31, 2007, predominantly from the deposits assumed in the Washington Mutual transaction, net increases in wholesale interest- and noninterest-bearing deposits in TSS, AM and CB. The increase in TSS was driven by both new and existing clients, and due to the deposit inflows related to the heightened volatility and credit concerns affecting the markets. For more information on deposits, refer to the TSS and RFS segment discussions on pages 56–57 and 45–50, respectively, and the Liquidity Risk Management discussion on pages 76–80 of this Annual Report. For more information on wholesale liability balances, including deposits, refer to the CB and TSS segment discussions on pages 54–55 and 56–57 of this Annual Report.

Commercial paper and other borrowed funds
The Firm utilizes commercial paper and other borrowed funds as part of its liquidity management activities to meet short-term funding needs, and in connection with a TSS liquidity management product whereby excess client funds, are transferred into commercial paper overnight sweep accounts. The increase in other borrowed funds was predominantly due to advances from Federal Home Loan Banks of $70.2 billion (net of maturities of $10.4 billion) that were assumed as part of the Washington Mutual transaction and nonrecourse advances from the Federal Reserve Bank of Boston ("FRBB") to fund purchases of asset-backed commercial paper from money market mutual funds, and other borrowings from the Federal Reserve under the Term Auction Facility program. For additional information on the Firm's Liquidity Risk Management and other borrowed funds, see pages 76–80 and Note 21 on page 190 of this Annual Report.

Long-term debt and trust preferred capital debt securities
The Firm utilizes long-term debt and trust preferred capital debt securities to provide cost-effective and diversified sources of funds and as critical components of the Firm's liquidity and capital management. Long-term debt and trust preferred capital debt securities increased from December 31, 2007, predominantly due to debt assumed in both the Bear Stearns merger and the Washington Mutual transaction, and debt issuances of $20.8 billion, which are guaranteed by the FDIC under its Temporary Liquidity Guarantee Program (the "TLG Program"). These increases were partially offset by net maturities and redemptions, including IB structured notes, the issuances of which are generally client-driven. For additional information on the Firm's long-term debt activities, see the Liquidity Risk Management discussion on pages 76–80 and Note 23 on pages 191–192 of this Annual Report.

Stockholders' equity
The increase in total stockholders' equity from December 31, 2007, was predominantly due to the issuance of preferred and common equity securities during 2008. In the fourth quarter of 2008, JPMorgan Chase participated in the Capital Purchase Program and issued preferred stock and a warrant to purchase common stock to the U.S. Treasury, resulting in a $25.0 billion increase to stockholders' equity. Additional preferred stock issuances and a common stock issuance during 2008 increased equity by $19.3 billion. Equity from issuances of stock awards under the Firm's employee stock-based compensation plans, the Bear Stearns merger, and net income for 2008 was more than offset by the declaration of cash dividends and net losses recorded within accumulated other comprehensive income related to AFS securities and defined benefit pension and OPEB plans. For a further discussion, see the Capital Management section that follows, and Note 24 and Note 27 on pages 193–194 and 196–197, respectively, of this Annual Report.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL CASH OBLIGATIONS

JPMorgan Chase is involved with several types of off-balance sheet arrangements, including special purpose entities ("SPEs") and lending-related financial instruments (e.g., commitments and guarantees).

Special-purpose entities

The basic SPE structure involves a company selling assets to the SPE. The SPE funds the purchase of those assets by issuing securities to investors in the form of commercial paper, short-term asset-backed notes, medium-term notes and other forms of interest. SPEs are generally structured to insulate investors from claims on the SPE's assets by creditors of other entities, including the creditors of the seller of the assets.

SPEs are an important part of the financial markets, providing market liquidity by facilitating investors' access to specific portfolios of assets and risks. These arrangements are integral to the markets for mortgage-backed securities, commercial paper and other asset-backed securities.

JPMorgan Chase uses SPEs as a source of liquidity for itself and its clients by securitizing financial assets, and by creating investment products for clients. The Firm is involved with SPEs through multi-seller conduits and investor intermediation activities, and as a result of its loan securitizations, through qualifying special purpose entities ("QSPEs"). This discussion focuses mostly on multi-seller conduits and investor intermediation. For a detailed discussion of all SPEs with which the Firm is involved, and the related accounting, see Note 1, Note 16 and Note 17 on pages 122–123, 168–176 and 177–186, respectively of this Annual Report.

The Firm holds capital, as deemed appropriate, against all SPE-related transactions and related exposures, such as derivative transactions and lending-related commitments and guarantees.

The Firm has no commitments to issue its own stock to support any SPE transaction, and its policies require that transactions with SPEs be conducted at arm's length and reflect market pricing. Consistent with this policy, no JPMorgan Chase employee is permitted to invest in SPEs with which the Firm is involved where such investment would violate the Firm's Code of Conduct. These rules prohibit employees from self-dealing and acting on behalf of the Firm in transactions with which they or their family have any significant financial interest.

Implications of a credit rating downgrade to JPMorgan Chase Bank, N.A.

For certain liquidity commitments to SPEs, the Firm could be required to provide funding if the short-term credit rating of JPMorgan Chase Bank, N.A., was downgraded below specific levels, primarily "P-1", "A-1" and "F1" for Moody's, Standard & Poor's and Fitch, respectively. The amount of these liquidity commitments was $61.0 billion and $94.0 billion at December 31, 2008 and 2007, respectively. Alternatively, if JPMorgan Chase Bank, N.A., were downgraded, the Firm could be replaced by another liquidity provider in lieu of providing funding under the liquidity commitment, or in certain circumstances, the Firm could facilitate the sale or refinancing of the assets in the SPE in order to provide liquidity. These commitments are included in other unfunded commitments to extend credit and asset purchase agreements, as shown in the Off-balance sheet lending-related financial instruments and guarantees table on page 69 of this Annual Report.

As noted above, the Firm is involved with three types of SPEs. A summary of each type of SPE follows.

Multi-seller conduits

The Firm helps customers meet their financing needs by providing access to the commercial paper markets through variable interest entities ("VIEs") known as multi-seller conduits. Multi-seller conduit entities are separate bankruptcy-remote entities that purchase interests in, and make loans secured by, pools of receivables and other financial assets pursuant to agreements with customers of the Firm. The conduits fund their purchases and loans through the issuance of highly rated commercial paper to third-party investors. The primary source of repayment of the commercial paper is the cash flow from the pools of assets. JPMorgan Chase receives fees related to the structuring of multi-seller conduit transactions and receives compensation from the multi-seller conduits for its role as administrative agent, liquidity provider, and provider of program-wide credit enhancement.

Investor intermediation

As a financial intermediary, the Firm creates certain types of VIEs and also structures transactions, typically derivative structures, with these VIEs to meet investor needs. The Firm may also provide liquidity and other support. The risks inherent in derivative instruments or liquidity commitments are managed similarly to other credit, market and liquidity risks to which the Firm is exposed. The principal types of VIEs the Firm uses in these structuring activities are municipal bond vehicles, credit-linked note vehicles and collateralized debt obligation vehicles.

Loan securitizations

JPMorgan Chase securitizes and sells a variety of loans, including residential mortgages, credit cards, automobile, student, and commercial loans (primarily related to real estate). JPMorgan Chase-sponsored securitizations utilize SPEs as part of the securitization process. These SPEs are structured to meet the definition of a QSPE (as discussed in Note 1 on page 122 of this Annual Report); accordingly, the assets and liabilities of securitization-related QSPEs are not reflected on the Firm's Consolidated Balance Sheets (except for retained interests, as described below). The primary purpose of these vehicles is to meet investor needs and generate liquidity for the Firm through the sale of loans to the QSPEs. These QSPEs are financed through the issuance of fixed or floating-rate asset-backed securities that are sold to third-party investors or held by the Firm.

Consolidation and consolidation sensitivity analysis on capital

For more information regarding these programs and the Firm's other SPEs, as well as the Firm's consolidation analysis for these programs, see Note 16 and Note 17 on pages 168–176 and 177–186, respectively, of this Annual Report.

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Special-purpose entities revenue
The following table summarizes certain revenue information related to consolidated and nonconsolidated VIEs and QSPEs with which the Firm has significant involvement. The revenue reported in the table below primarily represents contractual servicing and credit fee income (i.e., for income from acting as administrator, structurer, liquidity provider). It does not include mark-to-market gains and losses from changes in the fair value of trading positions (such as derivative transactions) entered into with VIEs. Those gains and losses are recorded in principal transactions revenue.

Revenue from VIEs and QSPEs

Year ended December 31, (in millions)	2008	2007	2006
VIEs:(a)			
Multi-seller conduits	$ 314	$ 187(b)	$ 160
Investor intermediation	18	33	49
Total VIEs	332	220	209
QSPEs(c)	1,746	1,420	1,131
Total	$2,078	$1,640	$1,340

(a) Includes revenue associated with consolidated VIEs and significant nonconsolidated VIEs.
(b) Excludes the markdown on subprime CDO assets that was recorded in principal transactions revenue in 2007.
(c) Excludes servicing revenue from loans sold to and securitized by third parties. Prior period amounts have been revised to conform to the current period presentation.

American Securitization Forum subprime adjustable rate mortgage loans modifications
In December 2007, the American Securitization Forum ("ASF") issued the "Streamlined Foreclosure and Loss Avoidance Framework for Securitized Subprime Adjustable Rate Mortgage Loans" ("the Framework"). The Framework provides guidance for servicers to streamline evaluation procedures of borrowers with certain subprime adjustable rate mortgage ("ARM") loans to more efficiently provide modification of such loans with terms that are more appropriate for the individual needs of such borrowers. The Framework applies to all first-lien subprime ARM loans that have a fixed rate of interest for an initial period of 36 months or less; are included in securitized pools; were originated between January 1, 2005, and July 31, 2007; and have an initial interest rate reset date between January 1, 2008, and July 31, 2010. The Framework categorizes the population of ASF Framework Loans into three segments. Segment 1 includes loans where the borrower is current and likely to be able to refinance into any available mortgage product. Segment 2 includes loans where the borrower is current, unlikely to be able to refinance into any readily available mortgage industry product and meets certain defined criteria. Segment 3 includes loans where the borrower is not current, as defined, and does not meet the criteria for Segments 1 or 2. JPMorgan Chase adopted the Framework during the first quarter of 2008. For those AFS Framework Loans serviced by the Firm and owned by Firm-sponsored QSPEs, the Firm modified principal amounts of $1.7 billion of Segment 2 subprime mortgages during the year ended December 31, 2008. The following table presents selected information relating to the principal amount of Segment 3 loans for the year ended December 31, 2008, including those that have been modified, subjected to other loss mitigation activities or have been prepaid by the borrower.

Year ended December 31, (in millions)	2008
Loan modifications	$2,384
Other loss mitigation activities	865
Prepayments	219

For additional discussion of the Framework, see Note 16 on page 176 of this Annual Report.

Off-balance sheet lending-related financial instruments and guarantees

JPMorgan Chase utilizes lending-related financial instruments (e.g., commitments and guarantees) to meet the financing needs of its customers. The contractual amount of these financial instruments represents the maximum possible credit risk should the counterparty draw upon the commitment or the Firm be required to fulfill its obligation under the guarantee, and the counterparty subsequently fail to perform according to the terms of the contract. These commitments and guarantees historically expire without being drawn and even higher proportions expire without a default. As a result, the total contractual amount of these instruments is not, in the Firm's view, representative of its actual future credit exposure or funding requirements. Further, certain commitments, primarily related to consumer financings, are cancelable, upon notice, at the option of the Firm. For further discussion of lending-related commitments and guarantees and the Firm's accounting for them, see lending-related commitments in Credit Risk Management on page 90 and Note 33 on pages 206–210 of this Annual Report.

Contractual cash obligations

In the normal course of business, the Firm enters into various contractual obligations that may require future cash payments. Commitments for future cash expenditures primarily include contracts to purchase future services and capital expenditures related to real estate–related obligations and equipment.

The accompanying table summarizes, by remaining maturity, JPMorgan Chase's off-balance sheet lending-related financial instruments and significant contractual cash obligations at December 31, 2008. Contractual purchases and capital expenditures in the table below reflect the minimum contractual obligation under legally enforceable contracts with terms that are both fixed and determinable. Excluded from the following table are a number of obligations to be settled in cash, primarily in under one year. These obligations are reflected on the Firm's Consolidated Balance Sheets and include federal funds purchased and securities loaned or sold under repurchase agreements; commercial paper; other borrowed funds; purchases of debt and equity instruments; derivative payables; and certain purchases of instruments that resulted in settlement failures. Also excluded are contingent payments associated with certain acquisitions that could not be estimated. For discussion regarding long-term debt and trust preferred capital debt securities, see Note 23 on pages 191–192 of this Annual Report. For discussion regarding operating leases, see Note 31 on page 201 of this Annual Report.

The following table presents maturity information for off-balance sheet lending-related financial instruments, guarantees and commitments.

Off-balance sheet lending-related financial instruments and guarantees

By remaining maturity at December 31, (in millions)	2008 2009	2008 2010-2011	2008 2012-2013	2008 After 2013	2008 Total	2007 Total
Lending-related						
Consumer[(a)]	$ 642,978	$ 4,098	$ 9,916	$ 84,515	$ 741,507	$ 815,936
Wholesale:						
Other unfunded commitments to extend credit[(b)(c)(d)(e)]	93,307	69,479	53,567	9,510	225,863	250,954
Asset purchase agreements[(f)]	16,467	25,574	9,983	1,705	53,729	90,105
Standby letters of credit and guarantees[(c)(g)(h)]	25,998	35,288	30,650	3,416	95,352	100,222
Other letters of credit[(c)]	3,889	718	240	80	4,927	5,371
Total wholesale	139,661	131,059	94,440	14,711	379,871	446,652
Total lending-related	$ 782,639	$ 135,157	$ 104,356	$ 99,226	$ 1,121,378	$ 1,262,588
Other guarantees						
Securities lending guarantees[(i)]	$ 169,281	$ —	$ —	$ —	$ 169,281	$ 385,758
Residual value guarantees	—	670	—	—	670	NA
Derivatives qualifying as guarantees[(j)]	9,537	28,970	15,452	29,876	83,835	85,262

Contractual cash obligations

By remaining maturity at December 31, (in millions)	2009	2010-2011	2012-2013	After 2013	Total	2007 Total
Time deposits	$ 278,520	$ 11,414	$ 8,139	$ 1,028	$ 299,101	$ 249,877
Advances from the Federal Home Loan Banks	47,406	21,089	738	954	70,187	450
Long-term debt	36,026	78,199	51,275	86,594	252,094	183,862
Trust preferred capital debt securities	—	—	—	18,589	18,589	15,148
FIN 46R long-term beneficial interests[(k)]	67	199	1,289	3,450	5,005	7,209
Operating leases[(l)]	1,676	3,215	2,843	9,134	16,868	10,908
Contractual purchases and capital expenditures	1,356	878	219	234	2,687	2,434
Obligations under affinity and co-brand programs	1,174	2,086	1,999	2,879	8,138	5,477
Other liabilities[(m)]	666	809	865	2,665	5,005	5,656
Total	$ 366,891	$ 117,889	$ 67,367	$ 125,527	$ 677,674	$ 481,021

(a) Includes credit card and home equity lending-related commitments of $623.7 billion and $95.7 billion, respectively, at December 31, 2008; and $714.8 billion and $74.2 billion, respectively, at December 31, 2007. These amounts for credit card and home equity lending-related commitments represent the total available credit for these products. The Firm has not experienced, and does not anticipate, that all available lines of credit for these products will be utilized at the same time. The Firm can reduce or cancel these lines of credit by providing the borrower prior notice or, in some cases, without notice as permitted by law.
(b) Includes unused advised lines of credit totaling $36.3 billion and $38.4 billion at December 31, 2008 and 2007, respectively, which are not legally binding. In regulatory filings with the Federal Reserve, unused advised lines are not reportable. See the Glossary of terms, on page 218 of this Annual Report, for the Firm's definition of advised lines of credit.
(c) Represents contractual amount net of risk participations totaling $28.3 billion at both December 31, 2008 and 2007.
(d) Excludes unfunded commitments to third-party private equity funds of $1.4 billion and $881 million at December 31, 2008 and 2007, respectively. Also excluded unfunded commitments for other equity investments of $1.0 billion and $903 million at December 31, 2008 and 2007, respectively.
(e) Includes commitments to investment and noninvestment grade counterparties in connection with leveraged acquisitions of $3.6 billion and $8.2 billion at December 31, 2008 and 2007, respectively.
(f) Largely represents asset purchase agreements to the Firm's administered multi-seller, asset-backed commercial paper conduits. The maturity is based upon the weighted-average life of the underlying assets in the SPE, which are based upon the remainder of each conduit transaction's committed liquidity plus either the expected weighted average life of the assets should the committed liquidity expire without renewal, or the expected time to sell the underlying assets in the securitization market. It also includes $96 million and $1.1 billion of asset purchase agreements to other third-party entities at December 31, 2008 and 2007, respectively.
(g) JPMorgan Chase held collateral relating to $31.0 billion and $31.5 billion of these arrangements at December 31, 2008 and 2007, respectively. Prior periods have been revised to conform to the current presentation.
(h) Includes unissued standby letters of credit commitments of $39.5 billion and $50.7 billion at December 31, 2008 and 2007, respectively.
(i) Collateral held by the Firm in support of securities lending indemnification agreements was $170.1 billion and $390.5 billion at December 31, 2008 and 2007, respectively. Securities lending collateral comprises primarily cash, securities issued by governments that are members of the Organisation for Economic Co-operation and Development and U.S. government agencies.
(j) Represents notional amounts of derivatives qualifying as guarantees. For further discussion of guarantees, see Note 33 on pages 206–210 of this Annual Report.
(k) Included on the Consolidated Balance Sheets in beneficial interests issued by consolidated variable interest entities.
(l) Includes noncancelable operating leases for premises and equipment used primarily for banking purposes and for energy-related tolling service agreements. Excludes the benefit of noncancelable sublease rentals of $2.3 billion and $1.3 billion at December 31, 2008 and 2007, respectively.
(m) Includes deferred annuity contracts. Excludes the $1.3 billion discretionary contribution to the Firm's U.S. defined benefit pension plan that was made on January 15, 2009 (for further discussion, see Note 9 on pages 149–155), and contributions to the U.S. and non-U.S. other postretirement benefits plans, if any, as these contributions are not reasonably estimable at this time. Also excluded are unrecognized tax benefits of $5.9 billion and $4.8 billion at December 31, 2008 and 2007, respectively, as the timing and amount of future cash payments are not determinable at this time.

Management's discussion and analysis

CAPITAL MANAGEMENT

The Firm's capital management framework is intended to ensure that there is capital sufficient to support the underlying risks of the Firm's business activities and to maintain "well-capitalized" status under regulatory requirements. In addition, the Firm holds capital above these requirements in amounts deemed appropriate to achieve the Firm's regulatory and debt rating objectives. The process of assigning equity to the lines of business is integrated into the Firm's capital framework and is overseen by the ALCO.

Line of business equity

The Firm's framework for allocating capital is based upon the following objectives:

- integrate firmwide capital management activities with capital management activities within each of the lines of business
- measure performance consistently across all lines of business
- provide comparability with peer firms for each of the lines of business

Equity for a line of business represents the amount the Firm believes the business would require if it were operating independently, incorporating sufficient capital to address economic risk measures, regulatory capital requirements and capital levels for similarly rated peers. Capital is also allocated to each line of business for, among other things, goodwill and other intangibles associated with acquisitions effected by the line of business. Return on common equity is measured and internal targets for expected returns are established as a key measure of a business segment's performance.

Relative to 2007, line of business equity increased during 2008, reflecting growth across the businesses. In addition, at the end of the third quarter of 2008, equity was increased for each line of business in anticipation of the future implementation of the new Basel II capital rules. For further details on these rules, see Basel II on page 72 of this Annual Report. Finally, during 2008, capital allocated to RFS, CS, and CB was increased as a result of the Washington Mutual transaction; capital allocated to AM was increased due to the Bear Stearns merger and the purchase of the additional equity interest in Highbridge; and capital allocated to IB was increased due to the Bear Stearns merger.

In accordance with SFAS 142, the lines of business perform the required goodwill impairment testing. For a further discussion of goodwill and impairment testing, see Critical Accounting Estimates Used by the Firm and Note 18 on pages 107–111 and 186–189, respectively, of this Annual Report.

Line of business equity December 31, (in billions)	**2008**	2007
Investment Bank	**$ 33.0**	$ 21.0
Retail Financial Services	**25.0**	16.0
Card Services	**15.0**	14.1
Commercial Banking	**8.0**	6.7
Treasury & Securities Services	**4.5**	3.0
Asset Management	**7.0**	4.0
Corporate/Private Equity	**42.4**	58.4
Total common stockholders' equity	**$134.9**	$123.2

Line of business equity	Yearly Average	
(in billions)	**2008**	2007
Investment Bank	**$ 26.1**	$ 21.0
Retail Financial Services	**19.0**	16.0
Card Services	**14.3**	14.1
Commercial Banking	**7.3**	6.5
Treasury & Securities Services	**3.8**	3.0
Asset Management	**5.6**	3.9
Corporate/Private Equity[(a)]	**53.0**	54.2
Total common stockholders' equity	**$129.1**	$118.7

(a) 2008 and 2007 include $41.9 billion and $41.7 billion, respectively, of equity to off-set goodwill, and $11.1 billion and $12.5 billion, respectively, of equity, primarily related to Treasury, Private Equity and the Corporate pension plan.

Economic risk capital

JPMorgan Chase assesses its capital adequacy relative to the risks underlying the Firm's business activities, utilizing internal risk-assessment methodologies. The Firm assigns economic capital primarily based upon four risk factors: credit risk, market risk, operational risk and private equity risk. In 2008, the growth in economic risk capital was driven by higher credit risk capital, which was increased primarily due to a combination of higher derivative exposure, a weakening credit environment, and asset growth related to the Bear Stearns and Washington Mutual transactions.

Economic risk capital	Yearly Average	
(in billions)	**2008**	2007
Credit risk	**$ 37.8**	$ 30.0
Market risk	**10.5**	9.5
Operational risk	**6.3**	5.6
Private equity risk	**5.3**	3.7
Economic risk capital	**59.9**	48.8
Goodwill	**46.1**	45.2
Other[(a)]	**23.1**	24.7
Total common stockholders' equity	**$129.1**	$118.7

(a) Reflects additional capital required, in the Firm's view, to meet its regulatory and debt rating objectives.

Credit risk capital

Credit risk capital is estimated separately for the wholesale businesses (IB, CB, TSS and AM) and consumer businesses (RFS and CS).

Credit risk capital for the overall wholesale credit portfolio is defined in terms of unexpected credit losses, both from defaults and declines in the portfolio value due to credit deterioration, measured over a one-year period at a confidence level consistent with an “AA” credit rating standard. Unexpected losses are losses in excess of those for which provisions for credit losses are maintained. The capital methodology is based upon several principal drivers of credit risk: exposure at default (or loan-equivalent amount), default likelihood, credit spreads, loss severity and portfolio correlation.

Credit risk capital for the consumer portfolio is based upon product and other relevant risk segmentation. Actual segment level default and severity experience are used to estimate unexpected losses for a one-year horizon at a confidence level consistent with an “AA” credit rating standard. Statistical results for certain segments or portfolios are adjusted to ensure that capital is consistent with external benchmarks, such as subordination levels on market transactions or capital held at representative monoline competitors, where appropriate.

Market risk capital

The Firm calculates market risk capital guided by the principle that capital should reflect the risk of loss in the value of portfolios and financial instruments caused by adverse movements in market variables, such as interest and foreign exchange rates, credit spreads, securities prices and commodities prices. Daily Value-at-Risk (“VaR”), biweekly stress-test results and other factors are used to determine appropriate capital levels. The Firm allocates market risk capital to each business segment according to a formula that weights that segment’s VaR and stress-test exposures. See Market Risk Management on pages 99–104 of this Annual Report for more information about these market risk measures.

Operational risk capital

Capital is allocated to the lines of business for operational risk using a risk-based capital allocation methodology which estimates operational risk on a bottom-up basis. The operational risk capital model is based upon actual losses and potential scenario-based stress losses, with adjustments to the capital calculation to reflect changes in the quality of the control environment or the use of risk-transfer products. The Firm believes its model is consistent with the new Basel II Framework.

Private equity risk capital

Capital is allocated to privately and publicly held securities, third-party fund investments and commitments in the private equity portfolio to cover the potential loss associated with a decline in equity markets and related asset devaluations. In addition to negative market fluctuations, potential losses in private equity investment portfolios can be magnified by liquidity risk. The capital allocation for the private equity portfolio is based upon measurement of the loss experience suffered by the Firm and other market participants over a prolonged period of adverse equity market conditions.

Regulatory capital

The Board of Governors of the Federal Reserve System (the “Federal Reserve”) establishes capital requirements, including well-capitalized standards for the consolidated financial holding company. The Office of the Comptroller of the Currency (“OCC”) establishes similar capital requirements and standards for the Firm’s national banks, including JPMorgan Chase Bank, N.A., and Chase Bank USA, N.A.

The Federal Reserve granted the Firm, for a period of 18 months following the Bear Stearns merger, relief up to a certain specified amount and subject to certain conditions from the Federal Reserve’s risk-based capital and leverage requirements with respect to Bear Stearns’ risk-weighted assets and other exposures acquired. The amount of such relief is subject to reduction by one-sixth each quarter subsequent to the merger and expires on October 1, 2009. The OCC granted JPMorgan Chase Bank, N.A. similar relief from its risk-based capital and leverage requirements.

JPMorgan Chase maintained a well-capitalized position, based upon Tier 1 and Total capital ratios at December 31, 2008 and 2007, as indicated in the tables below. For more information, see Note 30 on pages 200–201 of this Annual Report.

Risk-based capital components and assets

December 31, (in millions)	2008	2007
Total Tier 1 capital[a]	**$ 136,104**	$ 88,746
Total Tier 2 capital	**48,616**	43,496
Total capital	**$ 184,720**	$ 132,242
Risk-weighted assets	**$1,244,659**	$1,051,879
Total adjusted average assets	**1,966,895**	1,473,541

(a) The FASB has been deliberating certain amendments to both SFAS 140 and FIN 46R that may impact the accounting for transactions that involve QSPEs and VIEs. Based on the provisions of the current proposal and the Firm's interpretation of the proposal, the Firm estimates that the impact of consolidation could be up to $70 billion of credit card receivables, $40 billion of assets related to Firm-sponsored multi-seller conduits, and $50 billion of other loans (including residential mortgages); the decrease in the Tier 1 capital ratio could be approximately 80 basis points. The ultimate impact could differ significantly due to the FASB's continuing deliberations on the final requirements of the rule and market conditions.

Tier 1 capital was $136.1 billion at December 31, 2008, compared with $88.7 billion at December 31, 2007, an increase of $47.4 billion.

Management's discussion and analysis

The following table presents the changes in Tier 1 capital for the year ended December 31, 2008.

Tier 1 capital, December 31, 2007 (in millions)	$ 88,746
Net income	5,605
Issuance of cumulative perpetual preferred stock to U.S. Treasury	23,750
Warrant issued to U.S. Treasury in connection with issuance of preferred stock	1,250
Issuance of noncumulative perpetual preferred stock	7,800
Issuance of preferred stock – conversion of Bear Stearns preferred stock	352
Net issuance of common stock	11,485
Net issuance of common stock under employee stock-based compensation plans	3,317
Net issuance of common stock in connection with the Bear Stearns merger	1,198
Dividends declared	(6,307)
Net issuance of qualifying trust preferred capital debt securities	2,619
DVA on structured debt and derivative liabilities	(1,475)
Goodwill and other nonqualifying intangibles (net of deferred tax liabilities)	(1,357)
Other	(879)
Increase in Tier 1 capital	**47,358**
Tier 1 capital, December 31, 2008	**$136,104**

Additional information regarding the Firm's capital ratios and the federal regulatory capital standards to which it is subject, and the capital ratios for the Firm's significant banking subsidiaries at December 31, 2008 and 2007, are presented in Note 30 on pages 200–201 of this Annual Report.

Capital Purchase Program

Pursuant to the Capital Purchase Program, on October 28, 2008, the Firm issued to the U.S. Treasury, for total proceeds of $25.0 billion, (i) 2.5 million shares of Series K Preferred Stock, and (ii) a Warrant to purchase up to 88,401,697 shares of the Firm's common stock, at an exercise price of $42.42 per share, subject to certain antidilution and other adjustments. The Series K Preferred Stock qualifies as Tier 1 capital.

The Series K Preferred Stock bears cumulative dividends at a rate of 5% per year for the first five years and 9% per year thereafter. The Series K Preferred Stock ranks equally with the Firm's existing 6.15% Cumulative Preferred Stock, Series E; 5.72% Cumulative Preferred Stock, Series F; 5.49% Cumulative Preferred Stock, Series G; Fixed-to-Floating Rate Noncumulative Perpetual Preferred Stock, Series I; and 8.63% Noncumulative Perpetual Preferred Stock, Series J, in terms of dividend payments and upon liquidation of the Firm.

Any accrued and unpaid dividends on the Series K Preferred Stock must be fully paid before dividends may be declared or paid on stock ranking junior or equally with the Series K Preferred Stock. Pursuant to the Capital Purchase Program, until October 28, 2011, the U.S. Treasury's consent is required for any increase in dividends on the Firm's common stock from the amount of the last quarterly stock dividend declared by the Firm prior to October 14, 2008, unless the Series K Preferred Stock is redeemed in whole before then, or the U.S. Treasury has transferred all of the Series K Preferred Stock it owns to third parties.

The Firm may not repurchase or redeem any common stock or other equity securities of the Firm, or any trust preferred securities issued by the Firm or any of its affiliates, without the prior consent of the U.S. Treasury (other than (i) repurchases of the Series K Preferred Stock and (ii) repurchases of junior preferred shares or common stock in connection with any employee benefit plan in the ordinary course of business consistent with past practice).

Basel II

The minimum risk-based capital requirements adopted by the U.S. federal banking agencies follow the Capital Accord of the Basel Committee on Banking Supervision. In 2004, the Basel Committee published a revision to the Accord ("Basel II"). The goal of the new Basel II Framework is to provide more risk-sensitive regulatory capital calculations and promote enhanced risk management practices among large, internationally active banking organizations. U.S. banking regulators published a final Basel II rule in December 2007, which will require JPMorgan Chase to implement Basel II at the holding company level, as well as at certain of its key U.S. bank subsidiaries.

Prior to full implementation of the new Basel II Framework, JPMorgan Chase will be required to complete a qualification period of four consecutive quarters during which it will need to demonstrate that it meets the requirements of the new rule to the satisfaction of its primary U.S. banking regulators. The U.S. implementation timetable consists of the qualification period, starting any time between April 1, 2008, and April 1, 2010, followed by a minimum transition period of three years. During the transition period, Basel II risk-based capital requirements cannot fall below certain floors based on current ("Basel I") regulations. JPMorgan Chase expects to be in compliance with all relevant Basel II rules within the established timelines. In addition, the Firm has adopted, and will continue to adopt, based upon various established timelines, Basel II in certain non-U.S. jurisdictions, as required.

Broker-dealer regulatory capital

JPMorgan Chase's principal U.S. broker-dealer subsidiaries are J.P. Morgan Securities Inc. ("JPMorgan Securities") and J.P. Morgan Clearing Corp. (formerly known as Bear Stearns Securities Corp.). JPMorgan Securities and J.P. Morgan Clearing Corp. are each subject to Rule 15c3-1 under the Securities Exchange Act of 1934 ("Net Capital Rule"). JPMorgan Securities and J.P. Morgan Clearing Corp. are also registered as futures commission merchants and subject to Rule 1.17 under the Commodity Futures Trading Commission ("CFTC").

JPMorgan Securities and J.P. Morgan Clearing Corp. have elected to compute their minimum net capital requirements in accordance with the "Alternative Net Capital Requirement" of the Net Capital Rule. At December 31, 2008, JPMorgan Securities' net capital, as defined by the Net Capital Rule, of $7.2 billion exceeded the minimum requirement by $6.6 billion. In addition to its net capital requirements, JPMorgan Securities is required to hold tentative net capital in excess of $1.0 billion and is also required to notify the Securities and Exchange Commission ("SEC") in the event that tentative net capital is less than $5.0 billion in accordance with the market and credit risk standards of Appendix E of the Net Capital Rule. As of December 31, 2008, JPMorgan Securities had tentative net capital in excess of the minimum and the notification requirements. On October 1, 2008, J.P. Morgan Securities Inc. merged with and into Bear, Stearns & Co. Inc., and the surviving entity changed its name to J.P. Morgan Securities Inc.

J.P. Morgan Clearing Corp., a subsidiary of JPMorgan Securities provides clearing and settlement services. At December 31, 2008, J.P. Morgan Clearing Corp.'s net capital, as defined by the Net Capital Rule, of $4.7 billion exceeded the minimum requirement by $3.3 billion.

Dividends

On February 23, 2009, the Board of Directors reduced the Firm's quarterly common stock dividend from $0.38 to $0.05 per share, effective for the dividend payable April 30, 2009 to shareholders of record on April 6, 2009. JPMorgan Chase declared quarterly cash dividends on its commons stock in the amount of $0.38 for each quarter of 2008 and the second, third and fourth quarters of 2007, and $0.34 per share for the first quarter of 2007 and for each quarter of 2006. The Firm's common stock dividend policy reflects JPMorgan Chase's earnings outlook, desired dividend payout ratios, need to maintain an adequate capital level and alternative investment opportunities. The Firm's ability to pay dividends is subject to restrictions. For information regarding such restrictions, see page 72 and Note 24 and Note 29 on pages 193–194 and 199, respectively, of this Annual Report and for additional information regarding the reduction of the dividend, see page 32.

The following table shows the common dividend payout ratio based upon reported net income.

Common dividend payout ratio

Year ended December 31,	**2008**	2007	2006
Common dividend payout ratio	**114%**	34%	34%

Issuance

The Firm issued $6.0 billion and $1.8 billion of noncumulative perpetual preferred stock on April 23, 2008, and August 21, 2008, respectively. Pursuant to the Capital Purchase Program, on October 28, 2008, the Firm issued to the U.S. Treasury $25.0 billion of cumulative preferred stock and a warrant to purchase up to 88,401,697 shares of the Firm's common stock. For additional information regarding preferred stock, see Note 24 on pages 193–194 of this Annual Report.

On September 30, 2008, the Firm issued $11.5 billion, or 284 million shares, of common stock at $40.50 per share. For additional information regarding common stock, see Note 25 on pages 194–195 of this Annual Report.

Stock repurchases

During the year ended December 31, 2008, the Firm did not repurchase any shares of its common stock. During 2007, under the respective stock repurchase programs then in effect, the Firm repurchased 168 million shares for $8.2 billion at an average price per share of $48.60.

The Board of Directors approved in April 2007, a stock repurchase program that authorizes the repurchase of up to $10.0 billion of the Firm's common shares, which superseded an $8.0 billion stock repurchase program approved in 2006. The $10.0 billion authorization includes shares to be repurchased to offset issuances under the Firm's employee stock-based plans. The actual number of shares that may be repurchased is subject to various factors, including market conditions; legal considerations affecting the amount and timing of repurchase activity; the Firm's capital position (taking into account goodwill and intangibles); internal capital generation; and alternative potential investment opportunities. The repurchase program does not include specific price targets or timetables; may be executed through open market purchases or privately negotiated transactions, or utilizing Rule 10b5-1 programs; and may be suspended at any time. A Rule 10b5-1 repurchase plan allows the Firm to repurchase shares during periods when it would not otherwise be repurchasing common stock – for example, during internal trading "black-out periods." All purchases under a Rule 10b5-1 plan must be made according to a predefined plan that is established when the Firm is not aware of material nonpublic information.

As of December 31, 2008, $6.2 billion of authorized repurchase capacity remained under the current stock repurchase program.

For a discussion of restrictions on stock repurchases, see Capital Purchase Program on page 72 and Note 24 on pages 193–194 of this Annual Report.

For additional information regarding repurchases of the Firm's equity securities, see Part II, Item 5, Market for registrant's common equity, related stockholder matters and issuer purchases of equity securities, on page 17 of JPMorgan Chase's 2008 Form 10-K.

Management's discussion and analysis

RISK MANAGEMENT

Risk is an inherent part of JPMorgan Chase's business activities. The Firm's risk management framework and governance structure are intended to provide comprehensive controls and ongoing management of the major risks inherent in its business activities. The Firm's ability to properly identify, measure, monitor and report risk is critical to both its soundness and profitability.

- Risk identification: The Firm's exposure to risk through its daily business dealings, including lending, trading and capital markets activities, is identified and aggregated through the Firm's risk management infrastructure. In addition, individuals who manage risk positions, particularly those positions that are complex, are responsible for identifying and estimating potential losses that could arise from specific or unusual events, that may not be captured in other models, and those risks are communicated to senior management.
- Risk measurement: The Firm measures risk using a variety of methodologies, including calculating probable loss, unexpected loss and value-at-risk, and by conducting stress tests and making comparisons to external benchmarks. Measurement models and related assumptions are routinely reviewed with the goal of ensuring that the Firm's risk estimates are reasonable and reflect underlying positions.
- Risk monitoring/control: The Firm's risk management policies and procedures incorporate risk mitigation strategies and include approval limits by customer, product, industry, country and business. These limits are monitored on a daily, weekly and monthly basis, as appropriate.
- Risk reporting: Risk reporting is executed on a line of business and consolidated basis. This information is reported to management on a daily, weekly and monthly basis, as appropriate. There are eight major risk types identified in the business activities of the Firm: liquidity risk, credit risk, market risk, interest rate risk, private equity risk, operational risk, legal and fiduciary risk, and reputation risk.

Risk governance

The Firm's risk governance structure starts with each line of business being responsible for managing its own risks. Each line of business works closely with Risk Management through its own risk committee and, in most cases, its own chief risk officer to manage risk. Each line of business risk committee is responsible for decisions regarding the business' risk strategy, policies and controls.

Overlaying the line of business risk management are four corporate functions with risk management–related responsibilities: Treasury, the Chief Investment Office, Legal and Compliance and Risk Management.

Risk Management is headed by the Firm's Chief Risk Officer, who is a member of the Firm's Operating Committee and who reports to the Chief Executive Officer and the Board of Directors, primarily through the Board's Risk Policy Committee. Risk Management is responsible for providing a firmwide function of risk management and controls. Within Risk Management are units responsible for credit risk, market risk, operational risk and private equity risk, as well as Risk Management Services and Risk Technology and Operations. Risk Management Services is responsible for risk policy and methodology, risk reporting and risk education; and Risk Technology and Operations is responsible for building the information technology infrastructure used to monitor and manage risk.

Treasury and the Chief Investment Office are responsible for measuring, monitoring, reporting and managing the Firm's liquidity, interest rate and foreign exchange risk.

Legal and Compliance has oversight for legal and fiduciary risk.

In addition to the risk committees of the lines of business and the above-referenced corporate functions, the Firm also has an Investment Committee, ALCO and two other risk-related committees, namely, the Risk Working Group and the Markets Committee. The members of these committees are composed of senior management of the Firm, including representatives of line of business, Risk Management, Finance and other senior executives. Members of these risk committees meet frequently to discuss a broad range of topics including, for example, current market conditions and other external events, current risk exposures and concentrations to ensure that the impact of current risk factors are considered broadly across the Firm's businesses.

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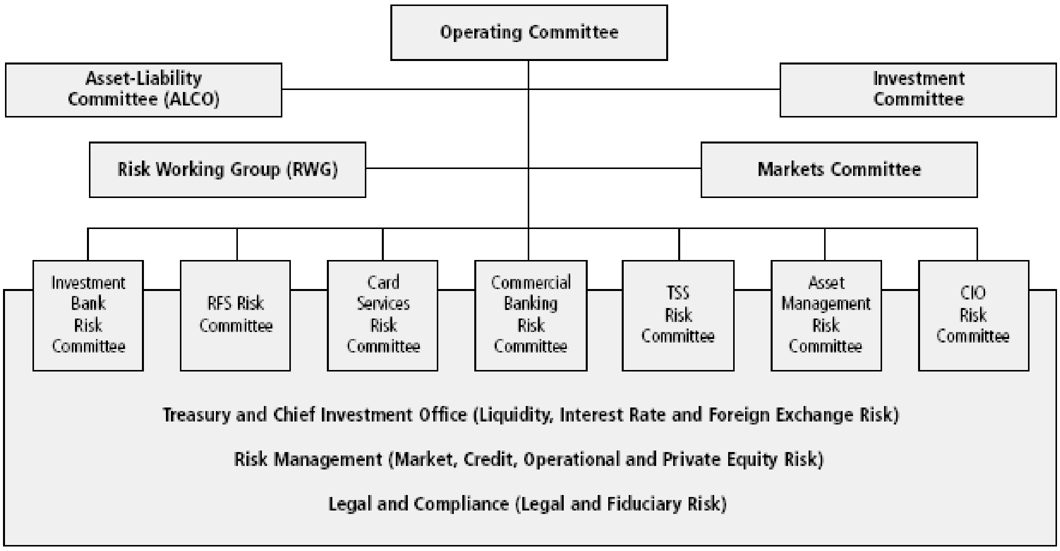

The Investment Committee oversees global merger and acquisition activities undertaken by JPMorgan Chase for its own account that fall outside the scope of the Firm's private equity and other principal finance activities.

The Asset-Liability Committee is responsible for approving the Firm's liquidity policy, including contingency funding planning and exposure to SPEs (and any required liquidity support by the Firm of such SPEs). The Asset-Liability Committee also oversees the Firm's capital management and funds transfer pricing policy (through which lines of business "transfer" interest and foreign exchange risk to Treasury in the Corporate/Private Equity segment).

The Risk Working Group meets monthly to review issues such as risk policy, risk methodology, Basel II and regulatory issues and topics referred to it by any line of business risk committee. The Markets Committee, chaired by the Chief Risk Officer, meets at least weekly to review and determine appropriate courses of action with respect to significant risk matters, including but not limited to: limits; credit, market and operational risk; large, high risk transactions; and hedging strategies.

The Board of Directors exercises its oversight of risk management, principally through the Board's Risk Policy Committee and Audit Committee. The Risk Policy Committee oversees senior management risk-related responsibilities, including reviewing management policies and performance against these policies and related benchmarks. The Audit Committee is responsible for oversight of guidelines and policies that govern the process by which risk assessment and management is undertaken. In addition, the Audit Committee reviews with management the system of internal controls and financial reporting that is relied upon to provide reasonable assurance of compliance with the Firm's operational risk management processes.

LIQUIDITY RISK MANAGEMENT

The ability to maintain a sufficient level of liquidity is crucial to financial services companies, particularly maintaining appropriate levels of liquidity during periods of adverse conditions. The Firm's funding strategy is to ensure liquidity and diversity of funding sources to meet actual and contingent liabilities through both stable and adverse conditions.

JPMorgan Chase uses a centralized approach for liquidity risk management. Global funding is managed by Corporate Treasury, using regional expertise as appropriate. Management believes that a centralized framework maximizes liquidity access, minimizes funding costs and permits identification and coordination of global liquidity risk.

Recent events

During the second half of 2008, global markets exhibited extraordinary levels of volatility and increasing signs of stress. Throughout this period, access by market participants to the debt, equity, and consumer loan securitization markets was constrained and funding spreads widened sharply. In response to strains in financial markets, U.S. government and regulatory agencies introduced various programs to inject liquidity into the financial system. JPMorgan Chase participated in a number of these programs, two of which were the Capital Purchase Program and the FDIC's TLG Program. On October 28, 2008, JPMorgan Chase issued $25.0 billion of preferred stock as well as a warrant to purchase up to 88,401,697 shares of the Firm's common stock to the U.S. Treasury under the Capital Purchase Program, which enhanced the Firm's capital and liquidity positions. In addition, on December 4, 2008, JPMorgan Chase elected to continue to participate in the FDIC's TLG Program, which facilitated long-term debt issuances at rates (including the guarantee fee charged by the FDIC) more favorable than those for non-FDIC guaranteed debt issuances. Under the TLG Program, the FDIC guarantees certain senior unsecured debt of JPMorgan Chase, and in return for the guarantees, the FDIC is paid a fee based on the amount and maturity of the debt. Under the TLG Program, the FDIC will pay the unpaid principal and interest on an FDIC-guaranteed debt instrument upon the uncured failure of the participating entity to make a timely payment of principal or interest in accordance with the terms of the instrument. During the fourth quarter of 2008, pursuant to the TLG Program, the Firm issued $20.8 billion of bonds guaranteed by the FDIC, further enhancing the Firm's liquidity position. At December 31, 2008, all of the FDIC-guaranteed debt was outstanding and had a carrying value of $21.0 billion, net of hedges. In the interest of promoting deposit stability, during the fourth quarter, the FDIC also (i) temporarily increased, through 2009, insurance coverage on bank deposits to $250,000 per customer from $100,000 per customer, and (ii) for qualified institutions who participated in the TLG Program (such as the Firm), provided full deposit insurance coverage for noninterest-bearing transaction accounts.

During the second half of 2008, the Firm's deposits (excluding those assumed in connection with the Washington Mutual transaction) increased substantially, as the Firm benefited from the heightened volatility and credit concerns affecting the markets.

On May 30, 2008, JPMorgan Chase completed the merger with Bear Stearns. Due to the structure of the transaction and the de-risking of positions over time, the merger with Bear Stearns had no material impact on the Firm's liquidity. On September 25, 2008, JPMorgan Chase acquired the banking operations of Washington Mutual from the FDIC. As part of the Washington Mutual transaction, JPMorgan Chase assumed Washington Mutual's deposits as well as its obligations to its credit card securitization-related master trusts, covered bonds, and liabilities to certain Federal Home Loan Banks. The Washington Mutual transaction had an insignificant impact on the Firm's overall liquidity position.

Both S&P and Moody's lowered the Firm's ratings one notch on December 19, 2008 and January 15, 2009, respectively. These rating actions did not have a material impact on the cost or availability of funding to the Firm. For a further discussion of credit ratings, see the Credit Ratings caption of this Liquidity Risk Management section on pages 79-80 of this Annual Report.

Notwithstanding the market events during the latter half of 2008, the Firm's liquidity position remained strong based on its liquidity metrics as of December 31, 2008. The Firm believes that its unsecured and secured funding capacity is sufficient to meet on- and off-balance sheet obligations. JPMorgan Chase's long-dated funding, including core liabilities, exceeded illiquid assets. In addition, during the course of 2008, the Firm raised funds at the parent holding company in excess of its minimum threshold to cover its obligations and those of its nonbank subsidiaries that mature over the next 12 months.

Governance

The Asset-Liability Committee approves and oversees the execution of the Firm's liquidity policy and contingency funding plan. Corporate Treasury formulates the Firm's liquidity and contingency planning strategies and is responsible for measuring, monitoring, reporting and managing the Firm's liquidity risk profile.

Liquidity monitoring

The Firm monitors liquidity trends, tracks historical and prospective on- and off-balance sheet liquidity obligations, identifies and measures internal and external liquidity warning signals to permit early detection of liquidity issues, and manages contingency planning (including identification and testing of various company-specific and market-driven stress scenarios). Various tools, which together contribute to an overall firmwide liquidity perspective, are used to monitor and manage liquidity. Among others, these include: (i) analysis of the timing of liquidity sources versus liquidity uses (i.e., funding gaps) over periods ranging from overnight to one year; (ii) management of debt and capital issuances to ensure that the illiquid portion of the balance sheet can be funded by equity, long-term debt, trust preferred capital debt securities and deposits the Firm believes to be stable; and (iii) assessment of the Firm's capacity to raise incremental unsecured and secured funding.

Liquidity of the parent holding company and its nonbank subsidiaries is monitored independently as well as in conjunction with the liquidity of the Firm's bank subsidiaries. At the parent holding company level, long-term funding is managed to ensure that the parent holding company has, at a minimum, sufficient liquidity to cover its obligations and those of its nonbank subsidiaries within the next 12 months. For bank subsidiaries, the focus of liquidity risk management is on maintenance of unsecured and secured funding capacity sufficient to meet on- and off-balance sheet obligations.

A component of liquidity management is the Firm's contingency funding plan. The goal of the plan is to ensure appropriate liquidity during normal and stress periods. The plan considers various temporary and long-term stress scenarios where access to unsecured funding is severely limited or nonexistent, taking into account both on-and off-balance sheet exposures, and separately evaluates access to funds by the parent holding company and the Firm's banks.

Funding

Sources of funds

The deposits held by the RFS, CB, TSS and AM lines of business are a generally consistent source of funding for JPMorgan Chase Bank, N.A. As of December 31, 2008, total deposits for the Firm were $1.0 trillion, compared with $740.7 billion at December 31, 2007. A significant portion of the Firm's deposits are retail deposits, which are less sensitive to interest rate changes or market volatility and therefore are considered more stable than market-based (i.e., wholesale) liability balances. The Washington Mutual transaction added approximately $159.9 billion of deposits to the Firm, a significant majority of which are retail deposits. In addition, through the normal course of business, the Firm benefits from substantial liability balances originated by RFS, CB, TSS and AM. These franchise-generated liability balances include deposits and funds that are swept to on-balance sheet liabilities (e.g., commercial paper, federal funds purchased and securities loaned or sold under repurchase agreements), a significant portion of which are considered to be stable and consistent sources of funding due to the nature of the businesses from which they are generated. For further discussions of deposit and liability balance trends, see the discussion of the results for the Firm's business segments and the Balance sheet analysis on pages 42–60 and 64–66, respectively, of this Annual Report.

Additional sources of funding include a variety of unsecured short-and long-term instruments, including federal funds purchased, certificates of deposits, time deposits, bank notes, commercial paper, long-term debt, trust preferred capital debt securities, preferred stock and common stock. Secured sources of funding include securities loaned or sold under repurchase agreements, asset securitizations, borrowings from the Federal Reserve (including discount window borrowings, the Primary Dealer Credit Facility and the Term Auction Facility) and borrowings from the Chicago, Pittsburgh and, as a result of the Washington Mutual transaction, the San Francisco Federal Home Loan Banks. However, the Firm does not view borrowings from the Federal Reserve as a primary means of funding the Firm.

Issuance

Funding markets are evaluated on an ongoing basis to achieve an appropriate global balance of unsecured and secured funding at favorable rates. Generating funding from a broad range of sources in a variety of geographic locations enhances financial flexibility and limits dependence on any one source.

During 2008, JPMorgan Chase issued approximately $42.6 billion of long-term debt for funding or capital management purposes, including $20.8 billion of FDIC-guaranteed notes issued under the TLG Program. The Firm also issued $28.0 billion of IB structured notes, the issuances of which are generally client-driven and not for funding or capital management purposes, as the proceeds from such transactions are generally used to purchase securities to mitigate the risk associated with structured note exposure. In addition, during the year, the Firm issued $1.8 billion of trust preferred capital debt securities. During the same period, the Firm redeemed or had maturities of $62.7 billion of securities, including $35.8 billion of IB structured notes.

Preferred stock issuances included $6.0 billion and $1.8 billion of noncumulative perpetual preferred stock issued on April 23 and August 21, 2008, respectively, as well as preferred stock issued to the U.S. Treasury on October 28, 2008, under the Capital Purchase Program. In connection with preferred stock issuance under the Capital Purchase Program, the Firm also issued to the U.S. Treasury on October 28, 2008, a warrant to purchase up to 88,401,697 shares of the Firm's common stock, at an exercise price of $42.42 per share, subject to certain antidilution and other adjustments. The Firm has in the past, and may continue in the future, to repurchase from time to time its debt or trust preferred capital debt securities in open market purchases or privately negotiated transactions subject to regulatory and contractual restrictions.

Finally, during 2008, the Firm securitized $21.4 billion of credit card loans. The ability to securitize loans, and the associated gains on those securitizations, are principally dependent upon the credit quality and other characteristics of the assets securitized as well as upon prevailing market conditions. Given the volatility and stress in the financial markets in the second half of 2008, the Firm did not securitize any residential mortgage loans, auto loans or student loans during 2008.

Replacement Capital Covenants

In connection with the issuance of certain of its trust preferred capital debt securities and noncumulative perpetual preferred stock, the Firm entered into Replacement Capital Covenants ("RCCs") granting certain rights to the holders of "covered debt," as defined in the RCCs, that prohibit the repayment, redemption or purchase of the trust preferred capital debt securities and noncumulative perpetual preferred stock except, with limited exceptions, to the extent that JPMorgan Chase has received, in each such case, specified amounts of proceeds from the sale of certain qualifying securities. Currently the Firm's covered debt is its 5.875% Junior Subordinated Deferrable Interest Debentures, Series O, due in 2035. For more information regarding these covenants, reference is made to the respective RCCs entered into by the Firm in connection with the issuances of such trust preferred capital debt securities and noncumulative perpetual preferred stock, which are filed with the U.S. Securities and Exchange Commission under cover of Forms 8-K.

Cash flows
For the years ended December 31, 2008, 2007 and 2006, cash and due from banks decreased $13.2 billion, $268 million, and increased $3.7 billion, respectively. The following discussion highlights the major activities and transactions that affected JPMorgan Chase's cash flows during 2008, 2007 and 2006.

Cash Flows from Operating Activities
JPMorgan Chase's operating assets and liabilities support the Firm's capital markets and lending activities, including the origination or purchase of loans initially designated as held-for-sale. The operating assets and liabilities can vary significantly in the normal course of business due to the amount and timing of cash flows, which are affected by client-driven activities, market conditions and trading strategies. Management believes cash flows from operations, available cash balances and the Firm's ability to generate cash through short-and long-term borrowings are sufficient to fund the Firm's operating liquidity needs.

For the year ended December 31, 2008, net cash provided by operating activities was $23.1 billion, while for the years ended December 31, 2007 and 2006, net cash used in operating activities was $110.6 billion and $49.6 billion, respectively. In 2008, net cash generated from operating activities was higher than net income, largely as a result of adjustments for operating items such as the provision for credit losses, depreciation and amortization, stock-based compensation, and certain other expense. During 2006, 2007 and 2008, cash was used to fund loans held-for-sale, primarily in IB and RFS. During 2008, proceeds from sales of loans originated or purchased with an initial intent to sell were slightly higher than cash used to acquire such loans; but the cash flows from these activities were at a significantly lower level than for the same periods in 2007 and 2006 as a result of current market conditions. In 2007 and 2006, cash used to acquire such loans was slightly higher than proceeds from sales.

For the years ended December 31, 2007 and 2006, the net cash used in operating activities supported growth in the Firm's lending and capital markets activities. In 2007, when compared with 2006, there was a significant decline in cash flows from IB loan originations/purchases and sale/securitization activities as a result of the difficult wholesale securitization market and capital markets for leveraged financings, which were affected by a significant deterioration in liquidity in the second half of 2007. Cash flows in 2007 associated with RFS residential mortgage activities grew, reflecting an increase in originations.

Cash Flows from Investing Activities
The Firm's investing activities predominantly include originating loans to be held for investment, other receivables, the available-for-sale investment portfolio and other short-term investment vehicles. For the year ended December 31, 2008, net cash of $286.3 billion was used in investing activities, primarily for: purchases of investment securities in Corporate's AFS portfolio to manage the Firm's exposure to interest rate movements, as well as to make strategic longer-term investments; increased deposits with banks as the result of the availability of excess cash for short-term investment opportunities through inter-bank lending, and from deposits with the Federal Reserve (which is now an investing activity, reflecting a policy change of the Federal Reserve to pay interest to depository institutions on reserve balances); net additions to the wholesale loan portfolio, from organic growth in CB; additions to the consumer prime mortgage portfolio as a result of the decision to retain, rather than sell, new originations of nonconforming prime mortgage loans; an increase in securities purchased under resale agreements reflecting growth in demand from clients for liquidity; and net purchases of asset-backed commercial paper from money market mutual funds in connection with a temporary Federal Reserve Bank of Boston lending facility. Partially offsetting these uses of cash were proceeds from sales and maturities of AFS securities; loan sales and credit card securitization activities, which were at a lower level than for the same periods in 2007 as a result of the adverse market conditions that have continued since the last half of 2007; and net cash received from acquisitions and the sale of an investment. Additionally, in June 2008, in connection with the merger with Bear Stearns, the Firm sold assets acquired from Bear Stearns to the FRBNY and received cash proceeds of $28.85 billion (for additional information see Note 2 on page 123–128 of this Annual Report).

For the year ended December 31, 2007, net cash of $73.1 billion was used in investing activities, primarily to fund purchases in the AFS securities portfolio to manage the Firm's exposure to interest rate movements; net additions to the wholesale retained loan portfolios in IB, CB and AM, mainly as a result of business growth; a net increase in the consumer retained loan portfolio, primarily reflecting growth in RFS in home equity loans and net additions to RFS' subprime mortgage loans portfolio (which was affected by management's decision in the third quarter to retain (rather than sell) new subprime mortgages), and growth in prime mortgage loans originated by RFS and AM that cannot be sold to U.S. government agencies or U.S. government-sponsored enterprises; and increases in securities purchased under resale agreements as a result of a higher level of cash that was available for short-term investment opportunities in connection with the Firm's efforts to build liquidity. These net uses of cash were partially offset by cash proceeds received from sales and maturities of AFS securities; and credit card, residential mortgage, student and wholesale loan sales and securitization activities, which grew in 2007 despite the difficult conditions in the credit markets.

For the year ended December 31, 2006, net cash of $99.6 billion was used in investing activities. Net cash was invested to fund net additions to the retained wholesale loan portfolio, mainly resulting from capital markets activity in IB leveraged financings; increases in CS loans reflecting strong organic growth; net additions in retail home equity loans; the acquisition of private-label credit card portfolios from Kohl's, BP and Pier 1 Imports, Inc.; the acquisition of Collegiate Funding Services; and purchases of AFS securities in connection with repositioning the portfolio in response to changes in interest rates. These uses of cash were partially offset by cash proceeds provided from credit card, residential mortgage, auto and wholesale loan sales and securitization activities; sales and maturities of AFS securities; the net decline in auto loans, which was caused partially by management's decision to de-emphasize vehicle leasing; and the sale of the insurance business at the beginning of the second quarter.

Cash Flows from Financing Activities
The Firm's financing activities primarily reflect cash flows related to customer deposits, issuances of long-term debt and trust preferred capital debt securities, and issuances of preferred and common stock. In 2008, net cash provided by financing activities was $250.5 billion due to: growth in wholesale deposits, in particular, interest-and noninterest-bearing deposits in TSS (driven by both new and existing clients, and due to the deposit inflows related to the heightened volatility and credit concerns affecting the global markets), as well as increases in AM and CB (due to organic growth); proceeds of $25.0 billion from the issuance of preferred stock and a warrant to the U.S. Treasury under the Capital Purchase Program; additional issuances of common stock and preferred stock used for general corporate purposes; an increase in other borrowings due to nonrecourse secured advances from the Federal Reserve Bank of Boston to fund the purchase of asset-backed commercial paper from money market mutual funds; increases in federal funds purchased and securities loaned or sold under repurchase agreements in connection with higher short-term requirements to fulfill client demand for liquidity and finance the Firm's AFS securities inventory; and a net increase in long-term debt due to a combination of non-FDIC guaranteed debt and trust preferred capital debt securities issued prior to December 4, 2008, and the issuance of $20.8 billion of FDIC-guaranteed long-term debt issued during the fourth quarter of 2008. The fourth-quarter FDIC-guaranteed issuance was offset partially by maturities of non-FDIC guaranteed long-term debt during the same period. The increase in long-term debt and trust preferred capital debt securities was used primarily to fund certain illiquid assets held by the parent holding company and build liquidity. Cash was also used to pay dividends on common and preferred stock. The Firm did not repurchase any shares of its common stock in the open market during 2008 in order to maintain its capital objectives.

In 2007, net cash provided by financing activities was $183.0 billion due to a net increase in wholesale deposits from growth in business volumes, in particular, interest-bearing deposits at TSS, AM and CB; net issuances of long-term debt and trust preferred capital debt securities primarily to fund certain illiquid assets held by the parent holding company and build liquidity, and by IB from client-driven structured notes transactions; and growth in commercial paper issuances and other borrowed funds due to growth in the volume of liability balances in sweep accounts in TSS and CB, and to fund trading positions and to further build liquidity. Cash was used to repurchase common stock and pay dividends on common stock, including an increase in the quarterly dividend in the second quarter of 2007.

In 2006, net cash provided by financing activities was $152.7 billion due to net cash received from growth in deposits, reflecting new retail account acquisitions and the ongoing expansion of the retail branch distribution network; higher wholesale business volumes; increases in securities sold under repurchase agreements to fund trading positions and higher AFS securities positions; and net issuances of long-term debt and trust preferred capital debt securities. The net cash provided was offset partially by the payment of cash dividends on stock and common stock repurchases.

Credit ratings
The cost and availability of financing are influenced by credit ratings. Reductions in these ratings could have an adverse effect on the Firm's access to liquidity sources, increase the cost of funds, trigger additional collateral or funding requirements and decrease the number of investors and counterparties willing to lend to the Firm. Additionally, the Firm's funding requirements for VIEs and other third-party commitments may be adversely affected. For additional information on the impact of a credit ratings downgrade on the funding requirements for VIEs, and on derivatives and collateral agreements, see Special-purpose entities on pages 67–68 and Ratings profile of derivative receivables marked to market ("MTM") on page 88 of this Annual Report.

Critical factors in maintaining high credit ratings include a stable and diverse earnings stream, strong capital ratios, strong credit quality and risk management controls, diverse funding sources, and disciplined liquidity monitoring procedures.

The credit ratings of the parent holding company and each of the Firm's significant banking subsidiaries as of January 15, 2009, were as follows.

	Short-term debt			Senior long-term debt		
	Moody's	S&P	Fitch	Moody's	S&P	Fitch
JPMorgan Chase & Co.	P-1	A-1	F1+	Aa3	A+	AA-
JPMorgan Chase Bank, N.A.	P-1	A-1+	F1+	Aa1	AA-	AA-
Chase Bank USA, N.A.	P-1	A-1+	F1+	Aa1	AA-	AA-

On December 19, 2008, S&P lowered the senior long-term debt ratings on JPMorgan Chase & Co. and its principal bank subsidiaries one notch from "AA-" and "AA", respectively; lowered the short-term debt rating of JPMorgan Chase & Co. from "A-1+"; and affirmed the short-term debt ratings of its principal bank subsidiaries. These actions were primarily the result of S&P's belief that the Firm's earnings are likely to decline over the next couple of years in response to increasing loan losses associated with the Firm's exposure to consumer lending, as well as declining business volumes. S&P's current outlook is negative. On January 15, 2009, Moody's lowered the senior long-term debt ratings on JPMorgan Chase & Co. and its principal bank subsidiaries from "Aa2" and "Aaa", respectively. These actions were primarily the result of Moody's view that, in the current economic environment, the Firm may experience difficulties generating capital and could face significant earnings pressure. Moody's affirmed the short-term debt ratings of JPMorgan Chase & Co. and its principal bank subsidiaries at "P-1". Moody's also revised the outlook to stable from negative due to the Firm's strong capital ratios, significant loan loss reserves, and strong franchise. Ratings from Fitch on JPMorgan Chase & Co. and its principal bank subsidiaries remained unchanged from December 31, 2007, and Fitch's outlook remained stable. The recent rating actions by S&P and Moody's did not have a material impact on the cost or availability of the Firm's funding. If the Firm's senior long-term debt ratings were downgraded by one additional notch, the Firm believes the incremental cost of funds or loss of funding would be manageable within the context of current market conditions and the Firm's liquidity resources. JPMorgan Chase's unsecured debt, other than in certain cases the IB structured notes, does not contain requirements that would call for an acceleration of payments, maturities or changes in the structure of the existing debt, nor contain collateral provisions or the creation of an additional financial obligation, based on unfavorable changes in the Firm's credit ratings, financial ratios, earnings, cash flows or stock price. To the extent any IB structured notes do contain such provisions, the Firm believes that, in the event of an acceleration of payments or maturities or provision of collateral, the securities used by the Firm to risk manage such structured notes, together with other liquidity resources, are expected to generate funds sufficient to satisfy the Firm's obligations.

CREDIT RISK MANAGEMENT

Credit risk is the risk of loss from obligor or counterparty default. The Firm provides credit (for example, through loans, lending-related commitments and derivatives) to a variety of customers, from large corporate and institutional clients to the individual consumer. For the wholesale business, credit risk management includes the distribution of syndicated loans originated by the Firm into the marketplace (primarily to IB clients), with exposure held in the retained portfolio averaging less than 10% of the total originated loans. Wholesale loans generated by CB and AM are generally retained on the balance sheet. With regard to the consumer credit market, the Firm focuses on creating a portfolio that is diversified from both a product and a geographic perspective. Loss mitigation strategies are being employed for all home lending portfolios. These strategies include rate reductions, principal forgiveness, forbearance and other actions intended to minimize the economic loss and avoid foreclosure. In the mortgage business, originated loans are either retained in the mortgage portfolio or securitized and sold to U.S. government agencies and U.S. government-sponsored enterprises.

Credit risk organization

Credit risk management is overseen by the Chief Risk Officer and implemented within the lines of business. The Firm's credit risk management governance consists of the following functions:

- establishing a comprehensive credit risk policy framework
- monitoring and managing credit risk across all portfolio segments, including transaction and line approval
- assigning and managing credit authorities in connection with the approval of all credit exposure
- managing criticized exposures
- calculating the allowance for credit losses and ensuring appropriate credit risk-based capital management

Risk identification

The Firm is exposed to credit risk through lending and capital markets activities. The credit risk management organization works in partnership with the business segments in identifying and aggregating exposures across all lines of business.

Risk measurement

To measure credit risk, the Firm employs several methodologies for estimating the likelihood of obligor or counterparty default. Methodologies for measuring credit risk vary depending on several factors, including type of asset (e.g., consumer installment versus wholesale loan), risk measurement parameters (e.g., delinquency status and credit bureau score versus wholesale risk rating) and risk management and collection processes (e.g., retail collection center versus centrally managed workout groups). Credit risk measurement is based upon the amount of exposure should the obligor or the counterparty default, the probability of default and the loss severity given a default event. Based upon these factors and related market-based inputs, the Firm estimates both probable and unexpected losses for the wholesale and consumer portfolios. Probable losses, reflected in the provision for credit losses, are based primarily upon statistical estimates of credit losses as a result of obligor or counterparty default. However, probable losses are not the sole indicators of risk. If losses were entirely predictable, the probable loss rate could be factored into pricing and covered as a normal and recurring cost of doing business. Unexpected losses, reflected in the allocation of credit risk capital, represent the potential volatility of actual losses relative to the probable level of losses. Risk measurement for the wholesale portfolio is assessed primarily on a risk-rated basis; for the consumer portfolio, it is assessed primarily on a credit-scored basis.

Risk-rated exposure
For portfolios that are risk-rated (generally held in IB, CB, TSS and AM), probable and unexpected loss calculations are based upon estimates of probability of default and loss given default. Probability of default is the expected default calculated on an obligor basis. Loss given default is an estimate of losses given a default event and takes into consideration collateral and structural support for each credit facility. Calculations and assumptions are based upon management information systems and methodologies which are under continual review. Risk ratings are assigned to differentiate risk within the portfolio and are reviewed on an ongoing basis by credit risk management and revised, if needed, to reflect the borrowers' current risk profiles and the related collateral and structural positions.

Credit-scored exposure
For credit-scored portfolios (generally held in RFS and CS), probable loss is based upon a statistical analysis of inherent losses over discrete periods of time. Probable losses are estimated using sophisticated portfolio modeling, credit scoring and decision-support tools to project credit risks and establish underwriting standards. In addition, common measures of credit quality derived from historical loss experience are used to predict consumer losses. Other risk characteristics evaluated include recent loss experience in the portfolios, changes in origination sources, portfolio seasoning, loss severity and underlying credit practices, including charge-off policies. These analyses are applied to the Firm's current portfolios in order to estimate delinquencies and severity of losses, which determine the amount of probable losses. These factors and analyses are updated at least on a quarterly basis or more frequently as market conditions dictate.

Risk monitoring
The Firm has developed policies and practices that are designed to preserve the independence and integrity of the approval and decision making of extending credit and are intended to ensure credit risks are assessed accurately, approved properly, monitored regularly and managed actively at both the transaction and portfolio levels. The policy framework establishes credit approval authorities, concentration limits, risk-rating methodologies, portfolio review parameters and guidelines for management of distressed exposure. Wholesale credit risk is monitored regularly on both an aggregate portfolio level and on an individual customer basis. Management of the Firm's wholesale exposure is accomplished through a number of means including loan syndication and participations, loan sales, securitizations, credit derivatives, use of master netting agreements and collateral and other risk-reduction techniques, which are further discussed in the following risk sections. For consumer credit risk, the key focus items are trends and concentrations at the portfolio level, whereby potential problems can be remedied through changes in underwriting policies and portfolio guidelines. Consumer Credit Risk Management monitors trends against business expectations and industry benchmarks.

Risk reporting
To enable monitoring of credit risk and decision-making, aggregate credit exposure, credit quality forecasts, concentrations levels and risk profile changes are reported regularly to senior credit risk management. Detailed portfolio reporting of industry, customer and geographic concentrations occurs monthly, and the appropriateness of the allowance for credit losses is reviewed by senior management at least on a quarterly basis. Through the risk reporting and governance structure, credit risk trends and limit exceptions are provided regularly to, and discussed with, senior management, for further information, see page 74 of this Annual Report.

2008 Credit risk overview
During 2008, credit markets experienced deterioration and increased defaults and downgrades reflecting, among other things, reduced liquidity. The liquidity and credit crisis has adversely affected many financial institutions, resulting in the failure of some in both the U.S. and Europe, and has impacted the functioning of credit markets, particularly, the loan syndication and asset-backed securitization markets. The Firm's credit portfolio was affected by these market conditions and experienced deteriorating credit quality, especially in the latter part of the year, generally consistent with the market. In 2008, for the wholesale portfolio, criticized assets and NPAs increased, from historical lows, 301% and 525%, respectively, from the previous year. Charge-offs, which typically lag other portfolio deterioration, have increased from historical lows by 458% over 2007. The Firm has remained focused on aggressively managing the portfolio, including ongoing, in-depth reviews of credit quality, as well as of revisions of industry, product and client concentrations. Risk levels are adjusted as needed to reflect the Firm's risk tolerance. Underwriting standards across all areas of lending have been strengthened, consistent with evolving market conditions in order to permit the Firm to lend in a safe and prudent manner. In light of the current market conditions, the wholesale allowance for loan loss coverage ratio has been strengthened to 2.64%, from 1.67% at the end of 2007.

Consumer portfolio credit performance continues to be negatively affected by the economic environment, particularly the weak labor market and the decline in housing prices which occurred nationally. As a result, the Firm took actions throughout the year to reduce risk exposure by tightening underwriting and loan qualification standards in those markets most affected by the housing downturn. In the fourth quarter of 2008, the Firm announced plans to significantly expand loss mitigation efforts related to its mortgage and home equity portfolios. During the implementation period of these expanded loss mitigation efforts, which was substantially in place in early 2009, the Firm did not place loans into foreclosure. These loss mitigation efforts are expected to result in additional increases in the balance of modified loans carried on the Firm's balance sheet, including loans accounted for as troubled debt restructurings, while minimizing the economic loss to the Firm and assisting homeowners to remain in their homes.

More detailed discussion of the domestic consumer credit environment can be found on pages 91–92 of this Annual Report.

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CREDIT PORTFOLIO

The following table presents JPMorgan Chase’s credit portfolio as of December 31, 2008 and 2007. Total credit exposure at December 31, 2008, increased $198.8 billion from December 31, 2007, reflecting an increase of $115.0 billion in the consumer credit portfolio and $83.8 billion in the wholesale credit portfolio. The increase in total credit exposure from the prior year reflects $319.2 billion and $54.3 billion of additional credit exposure acquired in connection with the Washington Mutual and Bear Stearns transactions, respectively. The exposure from the Washington Mutual transaction consisted of $271.7 billion in the consumer portfolio and $47.5 billion in the wholesale portfolio, which was primarily commercial lending. The exposure from the Bear Stearns acquisition was included in the wholesale portfolio. Excluding these two transactions, there was a decrease of $174.7 billion in overall credit exposure, which was largely driven by decreases in lending-related commitments, partly offset by increases in derivative receivables and managed loans.

While overall portfolio exposure declined when excluding the Washington Mutual and Bear Stearns transactions, the Firm provided over $150 billion in new loans and lines of credit to retail and wholesale clients in the fourth quarter of 2008, including individual consumers, small businesses, large corporations, not-for-profit organizations, states and municipalities, and other financial institutions.

In the table below, reported loans include loans accounted for at fair value and loans held-for-sale, which are carried at lower of cost or fair value, with changes in value recorded in noninterest revenue. However, these held-for-sale loans and loans accounted for at fair value are excluded from the average loan balances used for the net charge-off rate calculations.

Total credit portfolio

As of or for the year ended December 31, (in millions, except ratios)	Credit exposure 2008	Credit exposure 2007	Nonperforming assets(h)(i)(j)(k) 2008	Nonperforming assets(h)(i)(j)(k) 2007	90 days past due and still accruing 2008	90 days past due and still accruing 2007	Net charge-offs 2008	Net charge-offs 2007	Average annual net charge-off rate 2008	Average annual net charge-off rate 2007
Total credit portfolio										
Loans retained(a)	**$ 728,915**	$ 491,736	**$ 8,921**(j)	$ 3,232(j)	**$ 3,275**	$ 2,043	**$ 9,835**	$ 4,538	**1.73%**	1.00%
Loans held-for-sale	**8,287**	18,899	**12**	45	**—**	—	**—**	—	**—**	NA
Loans at fair value	**7,696**	8,739	**20**	5	**—**	—	**—**	—	**—**	NA
Loans – reported(a)	**$ 744,898**	$ 519,374	**$ 8,953**	$ 3,282	**$ 3,275**	$ 2,043	**$ 9,835**	$ 4,538	**1.73%**	1.00%
Loans – securitized(b)	**85,571**	72,701	**—**	—	**1,802**	1,050	**3,612**	2,380	**4.53**	3.43
Total managed loans	**830,469**	592,075	**8,953**	3,282	**5,077**	3,093	**13,447**	6,918	**2.08**	1.33
Derivative receivables	**162,626**	77,136	**1,079**	29	**—**	—	**NA**	NA	**NA**	NA
Receivables from customers(c)	**16,141**	—	**—**	—	**—**	—	**NA**	NA	**NA**	NA
Total managed credit-related assets	**1,009,236**	669,211	**10,032**	3,311	**5,077**	3,093	**13,447**	6,918	**2.08**	1.33
Lending-related commitments(d)(e)	**1,121,378**	1,262,588	**NA**	NA	**NA**	NA	**NA**	NA	**NA**	NA
Assets acquired in loan satisfactions										
Real estate owned	**NA**	NA	**2,533**(k)	546	**NA**	NA	**NA**	NA	**NA**	NA
Other	**NA**	NA	**149**(k)	76	**NA**	NA	**NA**	NA	**NA**	NA
Total assets acquired in loan satisfactions	**NA**	NA	**2,682**	622	**NA**	NA	**NA**	NA	**NA**	NA
Total credit portfolio	**$ 2,130,614**	$ 1,931,799	**$ 12,714**	$ 3,933	**$ 5,077**	$ 3,093	**$ 13,447**	$ 6,918	**2.08%**	1.33%
Net credit derivative hedges notional(f)	**$ (91,451)**	$ (67,999)	**$ —**	$ (3)	**NA**	NA	**NA**	NA	**NA**	NA
Collateral held against derivatives(g)	**(19,816)**	(9,824)	**NA**	NA	**NA**	NA	**NA**	NA	**NA**	NA

(a) Loans (other than those for which the SFAS 159 fair value option has been elected) are presented net of unearned income and net deferred loan fees of $694 million and $1.0 billion at December 31, 2008 and 2007, respectively.
(b) Represents securitized credit card receivables. For further discussion of credit card securitizations, see Card Services on pages 51–53 of this Annual Report.
(c) Primarily represents margin loans to prime and retail brokerage customers included in accrued interest and accounts receivable on the Consolidated Balance Sheets.
(d) Includes credit card and home equity lending-related commitments of $623.7 billion and $95.7 billion, respectively, at December 31, 2008, and $714.8 billion and $74.2 billion, respectively, at December 31, 2007. These amounts for credit card and home equity lending-related commitments represent the total available credit for these products. The Firm has not experienced, nor does it anticipate, all available lines of credit being used at the same time. The Firm can reduce or cancel these lines of credit by providing the borrower prior notice or, in some cases, without notice as permitted by law.
(e) Includes unused advised lines of credit totaling $36.3 billion and $38.4 billion at December 31, 2008 and 2007, respectively, which are not legally binding. In regulatory filings with the Federal Reserve, unused advised lines are not reportable. See the Glossary of Terms on page 218 of this Annual Report for the Firm’s definition of advised lines of credit.
(f) Represents the net notional amount of protection purchased and sold of single-name and portfolio credit derivatives used to manage the credit exposures; these derivatives do not qualify for hedge accounting under SFAS 133. For additional information, see page 89 of this Annual Report.
(g) Represents other liquid securities collateral held by the Firm as of December 31, 2008 and 2007, respectively.
(h) Excludes nonperforming assets related to (1) loans eligible for repurchase as well as loans repurchased from GNMA pools that are insured by U.S. government agencies of $3.3 billion and $1.5 billion at December 31, 2008, and 2007, respectively, and (2) student loans that are 90 days past due and still accruing, which are insured by U.S. government agencies under the Federal Family Education Loan Program, of $437 million and $417 million at December 31, 2008 and 2007, respectively. These amounts for GNMA and student loans are excluded, as reimbursement is proceeding normally.
(i) During the second quarter of 2008, the policy for classifying subprime mortgage and home equity loans as nonperforming was changed to conform to all other home lending products. Amounts for 2007 have been revised to reflect this change.
(j) Excludes home lending purchased credit-impaired home loans accounted for under SOP 03-3 that were acquired as part of the Washington Mutual transaction. These loans are accounted for on a pool basis and the pools are considered to be performing under SOP 03-3. Also excludes loans held-for-sale and loans at fair value.
(k) Includes $1.5 billion of assets acquired in the Washington Mutual transaction.

WHOLESALE CREDIT PORTFOLIO

As of December 31, 2008, wholesale exposure (IB, CB, TSS and AM) increased $83.8 billion from December 31, 2007, primarily due to the Bear Stearns merger, which added $54.3 billion of wholesale exposure in the second quarter of 2008 ($26.0 billion of receivables from customers, $18.9 billion of derivative receivables, $5.0 billion of lending-related commitments and $4.4 billion of loans) and the Washington Mutual transaction (which added $47.5 billion of wholesale exposure in the third quarter of 2008, mainly consisting of loans). Excluding these two transactions, the portfolio decreased $18.0 billion, largely driven by decreases of $73.7 billion in lending-related commitments and $9.9 billion in receivables from customers. Partly offsetting these decreases was an increase of $65.5 billion in derivative receivables. The decrease in lending-related commitments was largely related to a reduction in multi-seller conduit-related commitments. The increase in derivative receivables was primarily related to the decline in interest rates, widening credit spreads and volatile foreign exchange rates reflected in interest rate, credit and foreign exchange derivatives, respectively. For additional information regarding conduit-related commitments, see Note 17 on pages 177–186 of this Annual Report.

Excluding the Washington Mutual and Bear Stearns transactions, retained loans increased $11.0 billion reflecting increases in traditional lending activity while loans held-for-sale and loans at fair value decreased reflecting sales, reduced carrying values and lower volumes in the syndication market.

Wholesale

As of or for the year ended December 31,	Credit exposure		Nonperforming loans[f]		90 days past due and accruing	
(in millions)	**2008**	2007	**2008**	2007	**2008**	2007
Loans retained[a]	**$ 248,089**	$ 189,427	**$ 2,350**	$ 464	**$ 163**	$ 75
Loans held-for-sale	**6,259**	14,910	**12**	45	**—**	—
Loans at fair value	**7,696**	8,739	**20**	5	**—**	—
Loans – reported	**$ 262,044**	$ 213,076	**$ 2,382**	$ 514	**$ 163**	$ 75
Derivative receivables	**162,626**	77,136	**1,079**	29	**—**	—
Receivables from customers[b]	**16,141**	—	**—**	—	**—**	—
Total wholesale credit-related assets	**440,811**	290,212	**3,461**	543	**163**	75
Lending-related commitments[c]	**379,871**	446,652	**NA**	NA	**NA**	NA
Total wholesale credit exposure	**$ 820,682**	$ 736,864	**$ 3,461**	$ 543	**$ 163**	$ 75
Credit derivative hedges notional[d]	**$ (91,451)**	$ (67,999)	**$ —**	$ (3)	**NA**	NA
Collateral held against derivatives[e]	**(19,816)**	(9,824)	**NA**	NA	**NA**	NA

(a) Includes $224 million of purchased credit-impaired loans at December 31, 2008, which are accounted for in accordance with SOP 03-3. They are considered nonperforming loans because the timing and amount of expected future cash flows is not reasonably estimable. For additional information, see Note 14 on pages 163–166 of this Annual Report.
(b) Primarily represents margin loans to prime and retail brokerage customers, which are included in accrued interest and accounts receivable on the Consolidated Balance Sheets.
(c) Includes unused advised lines of credit totaling $36.3 billion and $38.4 billion at December 31, 2008 and 2007, respectively, which are not legally binding. In regulatory filings with the Federal Reserve, unused advised lines are not reportable.
(d) Represents the net notional amount of protection purchased and sold of single-name and portfolio credit derivatives used to manage the credit exposures; these derivatives do not qualify for hedge accounting under SFAS 133. For additional information, see page 89 of this Annual Report.
(e) Represents other liquid securities collateral held by the Firm as of December 31, 2008 and 2007, respectively.
(f) Assets acquired in loan satisfactions have been excluded in this presentation. See the wholesale nonperforming assets by line of business segment table for additional information.

The following table presents net charge-offs (excluding gains from sales of nonperforming loans), for the years ended December 31, 2008 and 2007.

Net charge-offs

Wholesale

Year ended December 31, (in millions, except ratios)	**2008**	2007
Loans – reported		
Net charge-offs	**$ 402**	$ 72
Average annual net charge-off rate[a]	**0.18%**	0.04%

(a) Excludes average wholesale loans held-for-sale and loans at fair value of $18.9 billion and $18.6 billion for the years ended December 31, 2008 and 2007, respectively.

The following table presents the change in the wholesale nonperforming loan portfolio for the years ended December 31, 2008 and 2007.

Nonperforming loan activity

Wholesale

Year ended December 31, (in millions)	**2008**	2007
Beginning balance	**$ 514**	$ 391
Additions	**3,381**	1,107
Reductions:		
Paydowns and other	**859**	576
Charge-offs	**521**	185
Returned to performing	**93**	136
Sales	**40**	87
Total reductions	**1,513**	984
Net additions	**1,868**	123
Ending balance	**$2,382**	$ 514

Management's discussion and analysis

The following table presents the wholesale nonperforming assets by business segment as of December 31, 2008 and 2007.

	2008				2007			
		Assets acquired in loan satisfactions				Assets acquired in loan satisfactions		
As of December 31, (in millions)	Nonperforming loans	Real estate owned	Other	Nonperforming assets	Nonperforming loans	Real estate owned	Other	Nonperforming assets
Investment Bank	**$1,175**	**$247**	**$1,079**(a)	**$2,501**	$353	$67	$33(a)	$453
Commercial Banking	**1,026**	**102**	**14**	**1,142**	146	2	—	148
Treasury & Securities Services	**30**	**—**	**—**	**30**	—	—	—	—
Asset Management	**147**	**—**	**25**	**172**	12	—	—	12
Corporate/Private Equity	**4**	**—**	**—**	**4**	3	—	—	3
Total	**$2,382**	**$349**	**$1,118**	**$3,849**	$514	$69	$33	$616

(a) Includes derivative receivables of $1.1 billion and $29 million as of December 31, 2008 and 2007, respectively.

The following table presents summaries of the maturity and ratings profiles of the wholesale portfolio as of December 31, 2008 and 2007. The increase in the proportion of loans maturing after five years was predominantly due to the Washington Mutual transaction. The ratings scale is based upon the Firm's internal risk ratings and generally correspond to the ratings as defined by S&P and Moody's.

Wholesale credit exposure – maturity and ratings profile

	Maturity profile(c)				Ratings profile			
December 31, 2008 (in billions, except ratios)	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total	Investment-grade ("IG") AAA/Aaa to BBB-/Baa3	Noninvestment-grade BB+/Ba1 & below	Total	Total % of IG
Loans	**32%**	**43%**	**25%**	**100%**	**$161**	**$ 87**	**$248**	**65%**
Derivative receivables	**31**	**36**	**33**	**100**	**127**	**36**	**163**	**78**
Lending-related commitments	**37**	**59**	**4**	**100**	**317**	**63**	**380**	**83**
Total excluding loans held-for-sale and loans at fair value	**34%**	**50%**	**16%**	**100%**	**$605**	**$186**	**791**	**77%**
Loans held-for-sale and loans at fair value(a)							**14**	
Receivables from customers							**16**	
Total exposure							**$821**	
Net credit derivative hedges notional(b)	**47%**	**47%**	**6%**	**100%**	**$ (82)**	**$ (9)**	**$ (91)**	**90%**

	Maturity profile(c)				Ratings profile			
December 31, 2007 (in billions, except ratios)	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total	Investment-grade ("IG") AAA/Aaa to BBB-/Baa3	Noninvestment-grade BB+/Ba1 & below	Total	Total % of IG
Loans	44%	45%	11%	100%	$127	$ 62	$189	67%
Derivative receivables	17	39	44	100	64	13	77	83
Lending-related commitments	35	59	6	100	380	67	447	85
Total excluding loans held-for-sale and loans at fair value	36%	53%	11%	100%	$571	$142	713	80%
Loans held-for-sale and loans at fair value(a)							24	
Total exposure							$737	
Net credit derivative hedges notional(b)	39%	56%	5%	100%	$ (68)	$ —	$ (68)	100%

(a) Loans held-for-sale and loans at fair value relate primarily to syndicated loans and loans transferred from the retained portfolio.
(b) Represents the net notional amounts of protection purchased and sold of single-name and portfolio credit derivatives used to manage the credit exposures; these derivatives do not qualify for hedge accounting under SFAS 133.
(c) The maturity profile of loans and lending-related commitments is based upon the remaining contractual maturity. The maturity profile of derivative receivables is based upon the maturity profile of average exposure. See page 87 of this Annual Report for a further discussion of average exposure.

Wholesale credit exposure – selected industry concentration
The Firm focuses on the management and diversification of its industry concentrations, with particular attention paid to industries with actual or potential credit concerns. At December 31, 2008, the top 15 industries to which the Firm is exposed remained largely unchanged from December 31, 2007. The Firm's real estate industry exposure increased from the prior year due to the Washington Mutual transaction. Customer receivables of $16.1 billion in the table below represents primarily margin loans to prime and retail brokerage clients acquired in the Bear Stearns merger. These margin loans are generally fully collateralized by cash or highly liquid securities to satisfy daily minimum collateral requirements. For additional information on industry concentrations, see Note 34 on pages 210–211 of this Annual Report.

Wholesale credit exposure – selected industry concentration

December 31, 2008 (in millions, except ratios)	Credit exposure(d)	Investment grade	Noninvestment-grade		Net charge-offs/ (recoveries)	Credit derivative hedges(e)	Collateral held against derivative receivables(f)
			Noncriticized	Criticized			
Exposure by industry(a)							
Real estate	**$ 83,799**	**68%**	**$ 19,346**	**$ 7,737**	**$ 212**	**$ (2,677)**	**$ (48)**
Banks and finance companies	**75,577**	**79**	**12,953**	**2,849**	**28**	**(5,016)**	**(9,457)**
Asset managers	**49,256**	**85**	**6,418**	**819**	**15**	**(115)**	**(5,303)**
Healthcare	**38,032**	**83**	**6,092**	**436**	**2**	**(5,338)**	**(199)**
State and municipal governments	**35,954**	**94**	**1,278**	**847**	**—**	**(677)**	**(134)**
Utilities	**34,246**	**83**	**5,844**	**114**	**3**	**(9,007)**	**(65)**
Retail and consumer services	**32,714**	**67**	**9,546**	**1,311**	**(6)**	**(6,120)**	**(1,214)**
Consumer products	**29,766**	**65**	**9,504**	**792**	**32**	**(8,114)**	**(54)**
Securities firms and exchanges	**25,590**	**81**	**4,744**	**138**	**—**	**(151)**	**(898)**
Oil and gas	**24,746**	**75**	**5,940**	**231**	**15**	**(6,627)**	**(7)**
Insurance	**17,744**	**78**	**3,138**	**712**	**—**	**(5,016)**	**(846)**
Technology	**17,555**	**68**	**5,420**	**230**	**—**	**(4,209)**	**(3)**
Media	**17,254**	**56**	**5,994**	**1,674**	**26**	**(4,238)**	**(7)**
Central government	**15,259**	**98**	**276**	**—**	**—**	**(4,548)**	**(35)**
Metals/mining	**14,980**	**61**	**5,579**	**262**	**(7)**	**(3,149)**	**(3)**
All other(b)	**278,114**	**77**	**57,307**	**7,845**	**82**	**(26,449)**	**(1,543)**
Subtotal	**$ 790,586**	**77%**	**$ 159,379**	**$ 25,997**	**$ 402**	**$ (91,451)**	**$ (19,816)**
Loans held-for-sale and loans at fair value(c)	**13,955**						
Receivables from customers	**16,141**						
Total	**$ 820,682**						

December 31, 2007 (in millions, except ratios)	Credit exposure(d)	Investment grade	Noninvestment-grade		Net charge-offs/ (recoveries)	Credit derivative hedges(e)	Collateral held against derivative receivables(f)
			Noncriticized	Criticized			
Exposure by industry(a)							
Real estate	$ 38,295	54%	$ 16,626	$ 1,070	$ 36	$ (2,906)	$ (73)
Banks and finance companies	65,288	83	10,385	498	5	(6,368)	(1,793)
Asset managers	38,554	90	3,518	212	—	(293)	(2,148)
Healthcare	30,746	84	4,741	246	—	(4,241)	(10)
State and municipal governments	31,425	98	591	12	10	(193)	(3)
Utilities	28,679	89	3,021	212	1	(6,371)	(43)
Retail and consumer services	23,969	68	7,149	550	3	(3,866)	(55)
Consumer products	29,941	74	7,492	239	5	(4,710)	(13)
Securities firms and exchanges	23,274	87	3,083	1	—	(467)	(1,321)
Oil and gas	26,082	72	7,166	125	—	(4,007)	—
Insurance	16,782	93	1,104	17	—	(4,277)	(1,000)
Technology	18,335	70	5,418	77	1	(3,636)	(1)
Media	16,253	58	6,561	303	3	(2,707)	(31)
Central government	9,075	99	112	—	—	(2,536)	(7)
Metals/mining	17,714	70	5,119	111	—	(2,486)	—
All other(b)	298,803	80	52,897	3,165	8	(18,935)	(3,326)
Subtotal	$ 713,215	80%	$ 134,983	$ 6,838	$ 72	$ (67,999)	$ (9,824)
Loans held-for-sale and loans at fair value(c)	23,649						
Receivables from customers	—						
Total	$ 736,864						

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(a) Rankings are based upon exposure at December 31, 2008. The industries presented in 2007 table reflect the rankings in the 2008 table.
(b) For more information on exposures to SPEs included in all other, see Note 17 on pages 177–186 of this Annual Report.
(c) Loans held-for-sale and loans at fair value relate primarily to syndicated loans and loans transferred from the retained portfolio.
(d) Credit exposure is net of risk participations and excludes the benefit of credit derivative hedges and collateral held against derivative receivables or loans.
(e) Represents the net notional amounts of protection purchased and sold of single-name and portfolio credit derivatives used to manage the credit exposures; these derivatives do not qualify for hedge accounting under SFAS 133.
(f) Represents other liquid securities collateral held by the Firm as of December 31, 2008 and 2007, respectively.

Wholesale criticized exposure

Exposures deemed criticized generally represent a ratings profile similar to a rating of "CCC+"/"Caa1" and lower, as defined by S&P and Moody's. The total criticized component of the portfolio, excluding loans held-for-sale and loans at fair value, increased to $26.0 billion at December 31, 2008, from $6.8 billion at year-end 2007. The increase was driven primarily by downgrades in the wholesale portfolio.

Industry concentrations for wholesale criticized exposure as of December 31, 2008 and 2007, were as follows.

December 31, (in millions, except ratios)	2008 Credit exposure	2008 % of portfolio	2007 Credit exposure	2007 % of portfolio
Exposure by industry[(a)]				
Real estate	**$ 7,737**	**30%**	$ 1,070	16%
Banks and finance companies	**2,849**	**11**	498	7
Automotive	**1,775**	**7**	1,338	20
Media	**1,674**	**6**	303	4
Building materials/construction	**1,363**	**5**	345	5
Retail and consumer services	**1,311**	**5**	550	8
State and municipal government	**847**	**3**	12	—
Asset managers	**819**	**3**	212	3
Consumer products	**792**	**3**	239	4
Agriculture/paper manufacturing	**726**	**3**	138	2
Insurance	**712**	**3**	17	—
Chemicals/plastics	**591**	**2**	288	4
Healthcare	**436**	**2**	246	4
Transportation	**319**	**1**	74	1
Metals/mining	**262**	**1**	111	2
All other	**3,784**	**15**	1,397	20
Total excluding loans held-for-sale and loans at fair value	**$ 25,997**	**100%**	$ 6,838	100%
Loans held-for-sale and loans at fair value[(b)]	**2,258**		205	
Receivables from customers	**—**		—	
Total	**$ 28,255**		$ 7,043	

(a) Rankings are based upon exposure at December 31, 2008. The industries presented in the 2007 table reflect the rankings in the 2008 table.
(b) Loans held-for-sale and loans at fair value relate primarily to syndicated loans and loans transferred from the retained portfolio.

Presented below is a discussion of several industries to which the Firm has significant exposure, as well as industries the Firm continues to monitor because of actual or potential credit concerns. For additional information, refer to the tables above and on the preceding page.

- Real estate: Exposure to this industry grew in 2008 due to the Washington Mutual transaction, with approximately 70% of this increase consisting of exposure to multi-family lending. Approximately 45% of the real estate exposure is to large real estate companies and institutions (e.g. REITS), professional real estate developers, owners, or service providers, and generally involves real estate leased to third-party tenants. Commercial construction and development accounted for approximately 13% of the real estate portfolio at 2008 year-end. Exposure to national and regional single family homebuilders decreased by 31% from 2007 and represented 5% of the portfolio at 2008 year-end. The increase in criticized exposure was largely a result of downgrades to select names within the portfolio, primarily in IB, reflecting the weakening credit environment. The remaining increase in criticized exposure reflected exposures acquired in the Washington Mutual transaction.
- Banks and finance companies: Exposure to this industry increased primarily as a result of higher derivative exposure to commercial banks due to higher volatility and greater trade volume and to the addition of derivative positions from the Bear Stearns merger. The percentage of the portfolio that is investment grade has declined slightly from 2007 as a result of the impact of the weakening credit environment on financial counterparties. The growth in criticized exposure was primarily a result of downgrades to specialty finance companies, reflected in loans and lending-related commitments.
- Automotive: Industry conditions deteriorated significantly in 2008, particularly in North America, and are expected to remain under pressure in 2009. The largest percentage of the Firm's wholesale criticized exposure in this segment is related to Original Equipment Manufacturers. However, a majority of the year-over-year increase in criticized exposure related to automotive suppliers which were negatively affected by significant declines in automotive production. Most of the Firm's criticized exposure in this segment remains performing and is substantially secured.
- Asset Managers: Exposure in this industry grew from 2007 as a result of increased derivative exposure to primarily investment grade funds and the acquisition of loans and lending-related commitments to this industry due to the Bear Stearns merger.
- All other: All other in the wholesale credit exposure concentration table on page 85 of this Annual Report at December 31, 2008 included $278.1 billion of credit exposure to 17 industry segments. Exposures related to SPEs and high-net-worth individuals were 37% and 19%, respectively, of this category. SPEs provide secured financing (generally backed by receivables, loans or

bonds on a bankruptcy-remote, nonrecourse or limited-recourse basis) originated by a diverse group of companies in industries that are not highly correlated. For further discussion of SPEs, see Note 17 on pages 177–186 of this Annual Report. The remaining all other exposure is well-diversified across industries and none comprise more than 2% of total exposure.

Derivative contracts

In the normal course of business, the Firm uses derivative instruments to meet the needs of customers; generate revenue through trading activities; manage exposure to fluctuations in interest rates, currencies and other markets; and manage the Firm's credit exposure. The notional amount of the Firm's derivative contracts outstanding significantly exceeded, in the Firm's view, the possible credit losses that could arise from such transactions. For most derivative transactions, the notional amount does not change hands; it is used simply as a reference to calculate payments. For further discussion of these contracts, see Note 32 and Note 34 on pages 202–205 and 210–211 of this Annual Report.

The following tables summarize the aggregate notional amounts and the net derivative receivables MTM for the periods presented.

Notional amounts of derivative contracts

December 31, (in billions)	Notional amounts[a] 2008	2007
Interest rate contracts		
Interest rate and currency swaps[b]	**$56,206**	$53,458
Future and forwards	**6,277**	4,548
Written options[c]	**4,803**	5,742
Purchased options	**4,656**	5,349
Total interest rate contracts	**71,942**	69,097
Credit derivatives	**$ 8,388**	$ 7,967
Foreign exchange contracts		
Future and forwards	**$ 3,354**	$ 3,424
Foreign exchange spot contracts	**389**	40
Written options[c]	**972**	909
Purchased options	**959**	906
Total foreign exchange contracts	**5,674**	5,279
Commodity contracts		
Swaps	**$ 234**	$ 275
Future and forwards	**115**	91
Written options[c]	**206**	228
Purchased options	**198**	233
Total commodity contracts	**753**	827
Equity contracts		
Swaps	**$ 77**	$ 105
Future and forwards	**56**	72
Written options[c]	**628**	739
Purchased options	**652**	821
Total equity contracts	**1,413**	1,737
Total derivative notional amounts	**$88,170**	$84,907

(a) Represents the sum of gross long and gross short third-party notional derivative contracts.
(b) Includes cross currency swap contract notional amounts of $1.7 trillion and $1.4 trillion at December 31, 2008 and 2007, respectively.
(c) Written options do not result in counterparty credit risk.

Derivative receivables marked to market ("MTM")

December 31, (in millions)	Derivative receivables MTM 2008	2007
Interest rate contracts	**$ 64,101**	$ 36,020
Credit derivatives	**44,695**	22,083
Foreign exchange contracts	**24,715**	5,616
Commodity contracts	**14,830**	9,419
Equity contracts	**14,285**	3,998
Total, net of cash collateral	**162,626**	77,136
Liquid securities collateral held against derivative receivables	**(19,816)**	(9,824)
Total, net of all collateral	**$142,810**	$ 67,312

The amount of derivative receivables reported on the Consolidated Balance Sheets of $162.6 billion and $77.1 billion at December 31, 2008 and 2007, respectively, is the amount of the mark-to-market value ("MTM") or fair value of the derivative contracts after giving effect to legally enforceable master netting agreements and cash collateral held by the Firm. These amounts represent the cost to the Firm to replace the contracts at current market rates should the counterparty default. However, in management's view, the appropriate measure of current credit risk should also reflect additional liquid securities held as collateral by the Firm of $19.8 billion and $9.8 billion at December 31, 2008 and 2007, respectively, resulting in total exposure, net of all collateral, of $142.8 billion and $67.3 billion at December 31, 2008 and 2007, respectively. Derivative receivables, net of collateral, increased $75.5 billion from December 31, 2007, primarily related to the decline in interest rates, widening credit spreads and volatile foreign exchange rates reflected in interest rate, credit and foreign exchange derivatives, respectively. The increase in 2008 also included positions acquired in the Bear Stearns merger.

The Firm also holds additional collateral delivered by clients at the initiation of transactions, and although this collateral does not reduce the balances noted in the table above, it is available as security against potential exposure that could arise should the MTM of the client's transactions move in the Firm's favor. As of December 31, 2008 and 2007, the Firm held $22.2 billion and $17.4 billion of this additional collateral, respectively. The derivative receivables MTM also do not include other credit enhancements in the form of letters of credit.

While useful as a current view of credit exposure, the net MTM value of the derivative receivables does not capture the potential future variability of that credit exposure. To capture the potential future variability of credit exposure, the Firm calculates, on a client-by-client basis, three measures of potential derivatives-related credit loss: Peak, Derivative Risk Equivalent ("DRE"), and Average exposure ("AVG"). These measures all incorporate netting and collateral benefits, where applicable.

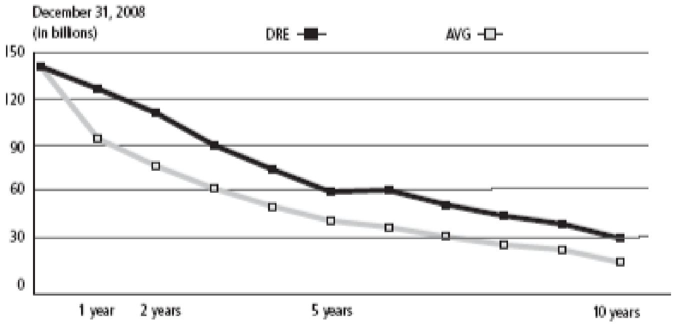
Peak exposure to a counterparty is a measure of exposure calculated at a 97.5% confidence level. Derivative Risk Equivalent exposure is a measure that expresses the risk of derivative exposure on a basis intended to be equivalent to the risk of loan exposures. The measurement is done by equating the unexpected loss in a derivative counterparty exposure (which takes into consideration both the loss volatility and the credit rating of the counterparty) with the unexpected loss in a loan exposure (which takes into consideration only the credit rating of the counterparty). DRE is a less extreme measure of potential credit loss than Peak and is the primary measure used by the Firm for credit approval of derivative transactions.

Finally, AVG is a measure of the expected MTM value of the Firm's derivative receivables at future time periods, including the benefit of collateral. AVG exposure over the total life of the derivative contract is used as the primary metric for pricing purposes and is used to calculate credit capital and the Credit Valuation Adjustment ("CVA"), as further described below. Average exposure was $83.7 billion and $47.1 billion at December 31, 2008 and 2007, respectively, compared with derivative receivables MTM, net of all collateral, of $142.8 billion and $67.3 billion at December 31, 2008 and 2007, respectively.

The MTM value of the Firm's derivative receivables incorporates an adjustment, the CVA, to reflect the credit quality of counterparties. The CVA is based upon the Firm's AVG to a counterparty and the counterparty's credit spread in the credit derivatives market. The primary components of changes in CVA are credit spreads, new deal activity or unwinds, and changes in the underlying market environment. The Firm believes that active risk management is essential to controlling the dynamic credit risk in the derivatives portfolio. In addition, the Firm takes into consideration the potential for correlation between the Firm's AVG to a counterparty and the counterparty's credit quality within the credit approval process. The Firm risk manages exposure to changes in CVA by entering into credit derivative transactions, as well as interest rate, foreign exchange, equity and commodity derivative transactions.

The graph below shows exposure profiles to derivatives over the next ten years as calculated by the DRE and AVG metrics. The two measures generally show declining exposure after the first year, if no new trades were added to the portfolio.

Exposure profile of derivatives measures



The following table summarizes the ratings profile of the Firm's derivative receivables MTM, net of other liquid securities collateral, for the dates indicated.

Ratings profile of derivative receivables MTM

Rating equivalent	**2008**		**2007**	
December 31, (in millions, except ratios)	Exposure net of all collateral	% of exposure net of all collateral	Exposure net of all collateral	% of exposure net of all collateral
AAA/Aaa to AA-/Aa3	**$ 68,708**	**48%**	$ 38,314	57%
A+/A1 to A-/A3	**24,748**	**17**	9,855	15
BBB+/Baa1 to BBB-/Baa3	**15,747**	**11**	9,335	14
BB+/Ba1 to B-/B3	**28,186**	**20**	9,451	14
CCC+/Caa1 and below	**5,421**	**4**	357	—
Total	**$ 142,810**	**100%**	$ 67,312	100%

The increase in noninvestment grade derivative receivables reflects a weakening credit environment. The Firm actively pursues the use of collateral agreements to mitigate counterparty credit risk in derivatives. The percentage of the Firm's derivatives transactions subject to collateral agreements was 83% as of December 31, 2008, largely unchanged from 82% at December 31, 2007.

The Firm posted $99.1 billion and $33.5 billion of collateral at December 31, 2008 and 2007, respectively.

Certain derivative and collateral agreements include provisions that require the counterparty and/or the Firm, upon specified downgrades in their respective credit ratings, to post collateral for the benefit of the other party. The impact of a single-notch ratings downgrade to JPMorgan Chase Bank, N.A., from its rating of "AA-" to "A+" at December 31, 2008, would have required $2.2 billion of additional collateral to be posted by the Firm. The impact of a six-notch ratings downgrade (from "AA-" to "BBB-") would have required $6.4 billion of additional collateral. Certain derivative contracts also provide for termination of the contract, generally upon a downgrade of either the Firm or the counterparty, at the then-existing MTM value of the derivative contracts.

Credit derivatives

Credit derivatives are financial contracts that isolate credit risk from an underlying instrument (such as a loan or security) and transfer that risk from one party (the buyer of credit protection) to another (the seller of credit protection). The Firm is both a purchaser and seller of credit protection. As a purchaser of credit protection, the Firm has risk that the counterparty providing the credit protection will default. As a seller of credit protection, the Firm has risk that the underlying instrument referenced in the contract will be subject to a credit event. Of the Firm's $162.6 billion of total derivative receivables MTM at December 31, 2008, $44.7 billion, or 27%, was associated with credit derivatives, before the benefit of liquid securities collateral.

One type of credit derivatives the Firm enters into with counterparties are credit defaults swaps ("CDS"). For further detailed discussion of these and other types of credit derivatives, see Note 32 on pages 202–205 of this Annual Report. The large majority of CDS are subject to collateral arrangements to protect the Firm from counterparty credit risk. In 2008, the frequency and size of defaults for both trading counterparties and the underlying debt referenced in credit derivatives were well above historical norms. The use of collateral to settle against defaulting counterparties generally performed as designed in significantly mitigating the Firm's exposure to these counterparties.

During 2008, the Firm worked with other significant market participants to develop mechanisms to reduce counterparty credit risk, including the cancellation of offsetting trades. In 2009, it is anticipated that one or more central counterparties for CDS will be established and JPMorgan Chase will face these central counterparties, or clearing houses, for an increasing portion of its CDS business.

The Firm uses credit derivatives for two primary purposes: first, in its capacity as a market-maker in the dealer/client business to meet the needs of customers; and second, in order to mitigate the Firm's own credit risk associated with its overall derivative receivables and traditional commercial credit lending exposures (loans and unfunded commitments), as well as its exposure to residential and commercial mortgages.

The following table presents the Firm's notional amounts of credit derivatives protection purchased and sold as of December 31, 2008 and 2007, distinguishing between dealer/client activity and credit portfolio activity.

	Notional amount				
	Dealer/client		Credit portfolio		
December 31, (in billions)	Protection purchased(a)	Protection sold(a)	Protection purchased(b)	Protection sold	Total
2008	**$ 4,097**	**$ 4,198**	**$ 92**	**$ 1**	**$8,388**
2007	$ 3,999	$ 3,896	$ 70	$ 2	$7,967

(a) Includes $3.9 trillion at December 31, 2008, of notional exposure within protection purchased and protection sold where the underlying reference instrument is identical. The remaining exposure includes single name and index CDS which the Firm purchased to manage the remaining net protection sold. For a further discussion on credit derivatives, see Note 32 on pages 202–205 of this Annual Report.
(b) Includes $34.9 billion and $31.1 billion at December 31, 2008 and 2007, respectively, that represented the notional amount for structured portfolio protection; the Firm retains a minimal first risk of loss on this portfolio.

Dealer/client business

Within the dealer/client business, the Firm actively utilizes credit derivatives by buying and selling credit protection, predominantly on corporate debt obligations, in response to client demand for credit risk protection on the underlying reference instruments. Protection may be bought or sold by the Firm on single reference debt instruments ("single-name" credit derivatives), portfolios of referenced instruments ("portfolio" credit derivatives) or quoted indices ("indexed" credit derivatives). The risk positions are largely matched as the Firm's exposure to a given reference entity under a contract to sell protection to a counterparty may be offset partially, or entirely, with a contract to purchase protection from another counterparty on the same underlying instrument. Any residual default exposure and spread risk is actively managed by the Firm's various trading desks.

At December 31, 2008, the total notional amount of protection purchased and sold increased $421 billion from year-end 2007. The increase was primarily as a result of the merger with Bear Stearns, partially offset by the impact of industry efforts to reduce offsetting trade activity.

Credit portfolio activities

In managing its wholesale credit exposure the Firm purchases protection through single-name and portfolio credit derivatives to manage the credit risk associated with loans, lending-related commitments and derivative receivables. Gains or losses on the credit derivatives are expected to offset the unrealized increase or decrease in credit risk on the loans, lending-related commitments or derivative receivables. This activity does not reduce the reported level of assets on the balance sheet or the level of reported off-balance sheet commitments, though it does provide the Firm with credit risk protection. The Firm also diversifies its exposures by selling credit protection, which increases exposure to industries or clients where the Firm has little or no client-related exposure, however, this activity is not material to the Firm's overall credit exposure.

Use of single-name and portfolio credit derivatives

December 31, (in millions)	Notional amount of protection purchased 2008	2007
Credit derivatives used to manage:		
Loans and lending-related commitments	**$ 81,227**	$ 63,645
Derivative receivables	**10,861**	6,462
Total(a)	**$ 92,088**	$ 70,107

(a) Included $34.9 billion and $31.1 billion at December 31, 2008 and 2007, respectively, that represented the notional amount for structured portfolio protection; the Firm retains a first risk of loss on this portfolio.

The credit derivatives used by JPMorgan Chase for credit portfolio management activities do not qualify for hedge accounting under SFAS 133, and therefore, effectiveness testing under SFAS 133 is not performed. Loan interest and fees are generally recognized in net interest income, and impairment is recognized in the provision for credit losses. This asymmetry in accounting treatment between loans and lending-related commitments and the credit derivatives utilized in credit portfolio management activities causes earnings volatility that is not representative, in the Firm's view, of the true changes in value of the Firm's overall credit exposure. The MTM related to the Firm's credit derivatives used for managing credit exposure, as well as the MTM related to the CVA, which reflects the credit quality of derivatives counterparty exposure, are included in the table below. These results can vary from period to period due to market conditions that impact specific positions in the portfolio. For a further discussion of credit derivatives, see Note 32 on pages 202–205 of this Annual Report.

Year ended December 31, (in millions)	2008	2007	2006
Hedges of lending-related commitments(a)	**$ 2,216**	$ 350	$(246)
CVA and hedges of CVA(a)	**(2,359)**	(363)	133
Net gains (losses)(b)	**$ (143)**	$ (13)	$(113)

(a) These hedges do not qualify for hedge accounting under SFAS 133.
(b) Excludes gains of $530 million, $373 million and $56 million for the years ended December 31, 2008, 2007 and 2006, respectively, of other principal transactions revenue that are not associated with hedging activities. The amount for 2008 and 2007 incorporates an adjustment to the valuation of the Firm's derivative liabilities as a result of the adoption of SFAS 157 on January 1, 2007.

The Firm also actively manages wholesale credit exposure through IB and CB loan and commitment sales. During 2008, 2007 and 2006, these sales of $3.9 billion, $4.9 billion and $4.0 billion of loans and commitments, respectively, resulted in losses of $41 million and $7 million in 2008 and 2007 and gains of $83 million in 2006, respectively. These results include gains on sales of nonperforming loans, as discussed on page 83 of this Annual Report. These activities are not related to the Firm's securitization activities, which are undertaken for liquidity and balance sheet management purposes. For a further discussion of securitization activity, see Liquidity Risk Management and Note 16 on pages 76–80 and 168–176, respectively, of this Annual Report.

Lending-related commitments

Wholesale lending-related commitments were $379.9 billion at December 31, 2008, compared with $446.7 billion at December 31, 2007. The decrease was largely related to a reduction in multi-seller conduit-related commitments. In the Firm's view, the total contractual amount of these instruments is not representative of the Firm's actual credit risk exposure or funding requirements. In determining the amount of credit risk exposure the Firm has to wholesale lending-related commitments, which is used as the basis for allocating credit risk capital to these instruments, the Firm has established a "loan-equivalent" amount for each commitment; this amount represents the portion of the unused commitment or other contingent exposure that is expected, based upon average portfolio historical experience, to become outstanding in the event of a default by an obligor. The loan-equivalent amount of the Firm's lending-related commitments was $204.3 billion and $238.7 billion as of December 31, 2008 and 2007, respectively.

Emerging markets country exposure

The Firm has a comprehensive internal process for measuring and managing exposures to emerging markets countries. There is no common definition of emerging markets but the Firm generally, though not exclusively, includes in its definition those countries whose sovereign debt ratings are equivalent to "A+" or lower. Exposures to a country include all credit-related lending, trading and investment activities, whether cross-border or locally funded. In addition to monitoring country exposures, the Firm uses stress tests to measure and manage the risk of extreme loss associated with sovereign crises.

The following table presents the Firm's exposure to the top five emerging markets countries. The selection of countries is based solely on the Firm's largest total exposures by country and not the Firm's view of any actual or potentially adverse credit conditions. Exposure is reported based upon the country where the assets of the obligor, counterparty or guarantor are located. Exposure amounts are adjusted for collateral and for credit enhancements (e.g., guarantees and letters of credit) provided by third parties; outstandings supported by a guarantor outside the country or backed by collateral held outside the country are assigned to the country of the enhancement provider. In addition, the effects of credit derivative hedges and other short credit or equity trading positions are reflected in the following table. Total exposure includes exposure to both government and private sector entities in a country.

Top 5 emerging markets country exposure

At December 31, 2008 (in billions)	Cross-border Lending(a)	Cross-border Trading(b)	Cross-border Other(c)	Cross-border Total	Local(d)	**Total exposure**
South Korea	$ 2.9	$ 1.6	$ 0.9	$ 5.4	$ 2.3	$ 7.7
India	2.2	2.8	0.9	5.9	0.6	6.5
China	1.8	1.6	0.3	3.7	0.8	4.5
Brazil	1.8	—	0.5	2.3	1.3	3.6
Taiwan	0.1	0.2	0.3	0.6	2.5	3.1

At December 31, 2007 (in billions)	Cross-border Lending(a)	Cross-border Trading(b)	Cross-border Other(c)	Cross-border Total	Local(d)	**Total exposure**
South Korea	$ 3.2	$ 2.6	$ 0.7	$ 6.5	$ 3.4	$ 9.9
Brazil	1.1	(0.7)	1.2	1.6	5.0	6.6
Russia	2.9	1.0	0.2	4.1	0.4	4.5
India	1.9	0.8	0.8	3.5	0.6	4.1
China	2.2	0.3	0.4	2.9	0.3	3.2

(a) Lending includes loans and accrued interest receivable, interest-bearing deposits with banks, acceptances, other monetary assets, issued letters of credit net of participations, and undrawn commitments to extend credit.
(b) Trading includes: (1) issuer exposure on cross-border debt and equity instruments, held both in trading and investment accounts, adjusted for the impact of issuer hedges, including credit derivatives; and (2) counterparty exposure on derivative and foreign exchange contracts as well as security financing trades (resale agreements and securities borrowed).
(c) Other represents mainly local exposure funded cross-border.
(d) Local exposure is defined as exposure to a country denominated in local currency, booked and funded locally. Any exposure not meeting these criteria is defined as cross-border exposure.

CONSUMER CREDIT PORTFOLIO

JPMorgan Chase's consumer portfolio consists primarily of residential mortgages, home equity loans, credit cards, auto loans, student loans and business banking loans, with a primary focus on serving the prime consumer credit market. The consumer credit portfolio also includes certain loans acquired in the Washington Mutual transaction, primarily mortgage, home equity and credit card loans. The RFS portfolio includes home equity lines of credit and mortgage loans with interest-only payment options to predominantly prime borrowers, as well as certain payment option loans acquired from Washington Mutual that may result in negative amortization.

A substantial portion of the consumer loans acquired in the Washington Mutual transaction were identified as credit-impaired in the third quarter of 2008 based on a preliminary analysis of the acquired portfolio. In addition, as of the acquisition date, a $1.4 billion accounting conformity provision was recorded to reflect the Firm's preliminary estimate of incurred losses related to the portion of the acquired consumer loans that were not considered to be credit-impaired. During the fourth quarter of 2008, the analysis of acquired loans was substantially completed, resulting in a $12.4 billion increase in the credit-impaired loan balances and a corresponding decrease in the non-credit-impaired loan balances. In addition, the estimate of incurred losses related to the non-credit-impaired portfolio was finalized, resulting in a $476 million decrease in the accounting conformity provision for these loans. The purchased credit-impaired loans, which were identified as impaired based on an analysis of risk characteristics, including product type, loan-to-value ratios, FICO scores and delinquency status, are accounted for under SOP 03-3 and were recorded at fair value under SOP 03-3 as of the acquisition date. The fair value of these loans includes an estimate of losses that are expected to be incurred over the estimated remaining lives of the loans, and therefore no allowance for loan losses was recorded for these loans as of the transaction date.

The credit performance of the consumer portfolio across the entire consumer credit product spectrum continues to be negatively affected by the economic environment. High unemployment and weaker overall economic conditions have resulted in increased delinquencies, and continued weak housing prices have driven a significant increase in loss severity. Nonperforming loans and assets continued to increase through year-end 2008, a key indicator that charge-offs will continue to rise in 2009. Additional deterioration in the overall economic environment, including continued deterioration in the labor market, could cause delinquencies to increase beyond the Firm's current expectations, resulting in significant increases in losses in 2009.

Over the past year, the Firm has taken actions to reduce risk exposure by tightening both underwriting and loan qualification standards for real estate lending, as well as for consumer lending for non-real estate products. Tighter income verification, more conservative collateral valuation, reduced loan-to-value maximums and higher FICO and custom risk score requirements are just some of the actions taken to date to mitigate risk. These actions have resulted in significant reductions in new originations of "risk layered" loans (e.g., loans with high loan-to-value ratios to borrowers with low FICO scores) and improved alignment of loan pricing. New originations of subprime mortgage loans, option ARMs and broker originated-mortgage and home equity loans have been eliminated entirely.

In the fourth quarter of 2008, the Firm announced plans to significantly expand loss mitigation efforts related to its mortgage and home equity portfolios, including a systematic review of the real estate portfolio to identify homeowners most in need of assistance. In addition, the Firm announced plans to open regional counseling centers, hire additional loan counselors, introduce new financing alternatives, proactively reach out to borrowers to offer pre-qualified modifications, and commence a new process to independently review each loan before moving it into the foreclosure process. During the implementation period of these loss mitigation efforts, which were substantially complete in early 2009, the Firm did not place loans into foreclosure. These loss mitigation efforts, which generally represent various forms of term extensions, rate reductions and forbearances, are expected to result in additional increases in the balances of modified loans carried on the Firm's balance sheet, including loans accounted for as troubled debt restructurings, while minimizing the economic loss to the Firm and assisting homeowners to remain in their homes.

The following table presents managed consumer credit–related information for the dates indicated.

Consumer portfolio

As of or for the year ended December 31, (in millions, except ratios)	Credit exposure		Nonperforming loans(g)(h)(i)		90 days past due and still accruing		Net charge-offs		Average annual net charge-off rate(j)	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Consumer loans – excluding purchased credit-impaired(a)										
Home equity	**$ 114,335**	$ 94,832	**$ 1,394**	$ 786	**$ —**	$ —	**$ 2,391**	$ 564	**2.39%**	0.62%
Prime mortgage	**72,266**	39,988	**1,895**	501	**—**	—	**526**	33	**1.02**	0.10
Subprime mortgage	**15,330**	15,473	**2,690**	1,017	**—**	—	**933**	157	**6.10**	1.55
Option ARMs	**9,018**	—	**10**	—	**—**	—	**—**	—	**—**	—
Auto loans(b)	**42,603**	42,350	**148**	116	**—**	—	**568**	354	**1.30**	0.86
Credit card – reported	**104,746**	84,352	**4**	7	**2,649**	1,547	**4,556**	3,116	**5.47**	3.90
All other loans	**33,715**	25,314	**430**	341	**463**	421	**459**	242	**1.58**	1.01
Loans held-for-sale(c)	**2,028**	3,989	**—**	—	**—**	—	**NA**	NA	**NA**	NA
Total consumer loans – excluding purchased credit-impaired(d)	**394,041**	306,298	**6,571**	2,768	**3,112**	1,968	**9,433**	4,466	**2.90**	1.61
Consumer loans – purchased credit impaired(d)										
Home equity	**28,555**	NA	**NA**	NA	**—**	—	**NA**	NA	**NA**	NA
Prime mortgage	**21,855**	NA	**NA**	NA	**—**	—	**NA**	NA	**NA**	NA
Subprime mortgage	**6,760**	NA	**NA**	NA	**—**	—	**NA**	NA	**NA**	NA
Option ARMs	**31,643**	NA	**NA**	NA	**—**	—	**NA**	NA	**NA**	NA
Total purchased credit-impaired	**88,813**	NA	**NA**	NA	**—**	—	**NA**	NA	**NA**	NA
Total consumer loans – reported	**482,854**	306,298	**6,571**	2,768	**3,112**	1,968	**9,433**	4,466	**2.71**	1.61
Credit card – securitized(e)	**85,571**	72,701	**—**	—	**1,802**	1,050	**3,612**	2,380	**4.53**	3.43
Total consumer loans – managed	**568,425**	378,999	**6,571**	2,768	**4,914**	3,018	**13,045**	6,846	**3.06**	1.97
Consumer lending-related commitments:										
Home equity(f)	**95,743**	74,191								
Prime mortgage	**5,079**	7,394								
Subprime mortgage	**—**	16								
Option ARMs	**—**	—								
Auto loans	**4,726**	8,058								
Credit card(f)	**623,702**	714,848								
All other loans	**12,257**	11,429								
Total lending-related commitments	**741,507**	815,936								
Total consumer credit portfolio	**$ 1,309,932**	$ 1,194,935								
Memo: Credit card – managed	**$ 190,317**	$ 157,053	**$ 4**	$ 7	**$ 4,451**	$ 2,597	**$ 8,168**	$ 5,496	**5.01%**	3.68%

(a) Includes RFS, CS and residential mortgage loans reported in the Corporate/Private Equity segment, as well as approximately $80.0 billion in non-credit-impaired consumer loans acquired in the Washington Mutual transaction.
(b) Excludes operating lease-related assets of $2.2 billion and $1.9 billion for December 31, 2008 and 2007, respectively.
(c) Includes loans for prime mortgage and other (largely student loans) of $206 million and $1.8 billion at December 31, 2008, respectively, and $570 million and $3.4 billion at December 31, 2007, respectively.
(d) Purchased credit-impaired loans represent loans acquired in the Washington Mutual transaction that were considered credit-impaired under SOP 03-3, and include $6.4 billion of loans that were considered nonperforming by Washington Mutual prior to the transaction closing. Under SOP 03-3, these loans are considered to be performing loans as of the transaction date and accrete interest income over the estimated life of the loan when cash flows are reasonably estimable, even if the underlying loans are contractually past due. For additional information, see Note 14 on pages 163–166 of this Annual Report.
(e) Represents securitized credit card receivables. For a further discussion of credit card securitizations, see CS on pages 51–53 of this Annual Report.
(f) The credit card and home equity lending-related commitments represent the total available lines of credit for these products. The Firm has not experienced, and does not anticipate, that all available lines of credit will be utilized at the same time. For credit card commitments and home equity commitments (if certain conditions are met), the Firm can reduce or cancel these lines of credit by providing the borrower prior notice or, in some cases, without notice as permitted by law.
(g) Excludes purchased credit-impaired loans accounted for under SOP 03-3 that were acquired as part of the Washington Mutual transaction. These loans are accounted for on a pool basis and the pools are considered to be performing under SOP 03-3.
(h) Excludes nonperforming assets related to: (1) loans eligible for repurchase, as well as loans repurchased from Governmental National Mortgage Association ("GNMA") pools that are insured by U.S. government agencies of $3.3 billion for December 31, 2008 and $1.5 billion for December 31, 2007; and (2) student loans that are 90 days past due and still accruing, which are insured by U.S. government agencies under the Federal Family Education Loan Program of $437 million and $417 million as of December 31, 2008 and 2007, respectively. These amounts for GNMA and student loans are excluded, as reimbursement is proceeding normally.
(i) During the second quarter of 2008, the Firm's policy for classifying subprime mortgage and home equity loans as nonperforming was changed to conform to all the other home lending products. Amounts for 2007 have been revised to reflect this change.
(j) Net charge-off rates exclude average loans held-for-sale of $2.8 billion and $10.6 billion for 2008 and 2007, respectively.

The following table presents the consumer nonperforming assets by business segment as of December 31, 2008 and 2007.

As of December 31, (in millions)	2008 Nonperforming loans	2008 Assets acquired in loan satisfactions: Real estate owned	2008 Assets acquired in loan satisfactions: Other	2008 Nonperforming assets	2007 Nonperforming loans	2007 Assets acquired in loan satisfactions: Real estate owned	2007 Assets acquired in loan satisfactions: Other	2007 Nonperforming assets
Retail Financial Services	$ 6,548	$ 2,183	$ 110	$ 8,841	$ 2,760	$ 477	$ 72	$ 3,309
Card Services	4	—	—	4	7	—	—	7
Corporate/Private Equity	19	1	—	20	1	—	—	1
Total	$ 6,571	$ 2,184	$ 110	$ 8,865	$ 2,768	$ 477	$ 72	$ 3,317

The Firm regularly evaluates market conditions and overall economic returns and makes an initial determination of whether new originations will be held-for-investment or sold within the foreseeable future. The Firm also periodically evaluates the expected economic returns of previously originated loans under prevailing market conditions to determine whether their designation as held-for-sale or held-for-investment continues to be appropriate. When the Firm determines that a change in this designation is appropriate, the loans are transferred to the appropriate classification. During the third and fourth quarters of 2007, in response to changes in market conditions, the Firm designated as held-for-investment all new originations of subprime mortgage loans, as well as subprime mortgage loans that were previously designated held-for-sale. In addition, all new prime mortgage originations that cannot be sold to U.S. government agencies and U.S. government-sponsored enterprises have been designated as held-for-investment. Prime mortgage loans originated with the intent to sell are accounted for at fair value under SFAS 159 and are classified as trading assets in the Consolidated Balance Sheets.

The following discussion relates to the specific loan and lending-related categories within the consumer portfolio. Information regarding combined loan-to-value ratios ("CLTVs") and loan-to-value ratios ("LTVs") were estimated based on the initial appraisal obtained at the time of origination, adjusted using relevant market indices for housing price changes that have occurred since origination. The estimated value of the homes could vary from actual market values due to changes in condition of the underlying property, variations in housing price changes within metropolitan statistical areas ("MSAs") and other factors.

Home equity: Home equity loans at December 31, 2008, were $114.3 billion, excluding purchased credit-impaired loans, an increase of $19.5 billion from year-end 2007, primarily reflecting the addition of loans acquired in the Washington Mutual transaction. The 2008 provision for credit losses for the home equity portfolio includes net increases of $2.2 billion to the allowance for loan losses for 2008 for the heritage JPMorgan Chase portfolio as a result of the economic environment noted above. The Firm estimates that loans with effective CLTVs in excess of 100% represented approximately 22% of the home equity portfolio. In response to continued economic weakness, loan underwriting and account management criteria have been tightened, with a particular focus on metropolitan statistical areas ("MSAs") with the most significant housing price declines. New originations of home equity loans have decreased significantly, as additional loss mitigation strategies have been employed; these strategies include the elimination of stated income and broker originated loans, a significant reduction of maximum CLTVs for new originations, which now range from 50% to 70%, and additional restrictions on new originations in geographic areas experiencing the greatest housing price depreciation and highest unemployment. Other loss mitigation strategies include the reduction or closure of outstanding credit lines for borrowers who have experienced significant increases in CLTVs or decreases in creditworthiness (e.g. declines in FICO scores.)

Mortgage: Mortgage loans at December 31, 2008, which include prime mortgages, subprime mortgages, option ARMs and loans held-for-sale, were $96.8 billion, excluding purchased credit-impaired loans, reflecting a $40.8 billion increase from year-end 2007, primarily reflecting the addition of loans acquired in the Washington Mutual transaction.

Prime mortgages of $72.5 billion increased $31.9 billion from December 2007 as a result of loans acquired in the Washington Mutual transaction and, to a lesser extent, additional originations into the portfolio. The 2008 provision for credit losses includes a net increase of $1.1 billion to the allowance for loan losses for the heritage JPMorgan Chase portfolio as a result of the economic environment noted above. The Firm estimates that loans with effective LTVs in excess of 100% represented approximately 18% of the prime mortgage portfolio. The Firm has tightened underwriting standards for nonconforming prime mortgages in recent quarters, including eliminating stated income products, reducing LTV maximums, and eliminating the broker origination channel.

Subprime mortgages of $15.3 billion, excluding purchased credit-impaired loans, decreased slightly from December 31, 2007, as the discontinuation of new originations was predominantly offset by loans acquired in the Washington Mutual transaction. The year-to-date provision for credit losses includes a net increase of $1.4 billion to the allowance for loan losses for the heritage JPMorgan Chase portfolio as a result of the economic environment noted above. The Firm estimates that loans with effective LTVs in excess of 100% represented approximately 27% of the subprime mortgage portfolio.

Option ARMs of $9.0 billion, excluding purchased credit-impaired loans, were acquired in the Washington Mutual transaction. New originations of option ARMs were discontinued by Washington

Management's discussion and analysis

Mutual prior to the date of the Washington Mutual transaction. This portfolio is primarily comprised of loans with low LTVs and high borrower FICOs and for which the Firm currently expects substantially lower losses in comparison with the purchased credit-impaired portfolio. The Firm has not, and does not, originate option ARMs.

Option ARMs are adjustable-rate mortgage products that provide the borrower with the option to make a fully amortizing, interest-only, or minimum payment. The minimum payment is based upon the interest rate charged during the introductory period. This introductory rate is typically well below the fully indexed rate. The fully indexed rate is calculated using an index rate plus a margin. Once the introductory period ends, the contractual interest rate charged on the loan increases to the fully indexed rate. If the borrower continues to make the minimum monthly payment after the introductory period ends, the payment may not be sufficient to cover interest accrued in the previous month. In this case, the loan will "negatively amortize" as unpaid interest is deferred and added to the principal balance of the loan. Option ARMs typically become fully amortizing loans upon reaching a negative amortization cap or on dates specified in the borrowing agreement, at which time the required monthly payment generally increases substantially.

Auto loans: As of December 31, 2008, auto loans of $42.6 billion increased slightly from year-end 2007. The allowance for loan losses for the auto loan portfolio was increased during 2008, reflecting an increase in estimated losses due to an increase in loss severity and further deterioration of older vintage loans as a result of the worsening credit environment and declines in auto resale values. The auto loan portfolio reflects a high concentration of prime quality credits. In response to recent increases in loan delinquencies and credit losses, particularly in MSAs experiencing the greatest housing price depreciation and highest unemployment, credit underwriting criteria have been tightened, which has resulted in the reduction of both extended-term and high loan-to-value financing.

Credit card: JPMorgan Chase analyzes its credit card portfolio on a managed basis, which includes credit card receivables on the Consolidated Balance Sheets and those receivables sold to investors through securitization. Managed credit card receivables were $190.3 billion at December 31, 2008, an increase of $33.3 billion from year-end 2007, reflecting the acquisition of credit card loans as part of the Washington Mutual transaction, as well as organic growth in the portfolio.

The managed credit card net charge-off rate increased to 5.01% for 2008 from 3.68% in 2007. This increase was due primarily to higher charge-offs as a result of the current economic environment, especially in areas experiencing the greatest housing price depreciation and highest unemployment. The 30-day managed delinquency rate increased to 4.97% at December 31, 2008, from 3.48% at December 31, 2007, partially as a result of the addition of credit card loans acquired in the Washington Mutual transaction. Excluding the Washington Mutual portfolio, the 30-day managed delinquency rate was 4.36%. The Allowance for loan losses was increased due to higher estimated net charge-offs in the portfolio. As a result of continued weakness in housing markets, account acquisition credit criteria and account management credit practices have been tightened, particularly in MSAs experiencing significant home price declines. The managed credit card portfolio continues to reflect a well-seasoned, largely rewards-based portfolio that has good U.S. geographic diversification.

All other loans: All other loans primarily include business banking loans (which are highly collateralized loans, often with personal loan guarantees), student loans, and other secured and unsecured consumer loans. As of December 31, 2008, other loans, including loans held-for-sale, of $35.5 billion were up $6.8 billion from year-end 2007, primarily as a result of organic growth in business banking loans and student loans, as well as an increase in business banking loans as a result of the Washington Mutual transaction.

Purchased credit-impaired loans: Purchased credit-impaired loans of $88.8 billion in the home lending portfolio represent loans acquired in the Washington Mutual transaction that were recorded at fair value at the time of acquisition under SOP 03-3. The fair value of these loans includes an estimate of losses that are expected to be incurred over the estimated remaining lives of the loans, and therefore no allowance for loan losses was recorded for these loans as of the transaction date. Through year-end 2008, the credit performance of these loans has generally been consistent with the assumptions used in determining the initial fair value of these loans, and the Firm's original expectations regarding the amounts and timing of future cash flows has not changed. A probable decrease in management's expectation of future cash collections related to these loans could result in the need to record an allowance for credit losses related to these loans in the future. A significant and probable increase in expected cash flows would generally result in an increase in interest income recognized over the remaining life of the underlying pool of loans.

Other real estate owned: As part of the residential real estate foreclosure process, loans are written down to net realizable value less a cost to sell the asset. In those instances where the Firm gains title, ownership and possession of individual properties at the completion of the foreclosure process, these Other Real Estate Owned (OREO) assets are managed for prompt sale and disposition at the best possible economic value. Any further gain or loss on sale of the disposition of OREO assets are recorded as part of other income.

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The following tables present the geographic distribution of consumer credit outstandings by product as of December 31, 2008 and 2007, excluding purchased credit-impaired loans.

Consumer loans by geographic region

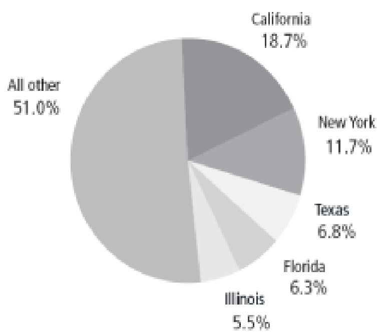
December 31, 2008 (in billions)	Home equity	Prime mortgage	Subprime mortgage	Option ARMs	Total home loan portfolio	Auto	Card reported	All other loans	Total consumer loans – reported	Card securitized	Total consumer loans – managed
Excluding purchased credit-impaired											
California	**$ 23.2**	**$ 22.8**	**$ 2.2**	**$ 3.8**	**$ 52.0**	**$ 4.7**	**$ 14.8**	**$ 2.0**	**$ 73.5**	**$ 12.5**	**$ 86.0**
New York	**16.3**	**10.4**	**1.7**	**0.9**	**29.3**	**3.7**	**8.3**	**4.7**	**46.0**	**6.6**	**52.6**
Texas	**8.1**	**2.7**	**0.4**	**0.2**	**11.4**	**3.8**	**7.4**	**4.1**	**26.7**	**6.1**	**32.8**
Florida	**6.3**	**6.0**	**2.3**	**0.9**	**15.5**	**1.5**	**6.8**	**0.9**	**24.7**	**5.2**	**29.9**
Illinois	**7.2**	**3.3**	**0.7**	**0.3**	**11.5**	**2.2**	**5.3**	**2.5**	**21.5**	**4.6**	**26.1**
Ohio	**4.6**	**0.7**	**0.4**	**—**	**5.7**	**3.3**	**4.1**	**3.3**	**16.4**	**3.4**	**19.8**
New Jersey	**5.0**	**2.5**	**0.8**	**0.3**	**8.6**	**1.6**	**4.2**	**0.9**	**15.3**	**3.6**	**18.9**
Michigan	**3.6**	**1.3**	**0.4**	**—**	**5.3**	**1.5**	**3.4**	**2.8**	**13.0**	**2.8**	**15.8**
Arizona	**5.9**	**1.6**	**0.4**	**0.2**	**8.1**	**1.6**	**2.3**	**1.9**	**13.9**	**1.8**	**15.7**
Pennsylvania	**1.6**	**0.7**	**0.5**	**0.1**	**2.9**	**1.7**	**3.9**	**0.7**	**9.2**	**3.2**	**12.4**
Washington	**3.8**	**2.3**	**0.3**	**0.5**	**6.9**	**0.6**	**2.0**	**0.4**	**9.9**	**1.6**	**11.5**
Colorado	**2.4**	**1.9**	**0.3**	**0.3**	**4.9**	**0.9**	**2.1**	**0.9**	**8.8**	**2.1**	**10.9**
All other	**26.3**	**16.3**	**4.9**	**1.5**	**49.0**	**15.5**	**40.1**	**10.5**	**115.1**	**32.1**	**147.2**
Total – excluding purchased credit-impaired	**114.3**	**72.5**	**15.3**	**9.0**	**211.1**	**42.6**	**104.7**	**35.6**	**394.0**	**85.6**	**479.6**

Consumer loans by geographic region

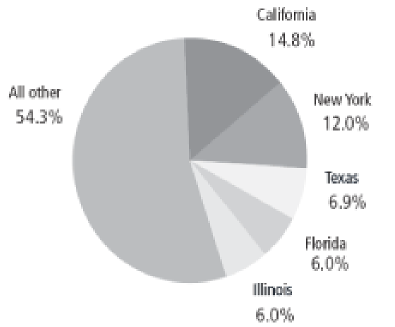
December 31, 2007 (in billions)	Home equity	Prime mortgage	Subprime mortgage	Option ARMs	Total home loan portfolio	Auto	Card reported	All other loans	Total consumer loans – reported	Card securitized	Total consumer loans – managed
Excluding purchased credit-impaired											
California	$ 14.9	$ 11.4	$ 2.0	$ —	$ 28.3	$ 5.0	$ 11.0	$ 1.0	$ 45.3	$ 9.6	$ 54.9
New York	14.4	6.4	1.6	—	22.4	3.6	6.6	4.2	36.8	5.6	42.4
Texas	6.1	1.7	0.3	—	8.1	3.7	5.8	3.5	21.1	5.4	26.5
Florida	5.3	3.9	2.5	—	11.7	1.6	4.7	0.5	18.5	4.2	22.7
Illinois	6.7	2.2	0.8	—	9.7	2.2	4.5	1.9	18.3	3.9	22.2
Ohio	4.9	0.5	0.5	—	5.9	2.9	3.3	2.6	14.7	3.1	17.8
New Jersey	4.4	1.4	0.8	—	6.6	1.7	3.3	0.5	12.1	3.1	15.2
Michigan	3.7	1.0	0.6	—	5.3	1.3	2.9	2.3	11.8	2.5	14.3
Arizona	5.7	1.1	0.4	—	7.2	1.8	1.7	1.8	12.5	1.4	13.9
Pennsylvania	1.6	0.4	0.5	—	2.5	1.7	3.2	0.5	7.9	2.9	10.8
Washington	1.6	0.4	0.3	—	2.3	0.6	1.4	0.2	4.5	1.3	5.8
Colorado	2.3	1.0	0.3	—	3.6	1.0	2.0	0.8	7.4	1.7	9.1
All other	23.2	9.2	4.8	—	37.2	15.3	34.0	8.9	95.4	28.0	123.4
Total – excluding purchased credit-impaired	$ 94.8	$ 40.6	$ 15.4	$ —	$ 150.8	$ 42.4	$ 84.4	$ 28.7	$ 306.3	$ 72.7	$ 379.0

Management's discussion and analysis

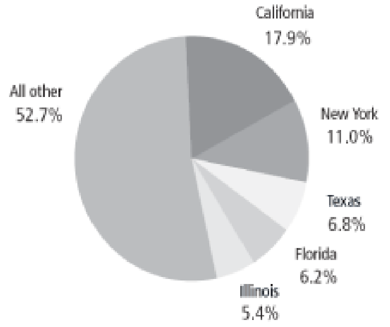
Top 5 States Total Consumer Loans - Reported[(a)]
(at December 31, 2008)



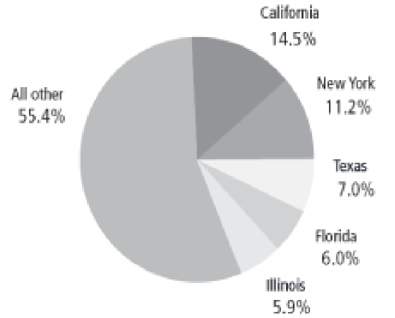
Top 5 States Total Consumer Loans - Reported
(at December 31, 2007)



Top 5 States Consumer Loans - Managed[(a)]
(at December 31, 2008)



Top 5 States Consumer Loans - Managed
(at December 31, 2007)



(a) Excluding the purchased credit-impaired loans acquired in the Washington Mutual transaction.

ALLOWANCE FOR CREDIT LOSSES

JPMorgan Chase's allowance for credit losses is intended to cover probable credit losses, including losses where the asset is not specifically identified or the size of the loss has not been fully determined. At least quarterly, the allowance for credit losses is reviewed by the Chief Executive Officer, the Chief Risk Officer, the Chief Financial Officer and the Controller of the Firm, and discussed with the Risk Policy and Audit Committees of the Board of Directors of the Firm. The allowance is reviewed relative to the risk profile of the Firm's credit portfolio and current economic conditions and is adjusted if, in management's judgment, changes are warranted. The allowance includes an asset-specific and a formula-based component. For further discussion of the components of the allowance for credit losses, see Critical accounting estimates used by the Firm on pages 107–111 and Note 15 on pages 166–168 of this Annual Report. At December 31, 2008, management deemed the allowance for credit losses to be appropriate (i.e., sufficient to absorb losses that are inherent in the portfolio, including losses that are not specifically identified or for which the size of the loss has not yet been fully determined).

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Summary of changes in the allowance for credit losses

Year ended December 31, (in millions)	2008 Wholesale	2008 Consumer	2008 Total	2007 Wholesale	2007 Consumer	2007 Total
Loans:						
Beginning balance at January 1,	**$ 3,154**	**$ 6,080**	**$ 9,234**	$ 2,711	$ 4,568	$ 7,279
Cumulative effect of change in accounting principles[a]	**—**	**—**	**—**	(56)	—	(56)
Beginning balance at January 1, adjusted	**3,154**	**6,080**	**9,234**	2,655	4,568	7,223
Gross charge-offs	**521**	**10,243**	**10,764**	185	5,182	5,367
Gross recoveries	**(119)**	**(810)**	**(929)**	(113)	(716)	(829)
Net charge-offs	**402**	**9,433**	**9,835**	72	4,466	4,538
Provision for loan losses:						
Provision excluding accounting conformity	**2,895**	**16,765**	**19,660**	598	5,940	6,538
Accounting conformity[b]	**641**	**936**	**1,577**	—	—	—
Total provision for loan losses	**3,536**	**17,701**	**21,237**	598	5,940	6,538
Acquired allowance resulting from Washington Mutual transaction	**229**	**2,306**	**2,535**	—	—	—
Other	**28**[c]	**(35)**[c]	**(7)**	(27)[i]	38[i]	11
Ending balance at December 31	**$ 6,545**	**$ 16,619**	**$ 23,164**	$ 3,154	$ 6,080	$ 9,234
Components:						
Asset-specific	**$ 712**	**$ 74**	**$ 786**	$ 108	$ 80	$ 188
Formula-based	**5,833**	**16,545**	**22,378**	3,046	6,000	9,046
Total allowance for loan losses	**$ 6,545**	**$ 16,619**	**$ 23,164**	$ 3,154	$ 6,080	$ 9,234
Lending-related commitments:						
Beginning balance at January 1,	**$ 835**	**$ 15**	**$ 850**	$ 499	$ 25	$ 524
Provision for lending-related commitments						
Provision excluding accounting conformity	**(214)**	**(1)**	**(215)**	336	(10)	326
Accounting conformity[b]	**5**	**(48)**	**(43)**	—	—	—
Total provision for lending-related commitments	**(209)**	**(49)**	**(258)**	336	(10)	326
Acquired allowance resulting from Washington Mutual transaction	**—**	**66**	**66**	—	—	—
Other	**8**[c]	**(7)**[c]	**1**	—	—	—
Ending balance at December 31	**$ 634**	**$ 25**	**$ 659**	$ 835	$ 15	$ 850
Components:						
Asset-specific	**$ 29**	**$ —**	**$ 29**	$ 28	$ —	$ 28
Formula-based	**605**	**25**	**630**	807	15	822
Total allowance for lending-related commitments	**$ 634**	**$ 25**	**$ 659**	$ 835	$ 15	$ 850
Total allowance for credit losses	**$ 7,179**	**$ 16,644**	**$ 23,823**	$ 3,989	$ 6,095	$ 10,084
Allowance for loan losses to loans	**2.64**%[d]	**3.46**%[e][h]	**3.18**%[d][e][h]	1.67%[d]	2.01%[e]	1.88%[d][e]
Allowance for loan losses to loans excluding purchased credit-impaired loans	**2.64**[d]	**4.24**[e]	**3.62**[d][e]	1.67[d]	2.01[e]	1.88[d][e]
Net charge-off rates	**0.18**[f]	**2.71**[g][h]	**1.73**[f][g][h]	0.04[f]	1.61[g]	1.00[f][g]
Net charge-off rates excluding purchased credit-impaired loans	**0.18**[f]	**2.90**[g]	**1.81**[f][g]	0.04[f]	1.61[g]	1.00[f][g]

(a) Reflects the effect of the adoption of SFAS 159 at January 1, 2007. For a further discussion of SFAS 159, see Note 5 on pages 144–146 of this Annual Report.
(b) Related to the Washington Mutual transaction in 2008.
(c) Primarily related to the transfer of loans and lending-related commitments from RFS to CB during the first quarter of 2008.
(d) Wholesale loans held-for-sale and loans at fair value were $14.0 billion and $23.6 billion at December 31, 2008 and 2007, respectively. These amounts were excluded when calculating the allowance coverage ratios.
(e) Consumer loans held-for-sale were $2.0 billion and $4.0 billion at December 31, 2008 and 2007, respectively. These amounts were excluded when calculating the allowance coverage ratios.
(f) Average wholesale loans held-for-sale and loans at fair value were $18.9 billion and $18.6 billion for the years ended December 31, 2008 and 2007, respectively. These amounts were excluded when calculating the net charge-off rates.
(g) Average consumer (excluding card) loans held-for-sale and loans at fair value were $2.8 billion and $10.6 billion for the years ended December 31, 2008 and 2007, respectively. These amounts were excluded when calculating the net charge-off rates.
(h) Includes $88.8 billion of home lending credit-impaired loans acquired in the Washington Mutual transaction and accounted for under SOP 03-3 at December 31, 2008. These loans were accounted for at fair value on the acquisition date, which reflected expected cash flows (including credit losses) over the remaining life of the portfolio. No allowance for loan losses has been recorded for these loans as of December 31, 2008.
(i) Partially related to the transfer of allowance between wholesale and consumer in conjunction with prime mortgages transferred to the Corporate/Private Equity sector.

Management's discussion and analysis

The allowance for credit losses increased $13.7 billion from the prior year to $23.8 billion. The increase included $4.1 billion of allowance related to noncredit impaired loans acquired in the Washington Mutual transaction and the related accounting conformity provision. Excluding held-for-sale loans, loans carried at fair value, and purchased credit-impaired consumer loans, the allowance for loan losses represented 3.62% of loans at December 31, 2008, compared with 1.88% at December 31, 2007.

The consumer allowance for loan losses increased $10.5 billion from the prior year as a result of the Washington Mutual transaction and increased allowance for loan loss in residential real estate and credit card. The increase included additions to the allowance for loan losses of $4.7 billion driven by higher estimated losses for residential mortgage and home equity loans as the weak labor market and weak overall economic conditions have resulted in increased delinquencies, while continued weak housing prices have driven a significant increase in loss severity. The allowance for loan losses related to credit card increased $4.3 billion from the prior year primarily due to the acquired allowance and subsequent conforming provision for loan loss related to the Washington Mutual Bank acquisition and an increase in provision for loan losses of $2.3 billion in 2008 over 2007, as higher estimated net-charge offs are expected in the portfolio resulting from the current economic conditions.

The wholesale allowance for loan losses increase of $3.4 billion from December 31, 2007, reflected the effect of a weakening credit environment and the transfer of $4.9 billion of funded and unfunded leveraged lending commitments to retained loans from held-for-sale.

To provide for the risk of loss inherent in the Firm's process of extending credit, an allowance for lending-related commitments is held for both wholesale and consumer, which is reported in other liabilities. The wholesale component is computed using a methodology similar to that used for the wholesale loan portfolio, modified for expected maturities and probabilities of drawdown and has an asset-specific component and a formula-based component. For a further discussion on the allowance for lending-related commitment see Note 15 on page 166–168 of this Annual Report. The allowance for lending-related commitments for both wholesale and consumer was $659 million and $850 million at December 31, 2008 and 2007, respectively. The decrease reflects the reduction in lending-related commitments at December 31, 2008. For more information see page 90 of this Annual Report.

The following table presents the allowance for loan losses and net charge-offs (recoveries) by business segment at December 31, 2008 and 2007.

December 31, (in millions)	Allowance for loan losses 2008	Allowance for loan losses 2007	Net charge-offs (recoveries) year ended 2008	Net charge-offs (recoveries) year ended 2007
Investment Bank	**$ 3,444**	$ 1,329	**$ 105**	$ 36
Commercial Banking	**2,826**	1,695	**288**	44
Treasury & Securities Services	**74**	18	**(2)**	—
Asset Management	**191**	112	**11**	(8)
Corporate/Private Equity	**10**	—	**—**	—
Total Wholesale	**6,545**	3,154	**402**	72
Retail Financial Services	**8,918**	2,668	**4,877**	1,350
Card Services	**7,692**	3,407	**4,556**	3,116
Corporate/Private Equity	**9**	5	**—**	—
Total Consumer – reported	**16,619**	6,080	**9,433**	4,466
Credit card – securitized	**—**	—	**3,612**	2,380
Total Consumer – managed	**16,619**	6,080	**13,045**	6,846
Total	**$ 23,164**	$ 9,234	**$ 13,477**	$ 6,918

Provision for credit losses

The managed provision for credit losses includes amounts related to credit card securitizations. For the year ended December 31, 2008, the increase in the provision for credit losses was due to year-over-year increase in the allowance for credit losses largely related to the home equity, subprime mortgage, prime mortgage and credit card loan portfolios in the consumer businesses as well as in the allowance for credit losses related to the wholesale portfolio. The increase in the wholesale provision for loan losses from the prior year was due to the weakening credit environment, loan growth and the transfer of $4.9 billion of funded and unfunded leverage lending commitments to retained loans from held-for-sale. The decrease in provision for lending-related commitments from the prior year benefited from reduced balances of lending-related commitments.

Year ended December 31,	Provision for loan losses			Provision for lending-related commitments			Total provision for credit losses		
(in millions)	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Investment Bank	**$ 2,216**	$ 376	$ 112	**$ (201)**	$ 278	$ 79	**$ 2,015**	$ 654	$ 191
Commercial Banking	**505**	230	133	**(41)**	49	27	**464**	279	160
Treasury & Securities Services	**52**	11	(1)	**30**	8	—	**82**	19	(1)
Asset Management	**87**	(19)	(30)	**(2)**	1	2	**85**	(18)	(28)
Corporate/Private Equity[(a)(b)]	**676**	—	(1)	**5**	—	—	**681**	—	(1)
Total Wholesale	**3,536**	598	213	**(209)**	336	108	**3,327**	934	321
Retail Financial Services	**9,906**	2,620	552	**(1)**	(10)	9	**9,905**	2,610	561
Card Services – reported	**6,456**	3,331	2,388	**—**	—	—	**6,456**	3,331	2,388
Corporate/Private Equity[(a)(c)(d)]	**1,339**	(11)	—	**(48)**	—	—	**1,291**	(11)	—
Total Consumer	**17,701**	5,940	2,940	**(49)**	(10)	9	**17,652**	5,930	2,949
Total provision for credit losses – reported	**21,237**	6,538	3,153	**(258)**	326	117	**20,979**	6,864	3,270
Credit card – securitized	**3,612**	2,380	2,210	**—**	—	—	**3,612**	2,380	2,210
Total provision for credit losses – managed	**$ 24,849**	$ 8,918	$ 5,363	**$ (258)**	$ 326	$ 117	**$ 24,591**	$ 9,244	$ 5,480

(a) Includes accounting conformity provisions related to the Washington Mutual transaction in 2008.
(b) Includes provision expense related to loans acquired in the Bear Stearns merger in the second quarter of 2008.
(c) Includes amounts related to held-for-investment prime mortgages transferred from AM to the Corporate/Private Equity segment.
(d) In November 2008, the Firm transferred $5.8 billion of higher quality credit card loans from the legacy Chase portfolio to a securitization trust previously established by Washington Mutual ("the Trust"). As a result of converting higher credit quality Chase-originated on-book receivables to the Trust's seller's interest which has a higher overall loss rate reflective of the total assets within the Trust, approximately $400 million of incremental provision expense was recorded during the fourth quarter. This incremental provision expense was recorded in the Corporate segment as the action related to the acquisition of Washington Mutual's banking operations. For further discussion of credit card securitizations, see Note 16 on pages 169–170 of this Annual Report.

MARKET RISK MANAGEMENT

Market risk is the exposure to an adverse change in the market value of portfolios and financial instruments caused by a change in market prices or rates.

Market risk management

Market risk is identified, measured, monitored, and controlled by Market Risk, a corporate risk governance function independent of the lines of business. Market Risk seeks to facilitate efficient risk/return decisions, reduce volatility in operating performance and make the Firm's market risk profile transparent to senior management, the Board of Directors and regulators. Market Risk is overseen by the Chief Risk Officer and performs the following functions:

- Establishment of a comprehensive market risk policy framework
- Independent measurement, monitoring and control of business segment market risk
- Definition, approval and monitoring of limits
- Performance of stress testing and qualitative risk assessments

Risk identification and classification

Market Risk works in partnership with the business segments to identify market risks throughout the Firm and define and monitor market risk policies and procedures. All business segments are responsible for the comprehensive identification and verification of market risks within their units. Risk-taking businesses have functions that act independently from trading personnel and are responsible for verifying risk exposures that the business takes. In addition to providing independent oversight for market risk arising from the business segments, Market Risk is also responsible for identifying exposures which may not be large within individual business segments but which may be large for the Firm in the aggregate. Regular meetings are held between Market Risk and the heads of risk-taking businesses to discuss and decide on risk exposures in the context of the market environment and client flows.

Positions that expose the Firm to market risk can be classified into two categories: trading and nontrading risk. Trading risk includes positions that are held by the Firm as part of a business segment or unit, the main business strategy of which is to trade or make markets. Unrealized gains and losses in these positions are generally reported in principal transactions revenue. Nontrading risk includes securities and other assets held for longer-term investment, mortgage servicing rights, and securities and derivatives used to manage the Firm's asset/liability exposures. Unrealized gains and losses in these positions are generally not reported in principal transactions revenue.

Management's discussion and analysis

Trading risk

The Firm makes markets and trades its products across several different asset classes. These asset classes include primarily fixed income (which includes interest rate risk and credit spread risk), foreign exchange, equities and commodities. Trading risk arises from positions in these asset classes and may lead to the potential decline in net income (i.e., economic sensitivity) due to adverse changes in market rates, whether arising from client activities or proprietary positions taken by the Firm.

Nontrading risk

Nontrading risk arises from execution of the Firm's core business strategies, the delivery of products and services to its customers, and the positions the Firm undertakes to risk-manage its exposures.

These exposures can result from a variety of factors, including differences in the timing among the maturity or repricing of assets, liabilities and off-balance sheet instruments. Changes in the level and shape of market interest rate curves also may create interest rate risk, since the repricing characteristics of the Firm's assets do not necessarily match those of its liabilities. The Firm is also exposed to basis risk, which is the difference in the repricing characteristics of two floating-rate indices, such as the prime rate and 3-month LIBOR. In addition, some of the Firm's products have embedded optionality that impact pricing and balances.

The Firm's mortgage banking activities give rise to complex interest rate risks, as well as option and basis risk. Option risk arises primarily from prepayment options embedded in mortgages and changes in the probability of newly originated mortgage commitments actually closing. Basis risk results from different relative movements between mortgage rates and other interest rates.

Risk measurement

Tools used to measure risk

Because no single measure can reflect all aspects of market risk, the Firm uses various metrics, both statistical and nonstatistical, including:

- Nonstatistical risk measures
- Value-at-risk ("VaR")
- Loss advisories
- Drawdowns
- Economic value stress testing
- Earnings-at-risk stress testing
- Risk identification for large exposures ("RIFLE")

Nonstatistical risk measures

Nonstatistical risk measures other than stress testing include net open positions, basis point values, option sensitivities, market values, position concentrations and position turnover. These measures provide granular information on the Firm's market risk exposure. They are aggregated by line of business and by risk type, and are used for monitoring limits, one-off approvals and tactical control.

Value-at-risk ("VaR")

JPMorgan Chase's primary statistical risk measure, VaR, estimates the potential loss from adverse market moves in an ordinary market environment and provides a consistent cross-business measure of risk profiles and levels of diversification. VaR is used for comparing risks across businesses, monitoring limits, and as an input to economic capital calculations. VaR provides risk transparency in a normal trading environment. Each business day the Firm undertakes a comprehensive VaR calculation that includes both its trading and its nontrading risks. VaR for nontrading risk measures the amount of potential change in the fair values of the exposures related to these risks; however, for such risks, VaR is not a measure of reported revenue since nontrading activities are generally not marked to market through net income. Hedges of nontrading activities may be included in trading VaR since they are marked to market.

To calculate VaR, the Firm uses historical simulation, based on a one-day time horizon and an expected tail-loss methodology, which measures risk across instruments and portfolios in a consistent and comparable way. The simulation is based upon data for the previous 12 months. This approach assumes that historical changes in market values are representative of future changes; this is an assumption that may not always be accurate, particularly given the volatility in the current market environment. For certain products, an actual price time series is not available. In such cases, the historical simulation is done using a proxy time series to estimate the risk. It is likely that using an actual price time series for these products, if available, would impact the VaR results presented. In addition, certain risk parameters, such as correlation risk among certain IB trading instruments, are not fully captured in VaR.

In the third quarter of 2008, the Firm revised its VaR measurement to include additional risk positions previously excluded from VaR, thus creating, in the Firm's view, a more comprehensive view of its market risks. In addition, the Firm moved to calculating VaR using a 95% confidence level to provide a more stable measure of the VaR for day-to-day risk management. The following sections describe JPMorgan Chase's VaR measures under both the legacy 99% confidence level as well as the new 95% confidence level. The Firm intends to solely present the VaR at the 95% confidence level once information for two complete year-to-date periods is available.

99% Confidence Level VaR

IB trading VaR by risk type and credit portfolio VaR

As of or for the year ended December 31,[a] (in millions)	2008 Average	2008 Minimum	2008 Maximum	2007 Average	2007 Minimum	2007 Maximum	At December 31, 2008	At December 31, 2007
By risk type:								
Fixed income	**$ 181**	**$ 99**	**$ 409**	$ 80	$ 25	$ 135	**$ 253**	$ 106
Foreign exchange	**34**	**13**	**90**	23	9	44	**70**	22
Equities	**57**	**19**	**187**	48	22	133	**69**	27
Commodities and other	**32**	**24**	**53**	33	21	66	**26**	27
Diversification	**(108)**[b]	**NM**[c]	**NM**[c]	(77)[b]	NM[c]	NM[c]	**(152)**[b]	(82)[b]
Trading VaR	**$ 196**	**$ 96**	**$ 420**	$ 107	$ 50	$ 188	**$ 266**	$ 100
Credit portfolio VaR	**69**	**20**	**218**	17	8	31	**171**	22
Diversification	**(63)**[b]	**NM**[c]	**NM**[b]	(18)[b]	NM[c]	NM[c]	**(120)**[b]	(19)[b]
Total trading and credit portfolio VaR	**$ 202**	**$ 96**	**$ 449**	$ 106	$ 50	$ 178	**$ 317**	$ 103

(a) The results for the year ended December 31, 2008, include five months of heritage JPMorgan Chase only results and seven months of results for the combined JPMorgan Chase and Bear Stearns; 2007 reflects heritage JPMorgan Chase results only.
(b) Average and period-end VaRs were less than the sum of the VaRs of its market risk components, which is due to risk offsets resulting from portfolio diversification. The diversification effect reflects the fact that the risks were not perfectly correlated. The risk of a portfolio of positions is therefore usually less than the sum of the risks of the positions themselves.
(c) Designated as not meaningful ("NM") because the minimum and maximum may occur on different days for different risk components, and hence it is not meaningful to compute a portfolio diversification effect.

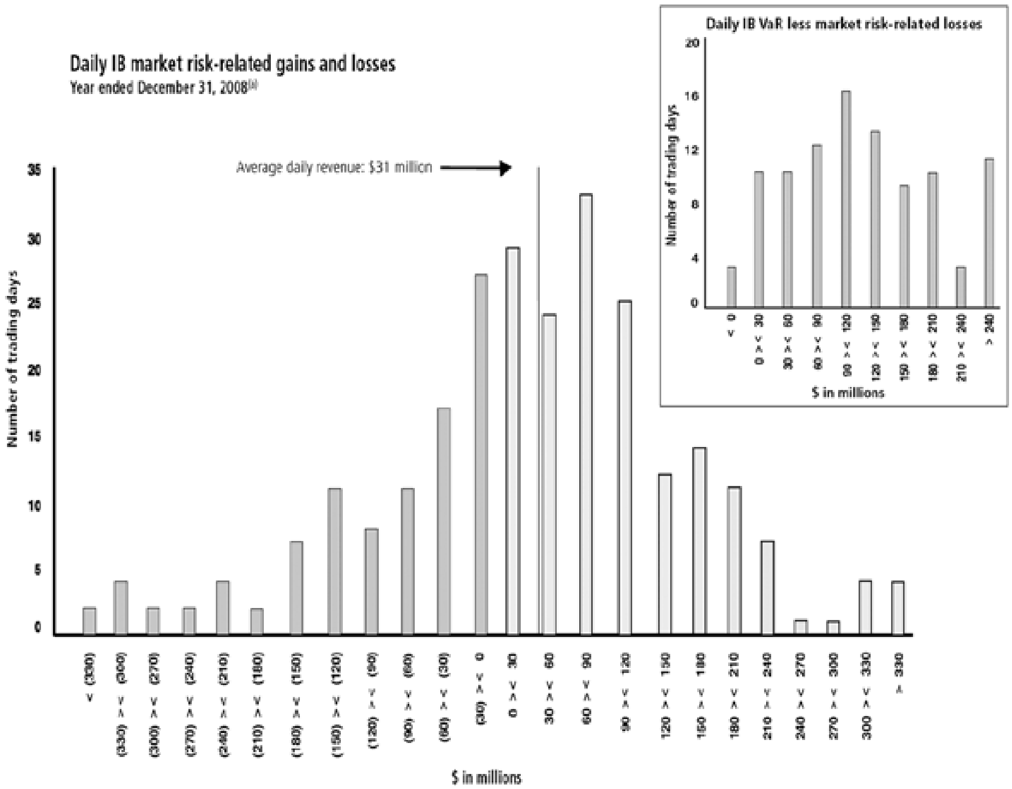
Trading VaR includes substantially all trading activities in IB. Beginning in the fourth quarter of 2008, the credit spread sensitivities of certain mortgage products were included in trading VaR. This change had an insignificant net impact on the average fourth quarter 2008 VaR. However, trading VaR does not include: held-for-sale funded loan and unfunded commitments positions (however, it does include hedges of those positions); the debit valuation adjustments ("DVA") taken on derivative and structured liabilities to reflect the credit quality of the Firm; the MSR portfolio; and securities and instruments held by corporate functions, such as Corporate/Private Equity. See the DVA Sensitivity table on page 103 of this Annual Report for further details. For a discussion of MSRs and the corporate functions, see Note 4 on pages 129–143, Note 18 on pages 186–189 and Corporate/ Private Equity on pages 61–63 of this Annual Report.

2008 VaR results
IB's average total trading and credit portfolio VaR was $202 million for 2008, compared with $106 million for 2007, and includes the positions from the Bear Stearns merger since May 31, 2008. The increase in average and maximum VaR during 2008 compared with the prior year was primarily due to increased volatility across virtually all asset classes. In addition, increased hedges of positions not specifically captured in VaR – for example, macro hedge strategies that have been deployed to mitigate the consequences of a systemic risk event and hedges of loans held-for-sale – significantly increased the VaR compared with the prior period.

For 2008, compared with the prior year, average trading VaR diversification increased to $108 million from $77 million, reflecting the impact of the Bear Stearns merger. In general, over the course of the year, VaR exposures can vary significantly as positions change, market volatility fluctuates and diversification benefits change.

VaR backtesting
To evaluate the soundness of its VaR model, the Firm conducts daily back-testing of VaR against daily IB market risk-related revenue, which is defined as the change in value of principal transactions revenue (less Private Equity gains/losses) plus any trading-related net interest income, brokerage commissions, underwriting fees or other revenue. The daily IB market risk-related revenue excludes gains and losses on held-for-sale funded loans and unfunded commitments and from DVA. The following histogram illustrates the daily market risk-related gains and losses for IB trading businesses for the year ended 2008. The chart shows that IB posted market risk-related gains on 165 of the 262 days in this period, with 54 days exceeding $120 million. The inset graph looks at those days on which IB experienced losses and depicts the amount by which 99% confidence level VaR exceeded the actual loss on each of those days. During the year ended December 31, 2008, losses were sustained on 97 days; losses exceeded the VaR measure on three of those days compared with eight days for the year ended 2007. The Firm would expect to incur losses greater than those predicted by the 99% confidence level VaR estimates once in every 100 trading days, or about two to three times a year.

Management's discussion and analysis



(a) Includes seven months of Bear Stearns results.

95% Confidence Level VaR

Total IB trading VaR by risk type, credit portfolio VaR and other VaR

(in millions)	Six months ended December 31, 2008 Average	At December 31
IB VaR by risk type:		
Fixed income	$ 162	$ 180
Foreign exchange	23	38
Equities	47	39
Commodities and other	23	25
Diversification benefit to IB trading VaR	(88)	(108)
IB Trading VaR	$ 167	$ 174
Credit portfolio VaR	45	77
Diversification benefit to IB trading and credit portfolio VaR	(36)	(57)
Total IB trading and credit portfolio VaR	$ 176	$ 194
Consumer Lending VaR	37	112
Corporate Risk Management VaR	48	114
Diversification benefit to total other VaR	(19)	(48)
Total other VaR	$ 66	$ 178
Diversification benefit to total IB and other VaR	(40)	(86)
Total IB and other VaR	$ 202	$ 286

The Firm's new 95% VaR measure includes all the risk positions taken into account under the 99% confidence level VaR measure, as well as syndicated lending facilities the Firm intends to distribute (and, beginning in the fourth quarter of 2008, the credit spread sensitivities of certain mortgage products). The Firm utilizes proxies to estimate the VaR for these mortgage and credit products since daily time series are largely not available. In addition, the new VaR measure includes certain actively managed positions utilized as part of the Firm's risk management function within Corporate and in the Consumer Lending businesses to provide a total IB and other VaR measure. In the Firm's view, including these items in VaR produces a more complete perspective of the Firm's risk profile for items with market risk that can impact the income statement. The Consumer Lending VaR includes the Firm's mortgage pipeline and warehouse loans, MSRs and all related hedges.

The revised VaR measure continues to exclude the DVA taken on derivative and structured liabilities to reflect the credit quality of the Firm. It also excludes certain nontrading activity such as Private Equity, principal investing (e.g., mezzanine financing, tax-oriented investments, etc.) and Corporate balance sheet and capital management positions, as well as longer-term corporate investments. Corporate positions are managed through the Firm's earnings-at-risk and other cash flow monitoring processes rather than by using a VaR measure. Nontrading principal investing activities and Private Equity positions are managed using stress and scenario analyses.

Changing to the 95% confidence interval caused the average VaR to drop by $85 million in the third quarter when the new measure was implemented. Under the 95% confidence interval, the Firm would expect to incur daily losses greater than those predicted by VaR estimates about twelve times a year.

The following table provides information about the sensitivity of DVA to a one basis point increase in JPMorgan Chase's credit spreads. The sensitivity of DVA at December 31, 2008, represents the Firm (including Bear Stearns), while the sensitivity of DVA for December 31, 2007, represents heritage JPMorgan Chase only.

Debit Valuation Adjustment Sensitivity

(in millions)	1 Basis Point Increase in JPMorgan Chase Credit Spread
December 31, 2008	**$ 32**
December 31, 2007	$ 38

Loss advisories and drawdowns

Loss advisories and drawdowns are tools used to highlight to senior management trading losses above certain levels and initiate discussion of remedies.

Economic value stress testing

While VaR reflects the risk of loss due to adverse changes in normal markets, stress testing captures the Firm's exposure to unlikely but plausible events in abnormal markets. The Firm conducts economic value stress tests for both its trading and nontrading activities at least every two weeks using multiple scenarios that assume credit spreads widen significantly, equity prices decline and interest rates rise in the major currencies. Additional scenarios focus on the risks predominant in individual business segments and include scenarios that focus on the potential for adverse moves in complex portfolios. Periodically, scenarios are reviewed and updated to reflect changes in the Firm's risk profile and economic events. Along with VaR, stress testing is important in measuring and controlling risk. Stress testing enhances the understanding of the Firm's risk profile and loss potential, and stress losses are monitored against limits. Stress testing is also utilized in one-off approvals and cross-business risk measurement, as well as an input to economic capital allocation. Stress-test results, trends and explanations are provided at least every two weeks to the Firm's senior management and to the lines of business to help them better measure and manage risks and understand event risk-sensitive positions.

Earnings-at-risk stress testing

The VaR and stress-test measures described above illustrate the total economic sensitivity of the Firm's balance sheet to changes in market variables. The effect of interest rate exposure on reported net income is also important. Interest rate risk exposure in the Firm's core non-trading business activities (i.e., asset/liability management positions) results from on- and off-balance sheet positions and can occur due to a variety of factors, including:

- Differences in the timing among the maturity or repricing of assets, liabilities and off-balance sheet instruments. For example, if liabilities reprice quicker than assets and funding interest rates are declining, earnings will increase initially.
- Differences in the amounts of assets, liabilities and off-balance sheet instruments that are repricing at the same time. For example, if more deposit liabilities are repricing than assets when general interest rates are declining, earnings will increase initially.
- Differences in the amounts by which short-term and long-term market interest rates change (for example, changes in the slope of the yield curve because the Firm has the ability to lend at long-term fixed rates and borrow at variable or short-term fixed rates. Based upon these scenarios, the Firm's earnings would be affected negatively by a sudden and unanticipated increase in short-term rates paid on its liabilities (e.g., deposits) without a corresponding increase in long-term rates received on its assets (e.g., loans). Conversely, higher long-term rates received on assets generally are beneficial to earnings, particularly when the increase is not accompanied by rising short-term rates paid on liabilities.
- The impact of changes in the maturity of various assets, liabilities or off-balance sheet instruments as interest rates change. For example, if more borrowers than forecasted pay down higher rate loan balances when general interest rates are declining, earnings may decrease initially.

The Firm manages interest rate exposure related to its assets and liabilities on a consolidated, corporate-wide basis. Business units transfer their interest rate risk to Treasury through a transfer-pricing system, which takes into account the elements of interest rate exposure that can be risk-managed in financial markets. These elements include asset and liability balances and contractual rates of interest, contractual principal payment schedules, expected prepayment experience, interest rate reset dates and maturities, rate indices used for re-pricing, and any interest rate ceilings or floors for adjustable rate products. All transfer-pricing assumptions are dynamically reviewed.

The Firm conducts simulations of changes in net interest income from its nontrading activities under a variety of interest rate scenarios. Earnings-at-risk tests measure the potential change in the Firm's net interest income, and the corresponding impact to the Firm's pretax earnings, over the following 12 months. These tests highlight exposures to various rate-sensitive factors, such as the rates themselves (e.g., the prime lending rate), pricing strategies on deposits, optionality and changes in product mix. The tests include forecasted balance sheet changes, such as asset sales and securitizations, as well as prepayment and reinvestment behavior.

Immediate changes in interest rates present a limited view of risk, and so a number of alternative scenarios are also reviewed. These scenarios include the implied forward curve, nonparallel rate shifts and severe interest rate shocks on selected key rates. These scenarios are intended to provide a comprehensive view of JPMorgan Chase's earnings-at-risk over a wide range of outcomes.

JPMorgan Chase's 12-month pretax earnings sensitivity profile as of December 31, 2008 and 2007, is as follows.

	Immediate change in rates			
(in millions)	+200bp	+100bp	-100bp	-200bp
December 31, 2008	**$ 336**	**$ 672**	**$ NM**[(a)]	**$ NM**[(a)]
December 31, 2007	$ (26)	$ 55	$ (308)	$ (664)

(a) Down 100 and 200 basis point parallel shocks result in a Fed Funds target rate of zero, and negative three- and six-month Treasury rates. The earnings-at-risk results of such a low probability scenario are not meaningful ("NM").

The change in earnings-at-risk from December 31, 2007, results from a higher level of AFS securities and lower market interest rates. The benefit to the Firm of an increase in rates results from a widening of deposit margins which are currently compressed due to very low short term interest rates. This benefit would be partially offset by the effect of reduced mortgage prepayments. The impact to the Firm's pretax earnings of reduced mortgage prepayments would become more pronounced under a +200 bp parallel shock.

Additionally, another sensitivity involving a steeper yield curve, with long-term rates rising 100 basis points and short-term rates staying at current levels, results in a 12-month pretax earnings benefit of $740 million. The increase in earnings is due to reinvestment of maturing assets at the higher long-term rates with funding costs remaining unchanged.

Risk identification for large exposures ("RIFLE")
Individuals who manage risk positions, particularly those that are complex, are responsible for identifying potential losses that could arise from specific, unusual events, such as a potential tax change, and estimating the probabilities of losses arising from such events. This information is entered into the Firm's RIFLE database. Management of trading businesses control RIFLE entries, thereby permitting the Firm to monitor further earnings vulnerability not adequately covered by standard risk measures.

Risk monitoring and control

Limits
Market risk is controlled primarily through a series of limits. Limits reflect the Firm's risk appetite in the context of the market environment and business strategy. In setting limits, the Firm takes into consideration factors such as market volatility, product liquidity, business trends and management experience.

Market risk management regularly reviews and updates risk limits. Senior management, including the Firm's Chief Executive Officer and Chief Risk Officer, is responsible for reviewing and approving risk limits at least once a year.

The Firm maintains different levels of limits. Corporate-level limits include VaR and stress limits. Similarly, line-of-business limits include VaR and stress limits and may be supplemented by loss advisories, nonstatistical measurements and instrument authorities. Businesses are responsible for adhering to established limits, against which exposures are monitored and reported. Limit breaches are reported in a timely manner to senior management, and the affected business segment is required to reduce trading positions or consult with senior management on the appropriate action.

Qualitative review
The Market Risk Management group also performs periodic reviews as necessary of both businesses and products with exposure to market risk to assess the ability of the businesses to control their market risk. Strategies, market conditions, product details and risk controls are reviewed, and specific recommendations for improvements are made to management.

Model review
Some of the Firm's financial instruments cannot be valued based upon quoted market prices but are instead valued using pricing models. Such models are used for management of risk positions, such as reporting against limits, as well as for valuation. The Model Risk Group, independent of the businesses and market risk management, reviews the models the Firm uses and assesses model appropriateness and consistency. The model reviews consider a number of factors about the model's suitability for valuation and risk management of a particular product, including whether it accurately reflects the characteristics of the transaction and its significant risks, the suitability and convergence properties of numerical algorithms, reliability of data sources, consistency of the treatment with models for similar products, and sensitivity to input parameters and assumptions that cannot be priced from the market.

Reviews are conducted of new or changed models, as well as previously accepted models, to assess whether there have been any changes in the product or market that may impact the model's validity and whether there are theoretical or competitive developments that may require reassessment of the model's adequacy. For a summary of valuations based upon models, see Critical Accounting Estimates used by the Firm on pages 107–111 of this Annual Report.

Risk reporting

Nonstatistical exposures, value-at-risk, loss advisories and limit excesses are reported daily for each trading and nontrading business. Market risk exposure trends, value-at-risk trends, profit and loss changes, and portfolio concentrations are reported weekly. Stress-test results are reported at least every two weeks to business and senior management.

PRIVATE EQUITY RISK MANAGEMENT

Risk management
The Firm makes direct principal investments in private equity. The illiquid nature and long-term holding period associated with these investments differentiates private equity risk from the risk of positions held in the trading portfolios. The Firm's approach to managing private equity risk is consistent with the Firm's general risk governance structure. Controls are in place establishing expected levels for total and annual investment in order to control the overall size of the portfolio. Industry and geographic concentration limits are in place and intended to ensure diversification of the portfolio. All investments are approved by an investment committee that includes executives who are not part of the investing businesses. An independent valuation function is responsible for reviewing the appropriateness of the carrying values of private equity investments in accordance with relevant accounting policies. At December 31, 2008 and 2007, the carrying value of the private equity businesses was $6.9 billion and $7.2 billion, respectively, of which $483 million and $390 million, respectively, represented publicly traded positions. For further information on the Private equity portfolio, see page 63 of this Annual Report.

OPERATIONAL RISK MANAGEMENT

Operational risk is the risk of loss resulting from inadequate or failed processes or systems, human factors or external events.

Overview
Operational risk is inherent in each of the Firm's businesses and support activities. Operational risk can manifest itself in various ways, including errors, fraudulent acts, business interruptions, inappropriate behavior of employees, or vendors that do not perform in accordance with their arrangements. These events could result in financial losses and other damage to the Firm, including reputational harm.

To monitor and control operational risk, the Firm maintains a system of comprehensive policies and a control framework designed to provide a sound and well-controlled operational environment. The goal is to keep operational risk at appropriate levels, in light of the Firm's financial strength, the characteristics of its businesses, the markets in which it operates, and the competitive and regulatory environment to which it is subject. Notwithstanding these control measures, the Firm incurs operational losses.

The Firm's approach to operational risk management is intended to mitigate such losses by supplementing traditional control-based approaches to operational risk with risk measures, tools and disciplines that are risk-specific, consistently applied and utilized firmwide. Key themes are transparency of information, escalation of key issues and accountability for issue resolution.

The Firm's operational risk framework is supported by Phoenix, an internally designed operational risk software tool. Phoenix integrates the individual components of the operational risk management framework into a unified, web-based tool. Phoenix enhances the capture, reporting and analysis of operational risk data by enabling risk identification, measurement, monitoring, reporting and analysis to be done in an integrated manner, thereby enabling efficiencies in the Firm's monitoring and management of its operational risk.

For purposes of identification, monitoring, reporting and analysis, the Firm categorizes operational risk events as follows:

- Client service and selection
- Business practices
- Fraud, theft and malice
- Execution, delivery and process management
- Employee disputes
- Disasters and public safety
- Technology and infrastructure failures

Risk identification and measurement
Risk identification is the recognition of the operational risk events that management believes may give rise to operational losses. All businesses utilize the Firm's standard self-assessment process and supporting architecture as a dynamic risk management tool. The goal of the self-assessment process is for each business to identify the key operational risks specific to its environment and assess the degree to which it maintains appropriate controls. Action plans are developed for control issues identified, and businesses are held accountable for tracking and resolving these issues on a timely basis.

Risk monitoring
The Firm has a process for monitoring operational risk-event data, permitting analysis of errors and losses as well as trends. Such analysis, performed both at a line-of-business level and by risk-event type, enables identification of the causes associated with risk events faced by the businesses. Where available, the internal data can be supplemented with external data for comparative analysis with industry patterns. The data reported enables the Firm to back-test against self-assessment results. The Firm is a founding member of the Operational Riskdata eXchange Association, a not-for-profit industry association formed for the purpose of collecting operational loss data, sharing data in an anonymous form and benchmarking results back to members. Such information supplements the Firm's ongoing operational risk measurement and analysis.

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Risk reporting and analysis
Operational risk management reports provide timely and accurate information, including information about actual operational loss levels and self-assessment results, to the lines of business and senior management. The purpose of these reports is to enable management to maintain operational risk at appropriate levels within each line of business, to escalate issues and to provide consistent data aggregation across the Firm's businesses and support areas.

Audit alignment
Internal Audit utilizes a risk-based program of audit coverage to provide an independent assessment of the design and effectiveness of key controls over the Firm's operations, regulatory compliance and reporting. This includes reviewing the operational risk framework, the effectiveness and accuracy of the business self-assessment process and the loss data collection and reporting activities.

REPUTATION AND FIDUCIARY RISK MANAGEMENT

A firm's success depends not only on its prudent management of the liquidity, credit, market and operational risks that are part of its business risks, but equally on the maintenance among many constituents — clients, investors, regulators, as well as the general public — of a reputation for business practices of the highest quality. Attention to reputation always has been a key aspect of the Firm's practices, and maintenance of the Firm's reputation is the responsibility of everyone at the Firm. JPMorgan Chase bolsters this individual responsibility in many ways, including through the Firm's Code of Conduct, training, maintaining adherence to policies and procedures, and oversight functions that approve transactions. These oversight functions include a Conflicts Office, which examines wholesale transactions with the potential to create conflicts of interest for the Firm, and regional reputation risk review committees, which review certain transactions with clients, especially complex derivatives and structured finance transactions, that have the potential to affect adversely the Firm's reputation. These regional committees, whose members are senior representatives of businesses and control functions in the region, focus on the purpose and effect of the transactions from the client's point of view, with the goal that these transactions are not used to mislead investors or others.

Fiduciary risk management
The risk management committees within each line of business include in their mandate the oversight of the legal, reputational and, where appropriate, fiduciary risks in their businesses that may produce significant losses or reputational damage. The Fiduciary Risk Management function works with the relevant line-of-business risk committees with the goal of ensuring that businesses providing investment or risk management products or services that give rise to fiduciary duties to clients perform at the appropriate standard relative to their fiduciary relationship with a client. Of particular focus are the policies and practices that address a business' responsibilities to a client, including client suitability determination; disclosure obligations and communications; and performance expectations with respect to risk management products or services being provided. In this way, the relevant line-of-business risk committees, together with the Fiduciary Risk Management function, provide oversight of the Firm's efforts to monitor, measure and control the risks that may arise in the delivery of the products or services to clients that give rise to such fiduciary duties, as well as those stemming from any of the Firm's fiduciary responsibilities to employees under the Firm's various employee benefit plans.

CRITICAL ACCOUNTING ESTIMATES USED BY THE FIRM

JPMorgan Chase's accounting policies and use of estimates are integral to understanding its reported results. The Firm's most complex accounting estimates require management's judgment to ascertain the value of assets and liabilities. The Firm has established detailed policies and control procedures intended to ensure that valuation methods, including any judgments made as part of such methods, are well-controlled, independently reviewed and applied consistently from period to period. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. The Firm believes its estimates for determining the value of its assets and liabilities are appropriate. The following is a brief description of the Firm's critical accounting estimates involving significant valuation judgments.

Allowance for credit losses

JPMorgan Chase's allowance for credit losses covers the wholesale and consumer loan portfolios, as well as the Firm's portfolio of lending-related commitments. The allowance for credit losses is intended to adjust the value of the Firm's loan assets for probable credit losses as of the balance sheet date. For further discussion of the methodologies used in establishing the Firm's allowance for credit losses, see Note 15 on pages 166–168 of this Annual Report.

Wholesale loans and lending-related commitments

The methodology for calculating both the allowance for loan losses and the allowance for lending-related commitments involves significant judgment. First and foremost, it involves the early identification of credits that are deteriorating. Second, it involves judgment in establishing the inputs used to estimate the allowances. Third, it involves management judgment to evaluate certain macroeconomic factors, underwriting standards, and other relevant internal and external factors affecting the credit quality of the current portfolio and to refine loss factors to better reflect these conditions.

The Firm uses a risk-rating system to determine the credit quality of its wholesale loans. Wholesale loans are reviewed for information affecting the obligor's ability to fulfill its obligations. In assessing the risk rating of a particular loan, among the factors considered are the obligor's debt capacity and financial flexibility, the level of the obligor's earnings, the amount and sources for repayment, the level and nature of contingencies, management strength and the industry and geography in which the obligor operates. These factors are based upon an evaluation of historical and current information, and involve subjective assessment and interpretation. Emphasizing one factor over another or considering additional factors could impact the risk rating assigned by the Firm to that loan.

The Firm applies its judgment to establish loss factors used in calculating the allowances. Wherever possible, the Firm uses independent, verifiable data or the Firm's own historical loss experience in its models for estimating the allowances. Many factors can affect estimates of loss, including volatility of loss given default, probability of default and rating migrations. Consideration is given as to whether the loss estimates should be calculated as an average over the entire credit cycle or at a particular point in the credit cycle, as well as to which external data should be used and when they should be used. Choosing data that are not reflective of the Firm's specific loan portfolio characteristics could also affect loss estimates. The application of different inputs would change the amount of the allowance for credit losses determined appropriate by the Firm.

Management also applies its judgment to adjust the loss factors derived, taking into consideration model imprecision, external factors and economic events that have occurred but are not yet reflected in the loss factors by establishing ranges using historical experience of both loss given default and probability of default. Factors related to concentrated and deteriorating industries also are incorporated where relevant. These estimates are based upon management's view of uncertainties that relate to current macroeconomic and political conditions, quality of underwriting standards and other relevant internal and external factors affecting the credit quality of the current portfolio.

As noted on page 84 of this Annual Report, the Firm's wholesale allowance is sensitive to the risk rating assigned to a loan. Assuming a one-notch downgrade in the Firm's internal risk ratings for its entire wholesale portfolio, the allowance for loan losses for the wholesale portfolio would increase by approximately $1.8 billion as of December 31, 2008. This sensitivity analysis is hypothetical. In the Firm's view, the likelihood of a one-notch downgrade for all wholesale loans within a short timeframe is remote. The purpose of this analysis is to provide an indication of the impact of risk ratings on the estimate of the allowance for loan losses for wholesale loans. It is not intended to imply management's expectation of future deterioration in risk ratings. Given the process the Firm follows in determining the risk ratings of its loans, management believes the risk ratings currently assigned to wholesale loans are appropriate.

Consumer loans and lending-related commitments

The allowance for credit losses for the consumer portfolio is sensitive to changes in the economic environment, delinquency status, credit bureau scores, the realizable value of collateral, borrower behavior and other risk factors, and is intended to represent management's best estimate of incurred losses as of the balance sheet date. The credit performance of the consumer portfolio across the entire consumer credit product spectrum continues to be negatively affected by the economic environment, as the weak labor market and weak overall economic conditions have resulted in increased delinquencies, while continued weak housing prices have driven a significant increase in loss severity. Significant judgment is required to estimate the duration and severity of the current economic downturn, as well as its potential impact on housing prices and the labor market. While the allowance for credit losses is highly sensitive to both home prices and unemployment rates, in the current market it is difficult to estimate how potential changes in one or both of these factors might impact the allowance for credit losses. For example, while both factors are important determinants of overall allowance levels, changes in one factor or the other may not occur at the same rate, or changes may be directionally inconsistent such that improvement in one factor may offset deterioration in the other. In addition, changes in these factors would not necessarily be consistent across geographies or product types. Finally, it is difficult to predict the extent to which changes in both or either of these factors will ultimately impact the frequency of losses, the severity of losses, or both, and overall loss rates are a function of both the frequency and severity of individual loan losses.

The allowance is calculated by applying statistical loss factors and other risk indicators to pools of loans with similar risk characteristics to arrive at an estimate of incurred losses in the portfolio. Management applies judgment to the statistical loss estimates for each loan portfolio category using delinquency trends and other risk characteristics to estimate charge-offs. Management utilizes additional statistical methods and considers portfolio and collateral valuation trends to review the appropriateness of the primary statistical loss estimate.

The statistical calculation is adjusted to take into consideration model imprecision, external factors and current economic events that have occurred but are not yet reflected in the factors used to derive the statistical calculation, and is accomplished in part by analyzing the historical loss experience for each major product segment. In the current economic environment, it is difficult to predict whether historical loss experience is indicative of future loss levels. Management applies judgment within estimated ranges in determining this adjustment, taking into account the numerous uncertainties inherent in the current economic environment. The estimated ranges and the determination of the appropriate point within the range are based upon management's judgment related to uncertainties associated with current macroeconomic and political conditions, quality of underwriting standards, and other relevant internal and external factors affecting the credit quality of the portfolio.

Fair value of financial instruments, MSRs and commodities inventory

JPMorgan Chase carries a portion of it assets and liabilities at fair value. The majority of such assets and liabilities are carried at fair value on a recurring basis. In addition, certain assets are carried at fair value on a nonrecurring basis, including loans accounted for at the lower of cost or fair value that are only subject to fair value adjustments under certain circumstances.

On January 1, 2007, the Firm adopted SFAS 157, which established a three-level valuation hierarchy for disclosure of fair value measurements. An instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Therefore, for instruments classified in levels 1 and 2 of the hierarchy, where inputs are principally based on observable market data, there is less judgment applied in arriving at a fair value measurement. For instruments classified within level 3 of the hierarchy, judgments are more significant. The Firm reviews and updates the fair value hierarchy classifications on a quarterly basis. Changes from one quarter to the next related to the observability of inputs to a fair value measurement may result in a reclassification between hierarchy levels.

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Assets carried at fair value

The table that follows includes the Firm's assets carried at fair value and the portion of such assets that are classified within level 3 of the valuation hierarchy.

December 31, (in billions)	2008 Total at fair value	2008 Level 3 total	2007 Total at fair value	2007 Level 3 total
Trading debt and equity securities[a]	**$ 347.4**	**$ 41.4**	$ 414.3	$ 24.1
Derivative receivables – gross	**2,741.7**	**53.0**	909.8	20.2
Netting adjustment	**(2,579.1)**	**—**	(832.7)	—
Derivative receivables – net	**162.6**	**53.0**[e]	77.1	20.2[e]
AFS Securities	**205.9**	**12.4**	85.4	0.1
Loans	**7.7**	**2.7**	8.7	8.4
MSRs	**9.4**	**9.4**	8.6	8.6
Private equity investments	**6.9**	**6.4**	7.2	6.8
Other[b]	**46.5**	**5.0**	34.2	3.1
Total assets carried at fair value on a recurring basis	**786.4**	**130.3**	635.5	71.3
Total assets carried at fair value on a nonrecurring basis[c]	**11.0**	**4.3**	14.9	11.8
Total assets carried at fair value	**$ 797.4**	**$ 134.6**[f]	$ 650.4	$ 83.1
Less: level 3 assets for which the Firm does not bear economic exposure[d]		**21.2**		
Total level 3 assets for which the Firm bears economic exposure		**$ 113.4**		
Total Firm assets	**$ 2,175.1**		$ 1,562.1	
Level 3 assets as a percentage of total Firm assets		**6%**		5%
Level 3 assets for which the Firm bears economic exposure as a percentage of total Firm assets		**5**		
Level 3 assets as a percentage of total Firm assets at fair value		**17**		13
Level 3 assets for which the Firm bears economic exposure as a percentage of total assets at fair value		**14**		

(a) Includes physical commodities carried at the lower of cost or fair value.
(b) Includes certain securities purchased under resale agreements, certain securities borrowed and certain other investments.
(c) Predominantly consists of debt financing and other loan warehouses held-for-sale and other assets.
(d) Balances for which the Firm did not bear economic exposure at December 31, 2007, were not significant.
(e) The Firm does not allocate the FIN 39 netting adjustment across the levels of the fair value hierarchy. As such, the level 3 derivative receivables balance included in the level 3 total balance is reported gross of any netting adjustments.
(f) Included in the table above are $95.1 billion of level 3 assets, consisting of recurring and nonrecurring assets, carried by IB at December 31, 2008. This includes $21.2 billion of assets for which the Firm serves as an intermediary between two parties and does not bear economic exposure.

Valuation

For instruments classified within level 3 of the hierarchy, judgments may be significant. In arriving at an estimate of fair value for an instrument within level 3, management must first determine the appropriate model to use. Second, due to the lack of observability of significant inputs, management must assess all relevant empirical data in deriving valuation inputs including but not limited to yield curves, interest rates, volatilities, equity or debt prices, foreign exchange rates and credit curves. In addition to market information, models also incorporate transaction details, such as maturity. Finally, management judgment must be applied to assess the appropriate level of valuation adjustments to reflect counterparty credit quality, the Firm's creditworthiness, constraints on liquidity and unobservable parameters, where relevant. The judgments made are typically affected by the type of product and its specific contractual terms and the level of liquidity for the product or within the market as a whole.

Imprecision in estimating unobservable market inputs can impact the amount of revenue or loss recorded for a particular position. Furthermore, while the Firm believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. For a detailed discussion of the determination of fair value for individual financial instruments, see Note 4 on pages 129–133 of this Annual Report. In addition, for a further discussion of the significant judgments and estimates involved in the determination of the Firm's mortgage-related exposures, see "Mortgage-related exposures carried at fair value" in Note 4 on pages 139–141 of this Annual Report.

Purchased credit-impaired loans

JPMorgan Chase acquired, in connection with the Washington Mutual transaction, certain loans with evidence of deterioration of credit quality since origination and for which it was probable, at acquisition, that the Firm would be unable to collect all contractually required payments receivable. These purchased credit-impaired loans are accounted for in accordance with SOP 03-3. Many of the assumptions and estimates underlying the application of SOP 03-3 are both significant and judgmental, particularly considering the current economic environment. The level of future home price declines, the duration and severity of the current economic downturn and the lack of market liquidity and transparency are factors that have impacted and may continue to impact these assumptions and estimates.

Determining which loans are included in the scope of SOP 03-3 is highly subjective and requires the application of significant judgment. In the Washington Mutual transaction, consumer loans with certain attributes (e.g., higher loan-to-value ratios, borrowers with lower FICO scores, delinquencies) were determined to be credit-impaired, provided that those attributes arose subsequent to loan origination. Wholesale loans were determined to be credit-impaired if they met the definition of an impaired loan under SFAS 114 at the acquisition date. Applying SOP 03-3 to the appropriate population of loans is important because loans that are not within the scope of SOP 03-3 are subject to different accounting standards. Choosing different attributes in making the management assessment of which loans were credit-impaired and within the scope of SOP 03-3 could have resulted in a different (i.e., larger or smaller) population of loans deemed credit-impaired at the transaction date.

Loans determined to be within the scope of SOP 03-3 are initially recorded at fair value. The Firm has estimated the fair value of these loans by discounting the cash flows expected to be collected at a market observable discount rate, when available, adjusted for factors that a market participant would consider in determining fair value. The initial estimate of cash flows expected to be collected entails significant management judgment, as such cash flows were derived from assumptions such as default rates, loss severities and the amount and timing of prepayments. Particularly in the current economic environment, estimating the initial fair value of these loans was highly subjective. The application of different assumptions by management would have resulted in different initial fair values.

The Firm has elected to aggregate the purchased credit-impaired consumer loans into pools of loans with common risk characteristics. Significant judgment is required in evaluating whether individual loans have common risk characteristics for purposes of establishing these pools. Each resulting pool is considered one loan with a composite interest rate and estimation of cash flows expected to be collected for purposes of applying SOP 03-3 subsequent to acquisition. The process of estimating cash flows expected to be collected subsequent to acquisition is both subjective and judgmental and may have an impact on the recognition and measurement of impairment losses and/or interest income. In addition, the decision to pool these loans and the manner in which they were pooled may have an impact on the recognition, measurement and/or classification of interest income and/or impairment losses.

Goodwill impairment

Under SFAS 142, goodwill must be allocated to reporting units and tested for impairment. SFAS 142 defines reporting units of an entity as either SFAS 131 operating segments (i.e., one level below the SFAS 131 reportable segments as disclosed in Note 37 of this Annual Report) or one level below the SFAS 131 operating segments. JPMorgan Chase generally determined its reporting units to be one level below the six major business segments identified in Note 37 on pages 214–215 of this Annual Report, plus Private Equity which is included in Corporate. This determination was based on how the Firm's operating segments are managed and how they are reviewed by the Firm's Operating Committee.

The Firm tests goodwill for impairment at least annually or more frequently if events or circumstances, such as adverse changes in the business climate, indicate that there may be justification for conducting an interim test. The first part of the test is a comparison, at the reporting unit level, of the fair value of each reporting unit to its carrying amount, including goodwill. If the fair value is less than the carrying value, then the second part of the test is needed to measure the amount of potential goodwill impairment. The implied fair value of the reporting unit goodwill is calculated and compared with the carrying amount of goodwill recorded in the Firm's financial records. If the carrying value of the reporting unit goodwill exceeds the implied fair value of that goodwill, then the Firm would recognize an impairment loss in the amount of the difference, which would be recorded as a charge against net income.

If the fair value of the reporting unit in the first part of the test is determined to be greater than the carrying amount of the reporting unit including goodwill, then and in accordance with SFAS 142 goodwill is deemed not to be impaired. During the fourth quarter of 2008, the Firm performed its annual goodwill impairment testing and concluded that the fair value of each of its reporting units was in excess of their respective carrying values including goodwill. Accordingly, the Firm concluded that its goodwill was not impaired at December 31, 2008.

The Firm considers discounted cash flow models to be its primary method of determining the fair value of its reporting units. The models project levered cash flows for five years and use the perpetuity growth method to calculate terminal values. The first year's projected cash flows are based on the reporting units' internal budget forecasts for the upcoming calendar year (which are reviewed with the Operating Committee of the Firm). To assess the reasonableness of the valuations derived from the discounted cash flow models, the Firm also analyzes market-based trading and transaction multiples, where available. These trading and transaction comparables are used to assess the reasonableness of the estimated fair values, as observable market information is generally not available.

JPMorgan Chase's stock price, consistent with stock prices in the broader financial services sector, declined significantly during the last half of 2008. JPMorgan Chase's market capitalization fell below its recorded book value, principally during the fourth quarter of 2008. Although the Firm believes it is reasonable to conclude that market capitalization could be an indicator of fair value over time, the Firm is of the view that short-term fluctuations in market capitalization do not reflect the long-term fair value of its reporting units.

Management applies significant judgment when determining the fair value of its reporting units. Imprecision in estimating the future cash flows of the Firm's reporting units as well as the appropriate cost of equity used to discount those cash flows can impact their estimated fair values. If JPMorgan Chase's common stock were to trade at the level it was at the end of 2008 over a sustained period and weak economic market conditions persist, these factors could indicate that the long-term earnings potential of the Firm's reporting units could be adversely affected – which could result in supplemental impairment testing during interim reporting periods and possible impairment of goodwill in the future.

Income taxes
JPMorgan Chase is subject to the income tax laws of the various jurisdictions in which it operates, including U.S. federal, state and non-U.S. jurisdictions. These laws are often complex and may be subject to different interpretations. To determine the financial statement impact of its accounting for income taxes, including the provision for income tax expense and its unrecognized tax benefits, JPMorgan Chase must make assumptions and judgments about how to interpret and apply these complex tax laws to numerous transactions and business events. Disputes over interpretations with the various taxing authorities may be settled upon audit or administrative appeals. In some cases, the Firm's interpretations of tax laws may be subject to adjudication by the court systems of the tax jurisdictions in which it operates. JPMorgan Chase regularly reviews whether the Firm may be assessed additional income taxes as a result of the resolution of these matters, and the Firm records additional reserves as appropriate.

The Firm does not anticipate that current market events will adversely impact the realizability of its deferred tax assets.

The Firm adjusts its unrecognized tax benefits as necessary when additional information becomes available. The reassessment of JPMorgan Chase's unrecognized tax benefits may have a material impact on its effective tax rate in the period in which it occurs.

ACCOUNTING AND REPORTING DEVELOPMENTS

Derivatives netting – amendment of FASB Interpretation No. 39
In April 2007, the FASB issued FSP FIN 39-1, which permits offsetting of cash collateral receivables or payables with net derivative positions under certain circumstances. The Firm adopted FSP FIN 39-1 effective January 1, 2008. The FSP did not have a material impact on the Firm's Consolidated Balance Sheets.

Accounting for income tax benefits of dividends on share-based payment awards
In June 2007, the FASB ratified EITF 06-11, which must be applied prospectively for dividends declared in fiscal years beginning after December 15, 2007. EITF 06-11 requires that realized tax benefits from dividends or dividend equivalents paid on equity-classified share-based payment awards that are charged to retained earnings be recorded as an increase to additional paid-in capital and included in the pool of excess tax benefits available to absorb tax deficiencies on share-based payment awards. Prior to the issuance of EITF 06-11, the Firm did not include these tax benefits as part of this pool of excess tax benefits. The Firm adopted EITF 06-11 on January 1, 2008. The adoption of this consensus did not have an impact on the Firm's Consolidated Balance Sheets or results of operations.

Fair value measurements – written loan commitments
In November 2007, the SEC issued SAB 109, which revises and rescinds portions of SAB 105. Specifically, SAB 109 states that the expected net future cash flows related to the associated servicing of the loan should be included in the measurement of all written loan commitments that are accounted for at fair value through earnings. The provisions of SAB 109 are applicable to written loan commitments issued or modified beginning on January 1, 2008. The Firm adopted SAB 109 on January 1, 2008. The adoption of this pronouncement did not have a material impact on the Firm's Consolidated Balance Sheets or results of operations.

Business combinations/noncontrolling interests in consolidated financial statements
In December 2007, the FASB issued SFAS 141R and SFAS 160, which amend the accounting and reporting of business combinations, as well as noncontrolling (i.e., minority) interests. For JPMorgan Chase, SFAS 141R is effective for business combinations that close on or after January 1, 2009. SFAS 160 is effective for JPMorgan Chase for fiscal years beginning on or after December 15, 2008.

Management's discussion and analysis

SFAS 141R will generally only impact the accounting for future business combinations and will impact certain aspects of business combination accounting, such as transaction costs and certain merger-related restructuring reserves, as well as the accounting for partial acquisitions where control is obtained by JPMorgan Chase. One exception to the prospective application of SFAS 141R relates to accounting for income taxes associated with business combinations that closed prior to January 1, 2009. Once the purchase accounting measurement period closes for these acquisitions, any further adjustments to income taxes recorded as part of these business combinations will impact income tax expense. Previously, further adjustments were predominately recorded as adjustments to Goodwill. JPMorgan Chase will continue to evaluate the impact that SFAS 141R will have on its consolidated financial statements.

SFAS 160 requires that noncontrolling interests be accounted for and presented as equity, rather than as a liability or mezzanine equity. Changes to how the income statement is presented will also result. SFAS 160 presentation and disclosure requirements are to be applied retrospectively. The adoption of this pronouncement is not expected to have a material impact on the Firm's Consolidated Balance Sheets, results of operations or ratios.

Accounting for transfers of financial assets and repurchase financing transactions
In February 2008, the FASB issued FSP FAS 140-3, which requires an initial transfer of a financial asset and a repurchase financing that was entered into contempora-neously with, or in contemplation of, the initial transfer to be evaluated together as a linked transaction under SFAS 140, unless certain criteria are met. The Firm adopted FSP FAS 140-3 on January 1, 2009, for new transactions entered into after the date of adoption. The adoption of FSP FAS 140-3 is not expected to have a material impact on the Consolidated Balance Sheets or results of operations.

Disclosures about derivative instruments and hedging activities – FASB Statement No. 161
In March 2008, the FASB issued SFAS 161, which amends the disclosure requirements of SFAS 133. SFAS 161 requires increased disclosures about derivative instruments and hedging activities and their effects on an entity's financial position, financial performance and cash flows. SFAS 161 is effective for fiscal years beginning after November 15, 2008, with early adoption permitted. SFAS 161 will only affect JPMorgan Chase's disclosures of derivative instruments and related hedging activities, and not its Consolidated Balance Sheets, Consolidated Statements of Income or Consolidated Statements of Cash Flows.

Determining whether instruments granted in share-based payment transactions are participating securities
In June 2008, the FASB issued FSP EITF 03-6-1, which addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share under the two-class method. FSP EITF 03-6-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. Adoption of FSP EITF 03-6-1 does not affect net income or results of operations but may result in a reduction of basic and/or diluted earnings per share in certain periods.

Disclosures about credit derivatives and certain guarantees
In September 2008, the FASB issued FSP FAS 133-1 and FIN 45-4. The FSP requires enhanced disclosures about credit derivatives and guarantees to address the potential adverse effects of changes in credit risk on the financial position, financial performance and cash flows of the sellers of these instruments. The FSP is effective for reporting periods ending after November 15, 2008, with earlier application permitted. The disclosures required by this FSP are incorporated in this Annual Report. FSP FAS 133-1 and FIN 45-4 only affects JPMorgan Chase's disclosures of credit derivatives and guarantees and not its Consolidated Balance Sheets, Consolidated Statements of Income or Consolidated Statements of Cash Flows.

Determining whether an instrument (or embedded feature) is indexed to an entity's own stock
In September 2008, the EITF issued EITF 07-5, which establishes a two-step process for evaluating whether equity-linked financial instruments and embedded features are indexed to a company's own stock for purposes of determining whether the derivative scope exception in SFAS 133 should be applied. EITF 07-5 is effective for fiscal years beginning after December 2008. The adoption of this EITF is not expected to have a material impact on the Firm's Consolidated Balance Sheets or results of operations.

Accounting for transfers of financial assets and consolidation of variable interest entities
The FASB has been deliberating certain amendments to both SFAS 140 and FIN 46R that may impact the accounting for transactions that involve QSPEs and VIEs. Among other things, the FASB is proposing to eliminate the concept of QSPEs from both SFAS 140 and FIN 46R and make key changes to the consolidation model of FIN 46R that will change the method of determining which party to a VIE should consolidate the VIE. A final standard is expected to be issued in the second quarter of 2009, with an

expected effective date in January 2010. Entities expected to be impacted include revolving securitization entities, bank-administered asset-backed commercial paper conduits, and certain mortgage securitization entities. The Firm is monitoring the FASB's deliberations on these proposed amendments and continues to evaluate their potential impact. The ultimate impact to the Firm will depend upon the guidance issued by the FASB in a final statement amending SFAS 140 and FIN 46R.

Determining the fair value of an asset when the market for that asset is not active
In October 2008, the FASB issued FSP FAS 157-3, which clarifies the application of SFAS 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial instrument when the market for that financial asset is not active. The FSP was effective upon issuance, including prior periods for which financial statements have not been issued. The application of this FSP did not have an impact on the Firm's Consolidated Balance Sheets or results of operations.

Disclosure about transfers of financial assets and interests in VIEs
On December 11, 2008, the FASB issued FSP FAS 140-4 and FIN 46(R)-8, which requires additional disclosures relating to transfers of financial assets and interests in securitization entities and other variable interest entities. The purpose of this FSP is to require improved disclosure by public enterprises prior to the effective dates of the proposed amendments to SFAS 140 and FIN 46(R). The effective date for the FSP is for reporting periods (interim and annual) beginning with the first reporting period that ends after December 15, 2008. The disclosures required by this FSP are incorporated in this Annual Report. FSP SFAS 140-4 and FIN 46(R)-8 only affects JPMorgan Chase's disclosure of transfers of financial assets and interests in securitization entities and other variable interest entities and not its Consolidated Balance Sheets, Consolidated Statements of Income or Consolidated Statements of Cash Flows.

Employers' disclosures about postretirement benefit plan assets
In December 2008, the FASB issued FSP FAS 132(R)-1, which requires more detailed disclosures about employers' plan assets, including investment strategies, major categories of plan assets, concentrations of risk within plan assets, and valuation techniques used to measure the fair value of plan assets. This FSP is effective for fiscal years ending after December 15, 2009. The Firm intends to adopt these additional disclosure requirements on the effective date.

Amendments to the impairment guidance of EITF Issue No. 99-20
In January 2009, the FASB issued FSP EITF 99-20-1, which amends the impairment guidance in EITF 99-20 to make the investment security impairment model in EITF 99-20 more consistent with the securities impairment model in SFAS 115. FSP EITF 99-20-1 removes the requirement that a holder's best estimate of cash flows be based exclusively upon those that a market participant would use and allows for reasonable judgment to be applied in considering whether an adverse change in cash flows has occurred based on all available information relevant to the collectibility of the security. FSP EITF 99-20-1 is effective for interim and annual periods ending after December 15, 2008, and therefore the Firm has adopted FSP EITF 99-20-1 as of December 31, 2008. The adoption of this FSP did not have a material impact on the Firm's Consolidated Balance Sheets or results of operations.

NONEXCHANGE-TRADED COMMODITY DERIVATIVE CONTRACTS AT FAIR VALUE

In the normal course of business, JPMorgan Chase trades nonexchange-traded commodity derivative contracts. To determine the fair value of these contracts, the Firm uses various fair value estimation techniques, primarily based upon internal models with significant observable market parameters. The Firm's nonexchange-traded commodity derivative contracts are primarily energy-related.

The following table summarizes the changes in fair value for nonexchange-traded commodity derivative contracts for the year ended December 31, 2008.

For the year ended December 31, 2008 (in millions)	Asset position	Liability position
Net fair value of contracts outstanding at January 1, 2008	$ 8,090	$ 5,809
Effect of legally enforceable master netting agreements	26,108	25,957
Gross fair value of contracts outstanding at January 1, 2008	34,198	31,766
Contracts realized or otherwise settled	(12,773)	(12,802)
Fair value of new contracts	40,916	39,194
Changes in fair values attributable to changes in valuation techniques and assumptions	—	—
Other changes in fair value	(6,818)	(4,293)
Gross fair value of contracts outstanding at December 31, 2008	55,523	53,865
Effect of legally enforceable master netting agreements	(48,091)	(48,726)
Net fair value of contracts outstanding at December 31, 2008	$ 7,432	$ 5,139

The following table indicates the schedule of maturities of nonexchange-traded commodity derivative contracts at December 31, 2008.

December 31, 2008 (in millions)	Asset position	Liability position
Maturity less than 1 year	$ 27,282	$ 24,381
Maturity 1–3 years	22,463	20,047
Maturity 4–5 years	3,954	3,609
Maturity in excess of 5 years	1,824	5,828
Gross fair value of contracts outstanding at December 31, 2008	55,523	53,865
Effects of legally enforceable master netting agreements	(48,091)	(48,726)
Net fair value of contracts outstanding at December 31, 2008	$ 7,432	$ 5,139

FORWARD-LOOKING STATEMENTS

From time to time, the Firm has made and will make forward-looking statements. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as “anticipate,” “target,” “expect,” “estimate,” “intend,” “plan,” “goal,” “believe,” or other words of similar meaning. Forward-looking statements provide JPMorgan Chase’s current expectations or forecasts of future events, circumstances, results or aspirations. JPMorgan Chase’s disclosures in this Annual Report contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The Firm also may make forward-looking statements in its other documents filed or furnished with the SEC. In addition, the Firm’s senior management may make forward-looking statements orally to analysts, investors, representatives of the media and others.

All forward-looking statements are, by their nature, subject to risks and uncertainties, many of which are beyond the Firm’s control. JPMorgan Chase’s actual future results may differ materially from those set forth in its forward-looking statements. While there is no assurance that any list of risks and uncertainties or risk factors is complete, below are certain factors which could cause actual results to differ from those in the forward-looking statements.

- local, regional and international business, economic and political conditions and geopolitical events;
- changes in trade, monetary and fiscal policies and laws;
- securities and capital markets behavior, including changes in market liquidity and volatility;
- changes in investor sentiment or consumer spending or saving behavior;
- ability of the Firm to manage effectively its liquidity;
- credit ratings assigned to the Firm or its subsidiaries;
- the Firm’s reputation;
- ability of the Firm to deal effectively with an economic slowdown or other economic or market difficulty;
- technology changes instituted by the Firm, its counterparties or competitors;
- mergers and acquisitions, including the Firm’s ability to integrate acquisitions;
- ability of the Firm to develop new products and services;
- acceptance of the Firm’s new and existing products and services by the marketplace and the ability of the Firm to increase market share;
- ability of the Firm to attract and retain employees;
- ability of the Firm to control expense;
- competitive pressures;
- changes in the credit quality of the Firm’s customers and counterparties;
- adequacy of the Firm’s risk management framework;
- changes in laws and regulatory requirements or adverse judicial proceedings;
- changes in applicable accounting policies;
- ability of the Firm to determine accurate values of certain assets and liabilities;
- occurrence of natural or man-made disasters or calamities or conflicts, including any effect of any such disasters, calamities or conflicts on the Firm’s power generation facilities and the Firm’s other commodity-related activities;
- the other risks and uncertainties detailed in Part 1, Item 1A: Risk Factors in the Firm’s Annual Report on Form 10-K for the year ended December 31, 2008.

Any forward-looking statements made by or on behalf of the Firm speak only as of the date they are made, and JPMorgan Chase does not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the date the forward-looking statement was made. The reader should, however, consult any further disclosures of a forward-looking nature the Firm may make in any subsequent Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, or Current Reports on Form 8-K.

Management's report on internal control over financial reporting

Management of JPMorgan Chase & Co. ("JPMorgan Chase" or the "Firm") is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the Firm's principal executive and principal financial officers, or persons performing similar functions, and effected by JPMorgan Chase's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

JPMorgan Chase's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records, that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Firm's assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Firm are being made only in accordance with authorizations of JPMorgan Chase's management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Firm's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has completed an assessment of the effectiveness of the Firm's internal control over financial reporting as of December 31, 2008. In making the assessment, management used the framework in "Internal Control – Integrated Framework" promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based upon the assessment performed, management concluded that as of December 31, 2008, JPMorgan Chase's internal control over financial reporting was effective based upon the COSO criteria. Additionally, based upon management's assessment, the Firm determined that there were no material weaknesses in its internal control over financial reporting as of December 31, 2008.

The effectiveness of the Firm's internal control over financial reporting as of December 31, 2008, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

James Dimon
Chairman and Chief Executive Officer

Michael J. Cavanagh
Executive Vice President and Chief Financial Officer

February 27, 2009

Report of independent registered public accounting firm

PricewaterhouseCoopers LLP • 300 Madison Avenue • New York, NY 10017

Report of Independent Registered Public Accounting Firm To the Board of Directors and Stockholders of JPMorgan Chase & Co.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, changes in stockholders' equity and comprehensive income and cash flows present fairly, in all material respects, the financial position of JPMorgan Chase & Co. and its subsidiaries (the "Firm") at December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Firm maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Firm's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's report on internal control over financial reporting." Our responsibility is to express opinions on these financial statements and on the Firm's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 4, Note 5, and Note 28 to the Consolidated Financial Statements, effective January 1, 2007 the Firm adopted Statement of Financial Accounting Standards No. 157, "Fair Value Measurement," Statement of Financial Accounting Standards No. 159, "Fair Value Option for Financial Assets and Financial Liabilities," and FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes."

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

February 27, 2009

Consolidated statements of income

Year ended December 31, (in millions, except per share data)	**2008**	2007	2006
Revenue			
Investment banking fees	**$ 5,526**	$ 6,635	$ 5,520
Principal transactions	**(10,699)**	9,015	10,778
Lending & deposit-related fees	**5,088**	3,938	3,468
Asset management, administration and commissions	**13,943**	14,356	11,855
Securities gains (losses)	**1,560**	164	(543)
Mortgage fees and related income	**3,467**	2,118	591
Credit card income	**7,419**	6,911	6,913
Other income	**2,169**	1,829	2,175
Noninterest revenue	**28,473**	44,966	40,757
Interest income	**73,018**	71,387	59,107
Interest expense	**34,239**	44,981	37,865
Net interest income	**38,779**	26,406	21,242
Total net revenue	**67,252**	71,372	61,999
Provision for credit losses	**20,979**	6,864	3,270
Noninterest expense			
Compensation expense	**22,746**	22,689	21,191
Occupancy expense	**3,038**	2,608	2,335
Technology, communications and equipment expense	**4,315**	3,779	3,653
Professional & outside services	**6,053**	5,140	4,450
Marketing	**1,913**	2,070	2,209
Other expense	**3,740**	3,814	3,272
Amortization of intangibles	**1,263**	1,394	1,428
Merger costs	**432**	209	305
Total noninterest expense	**43,500**	41,703	38,843
Income from continuing operations before income tax expense (benefit)	**2,773**	22,805	19,886
Income tax expense (benefit)	**(926)**	7,440	6,237
Income from continuing operations	**3,699**	15,365	13,649
Income from discontinued operations	**—**	—	795
Income before extraordinary gain	**3,699**	15,365	14,444
Extraordinary gain	**1,906**	—	—
Net income	**$ 5,605**	$15,365	$14,444
Net income applicable to common stock	**$ 4,931**	$15,365	$14,440
Per common share data			
Basic earnings per share:			
Income from continuing operations	**$ 0.86**	$ 4.51	$ 3.93
Net income	**1.41**	4.51	4.16
Diluted earnings per share:			
Income from continuing operations	**0.84**	4.38	3.82
Net income	**1.37**	4.38	4.04
Average basic shares	**3,501**	3,404	3,470
Average diluted shares	**3,605**	3,508	3,574
Cash dividends per common share	**$ 1.52**	$ 1.48	$ 1.36

The Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated balance sheets

December 31, (in millions, except share data)	2008	2007
Assets		
Cash and due from banks	**$ 26,895**	$ 40,144
Deposits with banks	**138,139**	11,466
Federal funds sold and securities purchased under resale agreements (included $20,843 and $19,131 at fair value at December 31, 2008 and 2007, respectively)	**203,115**	170,897
Securities borrowed (included $3,381 and zero at fair value at December 31, 2008 and 2007, respectively)	**124,000**	84,184
Trading assets (included assets pledged of $75,063 and $79,229 at December 31, 2008 and 2007, respectively)	**509,983**	491,409
Securities (included $205,909 and $85,406 at fair value at December 31, 2008 and 2007, respectively, and assets pledged of $25,942 and $3,958 at December 31, 2008 and 2007, respectively)	**205,943**	85,450
Loans (included $7,696 and $8,739 at fair value at December 31, 2008 and 2007, respectively)	**744,898**	519,374
Allowance for loan losses	**(23,164)**	(9,234)
Loans, net of allowance for loan losses	**721,734**	510,140
Accrued interest and accounts receivable	**60,987**	24,823
Premises and equipment	**10,045**	9,319
Goodwill	**48,027**	45,270
Other intangible assets:		
Mortgage servicing rights	**9,403**	8,632
Purchased credit card relationships	**1,649**	2,303
All other intangibles	**3,932**	3,796
Other assets (included $29,199 and $22,151 at fair value at December 31, 2008 and 2007, respectively)	**111,200**	74,314
Total assets	**$ 2,175,052**	$ 1,562,147
Liabilities		
Deposits (included $5,605 and $6,389 at fair value at December 31, 2008 and 2007, respectively)	**$ 1,009,277**	$ 740,728
Federal funds purchased and securities loaned or sold under repurchase agreements (included $2,993 and $5,768 at fair value at December 31, 2008 and 2007, respectively)	**192,546**	154,398
Commercial paper	**37,845**	49,596
Other borrowed funds (included $14,713 and $10,777 at fair value at December 31, 2008 and 2007, respectively)	**132,400**	28,835
Trading liabilities	**166,878**	157,867
Accounts payable and other liabilities (including the allowance for lending-related commitments of $659 and $850 at December 31, 2008 and 2007, respectively, and zero and $25 at fair value at December 31, 2008 and 2007, respectively)	**187,978**	94,476
Beneficial interests issued by consolidated variable interest entities (included $1,735 and $3,004 at fair value at December 31, 2008 and 2007, respectively)	**10,561**	14,016
Long-term debt (included $58,214 and $70,456 at fair value at December 31, 2008 and 2007, respectively)	**252,094**	183,862
Junior subordinated deferrable interest debentures held by trusts that issued guaranteed capital debt securities	**18,589**	15,148
Total liabilities	**2,008,168**	1,438,926
Commitments and contingencies (see Note 31 on page 201 of this Annual Report)		
Stockholders' equity		
Preferred stock ($1 par value; authorized 200,000,000 shares at December 31, 2008 and 2007; issued 5,038,107 and 0 shares at December 31, 2008 and 2007, respectively)	**31,939**	—
Common stock ($1 par value; authorized 9,000,000,000 shares at December 31, 2008 and 2007; issued 3,941,633,895 shares and 3,657,671,234 shares at December 31, 2008 and 2007, respectively)	**3,942**	3,658
Capital surplus	**92,143**	78,597
Retained earnings	**54,013**	54,715
Accumulated other comprehensive income (loss)	**(5,687)**	(917)
Shares held in RSU Trust, at cost (4,794,723 shares at December 31, 2008)	**(217)**	—
Treasury stock, at cost (208,833,260 shares and 290,288,540 shares at December 31, 2008 and 2007, respectively)	**(9,249)**	(12,832)
Total stockholders' equity	**166,884**	123,221
Total liabilities and stockholders' equity	**$ 2,175,052**	$ 1,562,147

The Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated statements of changes in stockholders' equity and comprehensive income

Year ended December 31, (in millions, except per share data)	2008	2007	2006
Preferred stock			
Balance at beginning of year	**$ —**	$ —	$ 139
Issuance of preferred stock	**31,550**	—	—
Issuance of preferred stock – conversion of the Bear Stearns preferred stock	**352**	—	—
Accretion of preferred stock discount on issuance to U.S. Treasury	**37**	—	—
Redemption of preferred stock	**—**	—	(139)
Balance at end of year	**31,939**	—	—
Common stock			
Balance at beginning of year	**3,658**	3,658	3,618
Issuance of common stock	**284**	—	40
Balance at end of year	**3,942**	3,658	3,658
Capital surplus			
Balance at beginning of year	**78,597**	77,807	74,994
Issuance of common stock	**11,201**	—	—
Shares issued and commitments to issue common stock for employee stock-based compensation awards and related tax effects	**859**	790	2,813
Net change from the Bear Stearns merger:			
Reissuance of treasury stock and the Share Exchange agreement	**48**	—	—
Employee stock awards	**242**	—	—
Warrant issued to U.S. Treasury in connection with issuance of preferred stock	**1,250**	—	—
Preferred stock issue cost	**(54)**	—	—
Balance at end of year	**92,143**	78,597	77,807
Retained earnings			
Balance at beginning of year	**54,715**	43,600	33,848
Cumulative effect of change in accounting principles	**—**	915	172
Balance at beginning of year, adjusted	**54,715**	44,515	34,020
Net income	**5,605**	15,365	14,444
Dividends declared:			
Preferred stock	**(674)**	—	(4)
Common stock ($1.52, $1.48 and $1.36 per share for the years ended December 31, 2008, 2007 and 2006, respectively)	**(5,633)**	(5,165)	(4,860)
Balance at end of year	**54,013**	54,715	43,600
Accumulated other comprehensive income (loss)			
Balance at beginning of year	**(917)**	(1,557)	(626)
Cumulative effect of change in accounting principles	**—**	(1)	—
Balance at beginning of year, adjusted	**(917)**	(1,558)	(626)
Other comprehensive income (loss)	**(4,770)**	641	171
Adjustment to initially apply SFAS 158	**—**	—	(1,102)
Balance at end of year	**(5,687)**	(917)	(1,557)
Shares held in RSU Trust			
Balance at beginning of year	**—**	—	—
Resulting from the Bear Stearns merger	**(269)**	—	—
Reissuance from RSU Trust	**52**	—	—
Balance at end of year	**(217)**	—	—
Treasury stock, at cost			
Balance at beginning of year	**(12,832)**	(7,718)	(4,762)
Purchase of treasury stock	**—**	(8,178)	(3,938)
Reissuance from treasury stock	**2,454**	3,199	1,334
Share repurchases related to employee stock-based compensation awards	**(21)**	(135)	(352)
Net change from the Bear Stearns merger as a result of the reissuance of treasury stock and the Share Exchange agreement	**1,150**	—	—
Balance at end of year	**(9,249)**	(12,832)	(7,718)
Total stockholders' equity	**$ 166,884**	$ 123,221	$ 115,790
Comprehensive income			
Net income	**$ 5,605**	$ 15,365	$ 14,444
Other comprehensive income (loss)	**(4,770)**	641	171
Comprehensive income	**$ 835**	$ 16,006	$ 14,615

The Notes to Consolidated Financial Statements are an integral part of these statements.

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Consolidated statements of cash flows

Year ended December 31, (in millions)	2008	2007	2006
Operating activities			
Net income	$ 5,605	$ 15,365	$ 14,444
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Provision for credit losses	20,979	6,864	3,270
Depreciation and amortization	3,143	2,427	2,149
Amortization of intangibles	1,263	1,394	1,428
Deferred tax (benefit) expense	(2,637)	1,307	(1,810)
Investment securities (gains) losses	(1,560)	(164)	543
Proceeds on sale of investment	(1,540)	—	—
Gains on disposition of businesses	(199)	—	(1,136)
Stock-based compensation	2,637	2,025	2,368
Originations and purchases of loans held-for-sale	(34,902)	(116,471)	(178,355)
Proceeds from sales, securitizations and paydowns of loans held-for-sale	38,036	107,350	173,448
Net change in:			
Trading assets	(12,787)	(121,240)	(61,664)
Securities borrowed	15,408	(10,496)	916
Accrued interest and accounts receivable	10,221	(1,932)	(1,170)
Other assets	(33,629)	(21,628)	(7,193)
Trading liabilities	24,061	12,681	(4,521)
Accounts payable and other liabilities	1,012	4,284	7,815
Other operating adjustments	(12,013)	7,674	(111)
Net cash provided by (used in) operating activities	23,098	(110,560)	(49,579)
Investing activities			
Net change in:			
Deposits with banks	(118,929)	2,081	8,168
Federal funds sold and securities purchased under resale agreements	(44,597)	(29,814)	(6,939)
Held-to-maturity securities:			
Proceeds	10	14	19
Available-for-sale securities:			
Proceeds from maturities	44,414	31,143	24,909
Proceeds from sales	96,806	98,450	123,750
Purchases	(248,599)	(122,507)	(201,530)
Proceeds from sales and securitizations of loans held-for-investment	27,531	34,925	20,809
Other changes in loans, net	(59,123)	(83,437)	(70,837)
Net cash received (used) in business acquisitions or dispositions	2,128	(70)	185
Proceeds from assets sale to the FRBNY	28,850	—	—
Net purchases of asset-backed commercial paper guaranteed by the FRBB	(11,228)	—	—
All other investing activities, net	(3,609)	(3,903)	1,839
Net cash used in investing activities	(286,346)	(73,118)	(99,627)
Financing activities			
Net change in:			
Deposits	177,331	113,512	82,105
Federal funds purchased and securities loaned or sold under repurchase agreements	15,250	(7,833)	36,248
Commercial paper and other borrowed funds	9,186	41,412	12,657
Proceeds from the issuance of long-term debt and capital debt securities	72,407	95,141	56,721
Repayments of long-term debt and capital debt securities	(62,691)	(49,410)	(34,267)
Excess tax benefits related to stock-based compensation	148	365	302
Proceeds from issuance of common stock	11,969	1,467	1,659
Proceeds from issuance of preferred stock and warrant to the U.S. Treasury	25,000	—	—
Proceeds from issuance of preferred stock	7,746	—	—
Redemption of preferred stock	—	—	(139)
Repurchases of treasury stock	—	(8,178)	(3,938)
Cash dividends paid	(5,911)	(5,051)	(4,846)
All other financing activities, net	71	1,561	6,247
Net cash provided by financing activities	250,506	182,986	152,749
Effect of exchange rate changes on cash and due from banks	(507)	424	199
Net (decrease) increase in cash and due from banks	(13,249)	(268)	3,742
Cash and due from banks at the beginning of the year	40,144	40,412	36,670
Cash and due from banks at the end of the year	$ 26,895	$ 40,144	$ 40,412
Cash interest paid	$ 37,267	$ 43,472	$ 36,415
Cash income taxes paid	2,280	7,472	5,563

Note: In 2008, the fair values of noncash assets acquired and liabilities assumed in the merger with Bear Stearns were $288.2 billion and $287.7 billion, respectively; approximately 26 million shares of common stock, valued at approximately $1.2 billion, were issued in connection with the Bear Stearns merger. Also, in 2008 the fair values of noncash assets acquired and liabilities assumed in the Washington Mutual transaction were $260.0 billion and $259.8 billion, respectively. In 2006, the Firm exchanged selected corporate trust businesses for The Bank of New York's consumer, business banking and middle-market banking businesses. The fair values of the noncash assets exchanged were $2.15 billion.

The Notes to Consolidated Financial Statements are an integral part of these statements.

Notes to consolidated financial statements

Note 1 – Basis of presentation

JPMorgan Chase & Co. ("JPMorgan Chase" or the "Firm"), a financial holding company incorporated under Delaware law in 1968, is a leading global financial services firm and one of the largest banking institutions in the United States of America ("U.S."), with operations worldwide. The Firm is a leader in investment banking, financial services for consumers and businesses, financial transaction processing and asset management. For a discussion of the Firm's business segment information, see Note 37 on pages 214–215 of this Annual Report.

The accounting and financial reporting policies of JPMorgan Chase and its subsidiaries conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"). Additionally, where applicable, the policies conform to the accounting and reporting guidelines prescribed by bank regulatory authorities.

Certain amounts in prior periods have been reclassified to conform to the current presentation.

Consolidation

The Consolidated Financial Statements include the accounts of JPMorgan Chase and other entities in which the Firm has a controlling financial interest. All material intercompany balances and transactions have been eliminated.

The usual condition for a controlling financial interest is the ownership of a majority of the voting interests of the entity. However, a controlling financial interest also may be deemed to exist with respect to entities, such as special purpose entities ("SPEs"), through arrangements that do not involve controlling voting interests.

SPEs are an important part of the financial markets, providing market liquidity by facilitating investors' access to specific portfolios of assets and risks. For example, they are critical to the functioning of the mortgage- and asset-backed securities and commercial paper markets. SPEs may be organized as trusts, partnerships or corporations and are typically established for a single, discrete purpose. SPEs are not typically operating entities and usually have a limited life and no employees. The basic SPE structure involves a company selling assets to the SPE. The SPE funds the purchase of those assets by issuing securities to investors. The legal documents that govern the transaction specify how the cash earned on the assets must be allocated to the SPE's investors and other parties that have rights to those cash flows. SPEs are generally structured to insulate investors from claims on the SPE's assets by creditors of other entities, including the creditors of the seller of the assets.

There are two different accounting frameworks applicable to SPEs: The qualifying SPE ("QSPE") framework under SFAS 140 and the variable interest entity ("VIE") framework under FIN 46R. The applicable framework depends on the nature of the entity and the Firm's relation to that entity. The QSPE framework is applicable when an entity transfers (sells) financial assets to an SPE meeting certain criteria defined in SFAS 140. These criteria are designed to ensure that the activities of the entity are essentially predetermined at the inception of the vehicle and that the transferor of the financial assets cannot exercise control over the entity and the assets therein. Entities meeting these criteria are not consolidated by the transferor or other counterparties as long as they do not have the unilateral ability to liquidate or to cause the entity to no longer meet the QSPE criteria. The Firm primarily follows the QSPE model for securitizations of its residential and commercial mortgages, and credit card, automobile and student loans. For further details, see Note 16 on pages 168–176 of this Annual Report.

When an SPE does not meet the QSPE criteria, consolidation is assessed pursuant to FIN 46R. Under FIN 46R, a VIE is defined as an entity that: (1) lacks enough equity investment at risk to permit the entity to finance its activities without additional subordinated financial support from other parties; (2) has equity owners that lack the right to make significant decisions affecting the entity's operations; and/or (3) has equity owners that do not have an obligation to absorb the entity's losses or the right to receive the entity's returns.

FIN 46R requires a variable interest holder (i.e., a counterparty to a VIE) to consolidate the VIE if that party will absorb a majority of the expected losses of the VIE, receive the majority of the expected residual returns of the VIE, or both. This party is considered the primary beneficiary. In making this determination, the Firm thoroughly evaluates the VIE's design, capital structure and relationships among the variable interest holders. When the primary beneficiary cannot be identified through a qualitative analysis, the Firm performs a quantitative analysis, which computes and allocates expected losses or residual returns to variable interest holders. The allocation of expected cash flows in this analysis is based upon the relative rights and preferences of each variable interest holder in the VIE's capital structure. The Firm reconsiders whether it is the primary beneficiary of a VIE when certain events occur as required by FIN 46R. For further details, see Note 17 on pages 177–186 of this Annual Report.

All retained interests and significant transactions between the Firm, QSPEs and nonconsolidated VIEs are reflected on JPMorgan Chase's Consolidated Balance Sheets and in the Notes to consolidated financial statements.

Investments in companies that are considered to be voting-interest entities under FIN 46R in which the Firm has significant influence over operating and financing decisions are either accounted for in accordance with the equity method of accounting or at fair value if elected under SFAS 159 ("Fair Value Option"). These investments are generally included in other assets, with income or loss included in other income.

For a discussion of the accounting for private equity investments, see Note 6 on pages 147–148 of this Annual Report.

Assets held for clients in an agency or fiduciary capacity by the Firm are not assets of JPMorgan Chase and are not included in the Consolidated Balance Sheets.

Use of estimates in the preparation of consolidated financial statements

The preparation of Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expense, and disclosures of contingent assets and liabilities. Actual results could be different from these estimates. For discussion of Critical Accounting Estimates used by the Firm, see pages 107–111 of this Annual Report.

Foreign currency translation
JPMorgan Chase revalues assets, liabilities, revenue and expense denominated in non-U.S. currencies into U.S. dollars using applicable exchange rates.

Gains and losses relating to translating functional currency financial statements for U.S. reporting are included in other comprehensive income (loss) within stockholders' equity. Gains and losses relating to nonfunctional currency transactions, including non-U.S. operations where the functional currency is the U.S. dollar, are reported in the Consolidated Statements of Income.

Foreclosed property
The Firm acquires property from borrowers through loan restructurings, workouts, and foreclosures. Property acquired may include real property (e.g., land, buildings, and fixtures) and personal property (e.g., aircraft, railcars, and ships). Acquired property is valued at fair value less costs to sell at acquisition. Each quarter the fair value of the acquired property is reviewed and adjusted, if necessary. Any adjustments to fair value in the first 90 days are credited/charged to the allowance for loan losses and thereafter to other expense.

Statements of cash flows
For JPMorgan Chase's Consolidated Statements of Cash Flows, cash is defined as those amounts included in cash and due from banks.

Significant accounting policies
The following table identifies JPMorgan Chase's other significant accounting policies and the Note and page where a detailed description of each policy can be found.

Fair value measurement	Note 4	Page 129
Fair value option	Note 5	Page 144
Principal transactions activities	Note 6	Page 146
Other noninterest revenue	Note 7	Page 148
Pension and other postretirement employee benefit plans	Note 9	Page 149
Employee stock-based incentives	Note 10	Page 155
Noninterest expense	Note 11	Page 158
Securities	Note 12	Page 158
Securities financing activities	Note 13	Page 162
Loans	Note 14	Page 163
Allowance for credit losses	Note 15	Page 166
Loan securitizations	Note 16	Page 168
Variable interest entities	Note 17	Page 177
Goodwill and other intangible assets	Note 18	Page 186
Premises and equipment	Note 19	Page 189
Other borrowed funds	Note 21	Page 190
Accounts payable and other liabilities	Note 22	Page 190
Income taxes	Note 28	Page 197
Commitments and contingencies	Note 31	Page 201
Accounting for derivative instruments and hedging activities	Note 32	Page 202
Off-balance sheet lending-related financial instruments and guarantees	Note 33	Page 206

Note 2 – Business changes and developments

Decrease in Common Stock Dividend
On February 23, 2009, the Board of Directors reduced the Firm's quarterly common stock dividend from $0.38 to $0.05 per share, effective for the dividend payable April 30, 2009 to shareholders of record on April 6, 2009.

Acquisition of the banking operations of Washington Mutual Bank
On September 25, 2008, JPMorgan Chase acquired the banking operations of Washington Mutual Bank ("Washington Mutual") from the Federal Deposit Insurance Corporation ("FDIC") for $1.9 billion. The acquisition expands JPMorgan Chase's consumer branch network into several states, including California, Florida and Washington, among others. The acquisition also extends the reach of the Firm's business banking, commercial banking, credit card, consumer lending and wealth management businesses. The acquisition was accounted for under the purchase method of accounting in accordance with SFAS 141.

The $1.9 billion purchase price was allocated to the Washington Mutual assets acquired and liabilities assumed using preliminary allocated values as of September 25, 2008, which resulted in negative goodwill. The initial allocation of the purchase price was presented on a preliminary basis at September 30, 2008, due to the short time period between the closing of the transaction (which occurred simultaneously with its announcement on September 25, 2008) and the end of the third quarter. In accordance with SFAS 141, noncurrent nonfinancial assets that are not held-for-sale, such as the premises and equipment and other intangibles, acquired in the Washington Mutual transaction were written down against the negative goodwill. The negative goodwill that remained after writing down the nonfinancial assets was recognized as an extraordinary gain. As a result of the refinement of the purchase price allocation during the fourth quarter of 2008, the initial extraordinary gain of $581 million was increased $1.3 billion to $1.9 billion. The computation of the purchase price and the allocation of the purchase price to the net assets acquired in the Washington Mutual transaction – based upon their respective values as of September 25, 2008, and the resulting negative goodwill – are presented below. The allocation of the purchase price may be modified through September 25, 2009, as more information is obtained about the fair value of assets acquired and liabilities assumed.

Notes to consolidated financial statements

(in millions)		
Purchase price		
Purchase price		$ 1,938
Direct acquisition costs		3
Total purchase price		1,941
Net assets acquired		
Washington Mutual's net assets before fair value adjustments	$ 38,766	
Washington Mutual's goodwill and other intangible assets	(7,566)	
Subtotal	31,200	
Adjustments to reflect assets acquired at fair value:		
Securities	(20)	
Trading assets	(591)	
Loans	(31,018)	
Allowance for loan losses	8,216	
Premises and equipment	680	
Accrued interest and accounts receivable	(295)	
Other assets	4,125	
Adjustments to reflect liabilities assumed at fair value:		
Deposits	(683)	
Other borrowed funds	68	
Accounts payable and other liabilities	(900)	
Long-term debt	1,127	
Fair value of net assets acquired		11,909
Negative goodwill before allocation to nonfinancial assets		(9,968)
Negative goodwill allocated to nonfinancial assets(a)		8,062
Negative goodwill resulting from the acquisition(b)		$ (1,906)

(a) The acquisition was accounted for as a purchase business combination in accordance with SFAS 141. SFAS 141 requires the assets (including identifiable intangible assets) and liabilities (including executory contracts and other commitments) of an acquired business as of the effective date of the acquisition to be recorded at their respective fair values and consolidated with those of JPMorgan Chase. The fair value of the net assets of Washington Mutual's banking operations exceeded the $1.9 billion purchase price, resulting in negative goodwill. In accordance with SFAS 141, noncurrent, nonfinancial assets not held-for-sale, such as premises and equipment and other intangibles, were written down against the negative goodwill. The negative goodwill that remained after writing down transaction related core deposit intangibles of approximately $4.9 billion and premises and equipment of approximately $3.2 billion was recognized as an extraordinary gain of $1.9 billion.

(b) The extraordinary gain was recorded in Corporate/Private Equity.

The following condensed statement of net assets acquired reflects the value assigned to the Washington Mutual net assets as of September 25, 2008.

(in millions)	September 25, 2008
Assets	
Cash and due from banks	**$ 3,680**
Deposits with banks	**3,517**
Federal funds sold and securities purchased under resale agreements	**1,700**
Trading assets	**5,691**
Securities	**17,220**
Loans (net of allowance for loan losses)	**206,436**
Accrued interest and accounts receivable	**3,201**
Mortgage servicing rights	**5,874**
All other assets	**16,330**
Total assets	**$ 263,649**
Liabilities	
Deposits	**$ 159,869**
Federal funds purchased and securities loaned or sold under repurchase agreements	**4,549**
Other borrowed funds	**81,622**
Trading liabilities	**585**
Accounts payable and other liabilities	**6,523**
Long-term debt	**6,654**
Total liabilities	**259,802**
Washington Mutual net assets acquired	**$ 3,847**

Merger with The Bear Stearns Companies Inc.

Effective May 30, 2008, BSC Merger Corporation, a wholly owned subsidiary of JPMorgan Chase, merged with The Bear Stearns Companies Inc. ("Bear Stearns") pursuant to the Agreement and Plan of Merger, dated as of March 16, 2008, as amended March 24, 2008, and Bear Stearns became a wholly owned subsidiary of JPMorgan Chase. The merger provided the Firm with a leading global prime brokerage platform; strengthened the Firm's equities and asset management businesses; enhanced capabilities in mortgage origination, securitization and servicing; and expanded the platform of the Firm's energy business. The merger is being accounted for under the purchase method of accounting, which requires that the assets and liabilities of Bear Stearns be fair valued. The total purchase price to complete the merger was $1.5 billion.

The merger with Bear Stearns was accomplished through a series of transactions that were reflected as step acquisitions in accordance with SFAS 141. On April 8, 2008, pursuant to the share exchange agreement, JPMorgan Chase acquired 95 million newly issued shares of Bear Stearns common stock (or 39.5% of Bear Stearns common stock after giving effect to the issuance) for 21 million shares of JPMorgan Chase common stock. Further, between March 24, 2008, and May 12, 2008, JPMorgan Chase acquired approximately 24 million shares of Bear Stearns common stock in the open market at an average purchase price of $12.37 per share. The share exchange and cash purchase transactions resulted in JPMorgan Chase owning approximately 49.4% of Bear Stearns common stock immediately prior to consummation of the merger. Finally, on May 30, 2008, JPMorgan Chase completed the merger. As a result of the merger, each outstanding share of Bear Stearns common stock (other than shares then held by JPMorgan Chase) was converted into the right to receive 0.21753 shares of common stock of JPMorgan Chase. Also, on May 30, 2008, the shares of common stock that JPMorgan Chase and Bear Stearns acquired from each other in the share exchange transaction were cancelled. From April 8, 2008, through May 30, 2008, JPMorgan Chase accounted for the investment in Bear Stearns under the equity method of accounting in accordance with APB 18. During this period, JPMorgan Chase recorded reductions to its investment in Bear Stearns representing its share of Bear Stearns net losses, which was recorded in other income and accumulated other comprehensive income.

In conjunction with the Bear Stearns merger, in June 2008, the Federal Reserve Bank of New York (the "FRBNY") took control, through a limited liability company ("LLC") formed for this purpose, of a portfolio of $30 billion in assets acquired from Bear Stearns, based on the value of the portfolio as of March 14, 2008. The assets of the LLC were funded by a $28.85 billion term loan from the FRBNY, and a $1.15 billion subordinated loan from JPMorgan Chase. The JPMorgan Chase note is subordinated to the FRBNY loan and will bear the first $1.15 billion of any losses of the portfolio. Any remaining assets in the portfolio after repayment of the FRBNY loan, the JPMorgan Chase note and the expense of the LLC will be for the account of the FRBNY.

As a result of step acquisition accounting, the total $1.5 billion purchase price was allocated to the Bear Stearns assets acquired and liabilities assumed using their fair values as of April 8, 2008, and May 30, 2008, respectively. The summary computation of the purchase price and the allocation of the purchase price to the net assets of Bear Stearns are presented below. The allocation of the purchase price may be modified through May 30, 2009, as more information is obtained about the fair value of assets acquired and liabilities assumed.

Notes to consolidated financial statements

(in millions, except for shares (in thousands), per share amounts and where otherwise noted)		
Purchase price		
Shares exchanged in the Share Exchange transaction (April 8, 2008)	95,000	
Other Bear Stearns shares outstanding	145,759	
Total Bear Stearns stock outstanding	240,759	
Cancellation of shares issued in the Share Exchange transaction	(95,000)	
Cancellation of shares acquired by JPMorgan Chase for cash in the open market	(24,061)	
Bear Stearns common stock exchanged as of May 30, 2008	121,698	
Exchange ratio	0.21753	
JPMorgan Chase common stock issued	26,473	
Average purchase price per JPMorgan Chase common share[(a)]	$ 45.26	
Total fair value of JPMorgan Chase common stock issued		$ 1,198
Bear Stearns common stock acquired for cash in the open market (24 million shares at an average share price of $12.37 per share)		298
Fair value of employee stock awards (largely to be settled by shares held in the RSU Trust[(b)])		242
Direct acquisition costs		27
Less: Fair value of Bear Stearns common stock held in the RSU Trust and included in the exchange of common stock		(269)[(b)]
Total purchase price		1,496
Net assets acquired		
Bear Stearns common stockholders' equity	$ 6,052	
Adjustments to reflect assets acquired at fair value:		
Trading assets	(3,831)	
Premises and equipment	497	
Other assets	(235)	
Adjustments to reflect liabilities assumed at fair value:		
Long-term debt	504	
Other liabilities	(2,252)	
Fair value of net assets acquired excluding goodwill		735
Goodwill resulting from the merger[(c)]		$ 761

(a) The value of JPMorgan Chase common stock was determined by averaging the closing prices of JPMorgan Chase's common stock for the four trading days during the period March 19, 2008, through March 25, 2008.

(b) Represents shares of Bear Stearns common stock held in an irrevocable grantor trust (the "RSU Trust") to be used to settle stock awards granted to selected employees and certain key executives under certain heritage Bear Stearns employee stock plans. Shares in the RSU Trust were exchanged for 6 million shares of JPMorgan Chase common stock at the merger exchange ratio of 0.21753. For further discussion of the RSU trust, see Note 10 on pages 155–158 of this Annual Report.

(c) The goodwill was recorded in the Investment Bank.

Condensed statement of net assets acquired

The following reflects the value assigned to Bear Stearns net assets as of the merger date.

(in millions)		May 30, 2008
Assets		
Cash and due from banks	**$**	**534**
Federal funds sold and securities purchased under resale agreements		**21,204**
Securities borrowed		**55,195**
Trading assets		**136,535**
Loans		**4,407**
Accrued interest and accounts receivable		**34,677**
Goodwill		**761**
All other assets		**35,418**
Total assets	**$**	**288,731**
Liabilities		
Federal funds purchased and securities loaned or sold under repurchase agreements	**$**	**54,643**
Other borrowings		**16,166**
Trading liabilities		**24,267**
Beneficial interests issued by consolidated VIEs		**47,042**
Long-term debt		**67,015**
Accounts payable and other liabilities		**78,532**
Total liabilities		**287,665**
Bear Stearns net assets(a)	**$**	**1,066**

(a) Reflects the fair value assigned to 49.4% of the Bear Stearns net assets acquired on April 8, 2008 (net of related amortization), and the fair value assigned to the remaining 50.6% of the Bear Stearns net assets acquired on May 30, 2008. The difference between the Bear Stearns net assets acquired as presented above and the fair value of the net assets acquired (including goodwill) presented in the previous table represents JPMorgan Chase's net losses recorded under the equity method of accounting.

Unaudited pro forma condensed combined financial information reflecting Bear Stearns merger and Washington Mutual transaction

The following unaudited pro forma condensed combined financial information presents the results of operations of the Firm as they may have appeared if the Bear Stearns merger and the Washington Mutual transaction had been completed on January 1, 2008, and January 1, 2007.

Year ended December 31, (in millions, except per share data)	2008	2007
Total net revenue	**$ 68,071**	$92,052
Income (loss) before extraordinary gain	**(14,141)**	17,733
Net income (loss)	**(12,235)**	17,733
Net income per common share data:		
Basic earnings per share		
Income (loss) before extraordinary gain	**$ (4.22)**	$ 5.16
Net income (loss)	**(3.68)**	5.16
Diluted earnings per share(a)		
Income (loss) before extraordinary gain	**(4.22)**	5.01
Net income (loss)	**(3.68)**	5.01
Average common shares issued and outstanding		
Basic	**3,511**	3,430
Diluted(a)	**3,511**	3,534

(a) Common equivalent shares have been excluded from the pro forma computation of diluted loss per share for the year ended December 31, 2008, as the effect would be antidilutive.

The unaudited pro forma combined financial information is presented for illustrative purposes only and does not indicate the financial results of the combined company had the companies actually been combined as of January 1, 2008, or as of January 1, 2007, nor is it indicative of the results of operations in future periods. Included in the unaudited pro forma combined financial information for the years ended December 31, 2008 and 2007, were pro forma adjustments to reflect the results of operations of Bear Stearns, and Washington Mutual's banking operations, considering the purchase accounting, valuation and accounting conformity adjustments related to each transaction. For the Washington Mutual transaction, the amortization of purchase accounting adjustments to report interest-earnings assets acquired and interest-bearing liabilities assumed at current interest rates is reflected in all periods presented. Valuation adjustments and the adjustment to conform allowance methodologies in the Washington Mutual transaction, and valuation and accounting conformity adjustments related to the Bear Stearns merger are reflected in the results for the years ended December 31, 2008 and 2007.

Internal reorganization related to the Bear Stearns merger

On June 30, 2008, JPMorgan Chase fully and unconditionally guaranteed each series of outstanding preferred stock of Bear Stearns, as well as all of Bear Stearns' outstanding Securities and Exchange Commission ("SEC") registered U.S. debt securities and obligations relating to trust preferred capital debt securities. Subsequently, on July 15, 2008, JPMorgan Chase completed an internal merger transaction, which resulted in each series of outstanding preferred stock of Bear Stearns being automatically exchanged into newly issued shares of JPMorgan Chase preferred stock having substantially identical terms. Depositary shares, which formerly had represented a one-fourth interest in a share of Bear Stearns preferred stock, continue to trade on the New York Stock Exchange but following completion of this internal merger transaction, represent a one-fourth interest in a share of JPMorgan Chase preferred stock. In addition, on July 31, 2008, JPMorgan Chase assumed (1) all of Bear Stearns' then-outstanding SEC-registered U.S. debt securities; (2) Bear Stearns' obligations relating to trust preferred capital debt securities; (3) certain of Bear Stearns' then-outstanding foreign debt securities; and (4) certain of Bear Stearns' guarantees of then-outstanding foreign debt securities issued by subsidiaries of Bear Stearns, in each case, in accordance with the agreements and indentures governing these securities. JPMorgan Chase also guaranteed Bear Stearns' obligations under Bear Stearns' U.S. $30.0 billion Euro Medium Term Note Programme and U.S. $4.0 billion Euro Note Issuance Programme.

Other business events

Termination of Chase Paymentech Solutions joint venture

The dissolution of Chase Paymentech Solutions joint venture, a global payments and merchant acquiring joint venture between JPMorgan Chase and First Data Corporation, was completed on November 1, 2008. JPMorgan Chase retained approximately 51% of the business and will operate the business under the name Chase Paymentech Solutions. The dissolution of Chase Paymentech

Solutions joint venture was accounted for as a step acquisition in accordance with SFAS 141, and the Firm recognized an after-tax gain of $627 million in the fourth quarter of 2008 as a result of the dissolution. The gain represents the amount by which the fair value of the net assets acquired (predominantly intangible assets and goodwill) exceeded JPMorgan Chase's book basis in the net assets transferred to First Data Corporation. Upon dissolution, the Firm began to consolidate the retained Chase Paymentech Solutions business.

Proceeds from Visa Inc. shares
On March 19, 2008, Visa Inc. ("Visa") completed its initial public offering ("IPO"). Prior to the IPO, JPMorgan Chase held approximately a 13% equity interest in Visa. On March 28, 2008, Visa used a portion of the proceeds from the offering to redeem a portion of the Firm's equity interest, which resulted in the recognition of a pre-tax gain of $1.5 billion (recorded in other income). In conjunction with the IPO, Visa placed $3.0 billion in escrow to cover liabilities related to certain litigation matters. The escrow was increased by $1.1 billion in the fourth quarter of 2008. JPMorgan Chase's interest in the escrow was recorded as a reduction of other expense and reported net to the extent of established litigation reserves.

Purchase of additional interest in Highbridge Capital Management
In January 2008, JPMorgan Chase purchased an additional equity interest in Highbridge Capital Management, LLC ("Highbridge"). As a result, the Firm currently owns 77.5% of Highbridge.

Acquisition of the consumer, business banking and middle-market banking businesses of The Bank of New York in exchange for selected corporate trust businesses, including trustee, paying agent, loan agency and document management services
On October 1, 2006, JPMorgan Chase completed the acquisition of The Bank of New York Company, Inc.'s ("The Bank of New York") consumer, business and middle-market banking businesses in exchange for selected corporate trust businesses plus a cash payment of $150 million. The transaction also included a contingent payment payable to The Bank of New York; the amount due of $25 million was paid in 2008. The acquisition added 339 branches and more than 400 ATMs, and it significantly strengthened Retail Financial Services' distribution network in the New York tri-state area. The Bank of New York businesses acquired were valued at a premium of $2.3 billion; the Firm's corporate trust businesses that were transferred (i.e., trustee, paying agent, loan agency and document management services) were valued at a premium of $2.2 billion. This transaction included the acquisition of approximately $7.7 billion in loans net of allowance for loan losses and $12.9 billion in deposits from the Bank of New York. The Firm also recognized core deposit intangibles of $485 million, which are being amortized using an accelerated method over a 10-year period. JPMorgan Chase recorded an after-tax gain of $622 million on this transaction in the fourth quarter of 2006. For additional discussion related to the transaction, see Note 3 on pages 128–129 of this Annual Report.

JPMorgan Partners management
On August 1, 2006, the buyout and growth equity professionals of JPMorgan Partners ("JPMP") formed an independent firm, CCMP Capital, LLC ("CCMP"), and the venture professionals separately formed an independent firm, Panorama Capital, LLC ("Panorama"). The investment professionals of CCMP and Panorama continue to manage the former JPMP investments pursuant to a management agreement with the Firm.

Sale of insurance underwriting business
On July 1, 2006, JPMorgan Chase completed the sale of its life insurance and annuity underwriting businesses to Protective Life Corporation for cash proceeds of approximately $1.2 billion, consisting of $900 million of cash received from Protective Life Corporation and approximately $300 million of preclosing dividends received from the entities sold. The after-tax impact of this transaction was negligible. The sale included both the heritage Chase insurance business and the insurance business that Bank One had bought from Zurich Insurance in 2003.

Acquisition of private-label credit card portfolio from Kohl's Corporation
On April 21, 2006, JPMorgan Chase completed the acquisition of $1.6 billion of private-label credit card receivables and approximately 21 million accounts from Kohl's Corporation ("Kohl's"). JPMorgan Chase and Kohl's also entered into an agreement under which JPMorgan Chase is offering private-label credit cards to both new and existing Kohl's customers.

Collegiate Funding Services
On March 1, 2006, JPMorgan Chase acquired, for approximately $663 million, Collegiate Funding Services, a leader in student loan servicing and consolidation. This acquisition included $6 billion of student loans.

Note 3 – Discontinued operations

On October 1, 2006, JPMorgan Chase completed the acquisition of The Bank of New York's consumer, small-business and middle-market banking businesses in exchange for selected corporate trust businesses. Refer to Note 2 on pages 123–128 of this Annual Report for additional information.

In anticipation of the close of the transaction on October 1, 2006, effective with the second quarter of 2006, the results of operations of these corporate trust businesses were transferred from the Treasury & Securities Services ("TSS") segment to the Corporate/Private Equity segment, and reported as discontinued operations. Condensed financial information of the selected corporate trust businesses follows.

Selected income statements data(a)

Year ended December 31, (in millions)	2006
Other noninterest revenue	$ 407
Net interest income	264
Gain on sale of discontinued operations	1,081
Total net revenue	1,752
Noninterest expense	385
Income from discontinued operations before income taxes	1,367
Income tax expense	572
Income from discontinued operations	$ 795

(a) There was no income from discontinued operations during 2008 or 2007.

The following is a summary of the assets and liabilities associated with the selected corporate trust businesses related to the Bank of New York transaction that closed on October 1, 2006.

Selected balance sheet data

(in millions)	October 1, 2006
Goodwill and other intangibles	$ 838
Other assets	547
Total assets	$ 1,385
Deposits	$ 24,011
Other liabilities	547
Total liabilities	$ 24,558

JPMorgan Chase provides certain transitional services to The Bank of New York for a defined period of time after the closing date. The Bank of New York compensates JPMorgan Chase for these transitional services.

Note 4 – Fair value measurement

In September 2006, the FASB issued SFAS 157 ("Fair Value Measurements"), which was effective for fiscal years beginning after November 15, 2007, with early adoption permitted. The Firm chose early adoption for SFAS 157 effective January 1, 2007. SFAS 157:

- Defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and establishes a framework for measuring fair value;
- Establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date;
- Nullifies the guidance in EITF 02-3, which required the deferral of profit at inception of a transaction involving a derivative financial instrument in the absence of observable data supporting the valuation technique;
- Eliminates large position discounts for financial instruments quoted in active markets and requires consideration of the Firm's creditworthiness when valuing liabilities; and
- Expands disclosures about instruments measured at fair value.

The Firm also chose early adoption for SFAS 159 effective January 1, 2007. SFAS 159 provides an option to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized firm commitments and written loan commitments not previously recorded at fair value. The Firm elected fair value accounting for certain assets and liabilities not previously carried at fair value. For more information, see Note 5 on pages 144–146 of this Annual Report.

The following is a description of the Firm's valuation methodologies for assets and liabilities measured at fair value.

The Firm has an established and well-documented process for determining fair values. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models that primarily use, as inputs, market-based or independently sourced market parameters, including but not limited to yield curves, interest rates, volatilities, equity or debt prices, foreign exchange rates and credit curves. In addition to market information, models also incorporate transaction details, such as maturity of the instrument. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments include amounts to reflect counterparty credit quality, the Firm's creditworthiness, constraints on liquidity and unobservable parameters. Valuation adjustments are applied consistently over time.

- Credit valuation adjustments ("CVA") are necessary when the market price (or parameter) is not indicative of the credit quality of the counterparty. As few classes of derivative contracts are listed on an exchange, the majority of derivative positions are valued using internally developed models that use as their basis observable market parameters. Market practice is to quote parameters equivalent to a "AA" credit rating whereby all counterparties are assumed to have the same credit quality. Therefore, an adjustment is necessary to reflect the credit quality of each derivative counterparty to arrive at fair value. The adjustment also takes into account contractual factors designed to reduce the Firm's credit exposure to each counterparty, such as collateral and legal rights of offset.
- Debit valuation adjustments ("DVA") are necessary to reflect the credit quality of the Firm in the valuation of liabilities measured at fair value. This adjustment was incorporated into the Firm's valuations commencing January 1, 2007, in accordance with SFAS 157. The methodology to determine the adjustment is consistent with CVA and incorporates JPMorgan Chase's credit spread as observed through the credit default swap market.
- Liquidity valuation adjustments are necessary when the Firm may not be able to observe a recent market price for a financial instrument that trades in inactive (or less active) markets or to reflect the cost of exiting larger-than-normal market-size risk positions (liquidity adjustments are not taken for positions classified within level 1 of the fair value hierarchy). The Firm tries to ascertain the amount of uncertainty in the initial valuation based upon the degree of liquidity of the market in which the financial

instrument trades and makes liquidity adjustments to the carrying value of the financial instrument. The Firm measures the liquidity adjustment based upon the following factors: (1) the amount of time since the last relevant pricing point; (2) whether there was an actual trade or relevant external quote; and (3) the volatility of the principal risk component of the financial instrument. Costs to exit larger-than-normal market-size risk positions are determined based upon the size of the adverse market move that is likely to occur during the period required to bring a position down to a nonconcentrated level.

- Unobservable parameter valuation adjustments are necessary when positions are valued using internally developed models that use as their basis unobservable parameters – that is, parameters that must be estimated and are, therefore, subject to management judgment. These positions are normally traded less actively. Examples include certain credit products where parameters such as correlation and recovery rates are unobservable. Unobservable parameter valuation adjustments are applied to mitigate the possibility of error and revision in the estimate of the market price provided by the model.

The Firm has numerous controls in place intended to ensure that its fair valuations are appropriate. An independent model review group reviews the Firm's valuation models and approves them for use for specific products. All valuation models within the Firm are subject to this review process. A price verification group, independent from the risk-taking function, ensures observable market prices and market-based parameters are used for valuation wherever possible. For those products with material parameter risk for which observable market levels do not exist, an independent review of the assumptions made on pricing is performed. Additional review includes deconstruction of the model valuations for certain structured instruments into their components, and benchmarking valuations, where possible, to similar products; validating valuation estimates through actual cash settlement; and detailed review and explanation of recorded gains and losses, which are analyzed daily and over time. Valuation adjustments, which are also determined by the independent price verification group, are based upon established policies and are applied consistently over time. Any changes to the valuation methodology are reviewed by management to confirm the changes are justified. As markets and products develop and the pricing for certain products becomes more or less transparent, the Firm continues to refine its valuation methodologies. During 2008, no material changes were made to the Firm's valuation models.

The methods described above to estimate fair value may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Firm believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Valuation Hierarchy
SFAS 157 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows.

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement. For a level 3 analysis, see pages 138–139 of this Note.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Assets

Securities purchased under resale agreements ("resale agreements")
To estimate the fair value of resale agreements, cash flows are evaluated taking into consideration any derivative features of the resale agreement and are then discounted using the appropriate market rates for the applicable maturity. As the inputs into the valuation are primarily based upon readily observable pricing information, such resale agreements are generally classified within level 2 of the valuation hierarchy.

Loans and unfunded lending-related commitments
The majority of the Firm's loans and lending-related commitments are not carried at fair value on a recurring basis on the Consolidated Balance Sheets, nor are they actively traded. The fair value of such loans and lending-related commitments is included in the disclosures required by SFAS 107 on pages 142–143 of this Note. Loans carried at fair value on a recurring and nonrecurring basis are included in the applicable tables that follow.

Wholesale
The fair value of loans and lending-related commitments is calculated using observable market information, including pricing from actual market transactions or broker quotations where available. Where pricing information is not available for the specific loan, the valuation is generally based upon quoted market prices of similar instruments, such as loans and bonds. These comparable instruments share characteristics that typically include industry, rating, capital structure, seniority, and consideration of counterparty credit risk. In addition, general market conditions, including prevailing market spreads for credit and liquidity risk, are also considered in the valuation process.

For certain loans that are expected to be securitized, such as commercial and residential mortgages, fair value is estimated based upon observable pricing of asset-backed securities ("ABS") with similar collateral and incorporates adjustments (i.e., reductions) to these prices to account for securitization uncertainties including portfolio composition, market conditions and liquidity to arrive at the whole loan price. When data from recent market transactions is available it is incorporated as appropriate. If particular loans are not expected to be securitized they are marked for individual sale taking into consideration potential liquidation proceeds and property repossession/liquidation information, as appropriate. For further discussion of the valuation of mortgage loans carried at fair value, see the "Mortgage-related exposures carried at fair value" section of this Note on pages 139–141.

The Firm's loans carried at fair value and reported in trading assets are largely classified within level 3 due to the lack of observable pricing. Loans carried at fair value and reported in loans including leveraged lending funded loans, high-yield bridge financing and purchased non-performing loans held in the Investment Bank ("IB") are classified within level 2 or 3 of the valuation hierarchy depending on the level of liquidity and activity in the markets for a particular product.

Consumer

Fair values for consumer installment loans (including automobile financings and consumer real estate not expected to be securitized), for which market rates for comparable loans are readily available, are based upon discounted cash flows adjusted for prepayment assumptions. The discount rates used for consumer installment loans are based on current market rates for new originations of comparable loans. Fair value for credit card receivables is based upon discounted expected cash flows. The discount rates used for credit card receivables incorporate only the effects of interest rate changes, since the expected cash flows already reflect an adjustment for credit risk. Consumer installment loans and credit card receivables that are not carried on the balance sheet at fair value are not classified within the fair value hierarchy. For further discussion of the valuation of mortgage loans carried at fair value, see the "Mortgage-related exposures carried at fair value" section of this Note.

Securities

Where quoted prices for identical securities are available in an active market, securities are classified in level 1 of the valuation hierarchy. Level 1 securities include highly liquid government bonds, mortgage products for which there are quoted prices in active markets (such as U.S. government agency or U.S. government-sponsored enterprise pass-through mortgage-backed securities) and exchange-traded equities.

If quoted market prices are not available for the specific security, the Firm may estimate the value of such instruments using a combination of observed transaction prices, independent pricing services and relevant broker quotes. Consideration is given to the nature of the quotes (e.g., indicative or firm) and the relationship of recently evidenced market activity to the prices provided from independent pricing services. The Firm may also use pricing models or discounted cash flows. In cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within level 3 of the valuation hierarchy.

For certain collateralized mortgage and debt obligations, asset-backed securities and high-yield debt securities the determination of fair value may require benchmarking to similar instruments or analyzing default and recovery rates. For "cash" collateralized debt obligations ("CDOs"), external price information is not available. Therefore, cash CDOs are valued using market-standard models, such as Intex, to model the specific collateral composition and cash flow structure of each deal; key inputs to the model are market spread data for each credit rating, collateral type and other relevant contractual features. Asset-backed securities are valued based on external prices or market spread data, using current market assumptions on prepayments and defaults. For those asset-backed securities where the external price data is not observable or the limited available data is opaque, the collateral performance is monitored and the value of the security is assessed. To benchmark its valuations, the Firm looks to transactions for similar instruments and utilizes independent pricing provided by third-party vendors, broker quotes and relevant market indices such as the ABX index, as applicable. While none of those sources are solely indicative of fair value, they serve as directional indicators for the appropriateness of the Firm's estimates. The majority of collateralized mortgage and debt obligations, high-yield debt securities and asset-backed securities are currently classified in level 3 of the valuation hierarchy. For further discussion of the valuation of mortgage securities carried at fair value see the "Mortgage-related exposures carried at fair value" section of this Note on pages 139–141.

Commodities

Commodities inventory is carried at the lower of cost or fair value. The fair value for commodities inventory is determined primarily using pricing and data derived from the markets on which the underlying commodities are traded. Market prices may be adjusted for liquidity. The Firm also has positions in commodity-based derivatives that can be traded on an exchange or over-the-counter. The pricing inputs to these derivatives include forward curves of underlying commodities, basis curves, volatilities, correlations, and occasionally other model parameters. The valuation of these derivatives is based upon calibrating to market transactions, as well as to independent pricing information from sources such as brokers and dealer consensus pricing services. Where inputs are unobservable, they are benchmarked to observable market data based upon historic and implied correlations, then adjusted for uncertainty where appropriate. The majority of commodities inventory and commodities-based derivatives are classified within level 2 of the valuation hierarchy.

Derivatives

Exchange-traded derivatives valued using quoted prices are classified within level 1 of the valuation hierarchy. However, few classes of derivative contracts are listed on an exchange; thus, the majority of the Firm's derivative positions are valued using internally developed models that use as their basis readily observable market parameters – that is, parameters that are actively quoted and can be validated to external sources, including industry pricing services. Depending on the types and contractual terms of derivatives, fair value can be modeled using a series of techniques, such as the Black-Scholes option pricing model, simulation models or a combination of various models, which are consistently applied. Where derivative products have been established for some time, the Firm uses models that are widely accepted in the financial services industry. These models reflect the contractual terms of the derivatives, including the period to maturity, and market-based parameters such as interest rates, volatility, and the credit quality of the counterparty. Further, many of these models do not contain a high level of subjectivity, as the methodologies used in the models do not require significant judgment, and inputs to the model are readily observable from actively quoted markets, as is the case for "plain vanilla" interest rate swaps and option contracts and credit default swaps ("CDS"). Such instruments are generally classified within level 2 of the valuation hierarchy.

Derivatives that are valued based upon models with significant unobservable market parameters and that are normally traded less actively, have trade activity that is one way, and/or are traded in less-developed markets are classified within level 3 of the valuation hierarchy. Level 3 derivatives, for example, include credit default swaps referenced to mortgage-backed securities, certain types of CDO transactions, options on baskets of single-name stocks, and callable exotic interest rate options. Such derivatives are primarily used for risk management purposes.

For certain derivative products, such as credit default swaps referenced to mortgage-backed securities, the value is based on the underlying mortgage risk. As these instruments are not actively quoted, the estimate of fair value considers the valuation of the underlying collateral (mortgage loans). Inputs to the valuation will include available information on similar underlying loans or securities in the cash market. The prepayments and loss assumptions on the underlying loans or securities are estimated using a combination of historical data, prices on market transactions, and other prepayment and default scenarios and analysis. Relevant observable market indices such as the ABX or CMBX, are considered, as well as any relevant transaction activity.

Other complex products, such as those sensitive to correlation between two or more underlyings, also fall within level 3 of the hierarchy. Such instruments include complex credit derivative products which are illiquid and non-standard in nature, including CDOs and CDO-squared. A CDO is a debt security collateralized by a variety of debt obligations, including bonds and loans of different maturities and credit qualities. The repackaging of such securities and loans within a CDO results in the creation of tranches, which are instruments with differing risk profiles. In a CDO-squared, the instrument is a CDO where the underlying debt instruments are also CDOs. For CDO-squared transactions, while inputs such as CDS spreads and recovery rates may be observable, the correlation between the underlying debt instruments is unobservable. The correlation levels are not only modeled on a portfolio basis but are also calibrated at a transaction level to liquid benchmark tranches. For all complex credit derivative products, actual transactions, where available, are used to regularly recalibrate all unobservable parameters.

Correlation sensitivity is also material to the overall valuation of options on baskets of single-name stocks; the valuation of these baskets is typically not observable due to their non-standardized structuring. Correlation for products such as these are typically estimated based on an observable basket of stocks and then adjusted to reflect the differences between the underlying equities.

For callable exotic interest rate options, while most of the assumptions in the valuation can be observed in active markets (e.g. interest rates and volatility), the callable option transaction flow is essentially one-way, and as such, price observability is limited. As pricing information is limited, assumptions are based upon the dynamics of the underlying markets (e.g. the interest rate markets) including the range and possible outcomes of the applicable inputs. In addition, the models used are calibrated, as relevant, to liquid benchmarks and valuation is tested against monthly independent pricing services and actual transactions.

Mortgage servicing rights and certain retained interests in securitizations

Mortgage servicing rights ("MSRs") and certain retained interests from securitization activities do not trade in an active, open market with readily observable prices. While sales of MSRs do occur, the precise terms and conditions typically are not readily available. Accordingly, the Firm estimates the fair value of MSRs and certain other retained interests in securitizations using discounted cash flow ("DCF") models.

- For MSRs, the Firm uses an option-adjusted spread ("OAS") valuation model in conjunction with the Firm's proprietary prepayment model to project MSR cash flows over multiple interest rate scenarios, which are then discounted at risk-adjusted rates to estimate an expected fair value of the MSRs. The OAS model considers portfolio characteristics, contractually specified servicing fees, prepayment assumptions, delinquency rates, late charges, other ancillary revenue, costs to service and other economic factors. The Firm reassesses and periodically adjusts the underlying inputs and assumptions used in the OAS model to reflect market conditions and assumptions that a market participant would consider in valuing the MSR asset. Due to the nature of the valuation inputs, MSRs are classified within level 3 of the valuation hierarchy.
- For certain retained interests in securitizations (such as interest-only strips), a single interest rate path discounted cash flow model is used and generally includes assumptions based upon projected finance charges related to the securitized assets, estimated net credit losses, prepayment assumptions and contractual interest paid to third-party investors. Changes in the assumptions used may have a significant impact on the Firm's valuation of retained interests, and such interests are therefore typically classified within level 3 of the valuation hierarchy.

For both MSRs and certain other retained interests in securitizations, the Firm compares its fair value estimates and assumptions to observable market data where available and to recent market activity and actual portfolio experience. For further discussion of the most significant assumptions used to value retained interests in securitizations and MSRs, as well as the applicable stress tests for those assumptions, see Note 16 and Note 18 on pages 168–176 and 186–189, respectively, of this Annual Report.

Private equity investments
The valuation of nonpublic private equity investments, held primarily by the Private Equity business within Corporate, requires significant management judgment due to the absence of quoted market prices, the inherent lack of liquidity and the long-term nature of such assets. As such, private equity investments are valued initially based upon cost. Each quarter, valuations are reviewed utilizing available and relevant market data to determine if the carrying value of these investments should be adjusted. Such market data primarily includes observations of the trading multiples of public companies considered comparable to the private companies being valued and the operating performance of the underlying portfolio company, including its historical and projected net income and earnings before interest, taxes, depreciation and amortization (“EBITDA”). Valuations are adjusted to account for company-specific issues, the lack of liquidity inherent in a nonpublic investment and the fact that comparable public companies are not identical to the companies being valued. In addition, a variety of additional factors are reviewed by management, including, but not limited to, financing and sales transactions with third parties, future expectations of the particular investment, changes in market outlook and the third-party financing environment. The Firm applies its valuation methodology consistently from period to period and believes that the methodology and associated valuation adjustments are appropriate. Nonpublic private equity investments are included in level 3 of the valuation hierarchy.

Private equity investments also include publicly held equity investments, generally obtained through the initial public offering of privately held equity investments. Publicly held investments in liquid markets are marked to market at the quoted public value less adjustments for regulatory or contractual sales restrictions. Discounts for restrictions are quantified by analyzing the length of the restriction period and the volatility of the equity security. Publicly held investments are largely classified in level 2 of the valuation hierarchy.

Other assets
The fair value of asset-backed commercial paper (“ABCP”) investments purchased under the Federal Reserve’s Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (“AML Facility”) for U.S. money market mutual funds is determined based on observable market information and is classified in level 2 of the valuation hierarchy.

Liabilities

Securities sold under repurchase agreements (“repurchase agreements”)
To estimate the fair value of repurchase agreements, cash flows are evaluated taking into consideration any derivative features and are then discounted using the appropriate market rates for the applicable maturity. Generally, for these types of agreements, there is a requirement that collateral be maintained with a market value equal to, or in excess of, the principal amount loaned; as a result, there would be no adjustment, or an immaterial adjustment, to reflect the credit quality of the Firm (i.e., DVA) related to these agreements. As the inputs into the valuation are primarily based upon observable pricing information, repurchase agreements are classified within level 2 of the valuation hierarchy.

Beneficial interests issued by consolidated VIEs
The fair value of beneficial interests issued by consolidated VIEs (“beneficial interests”) is estimated based upon the fair value of the underlying assets held by the VIEs. The valuation of beneficial interests does not include an adjustment to reflect the credit quality of the Firm, as the holders of these beneficial interests do not have recourse to the general credit of JPMorgan Chase. As the inputs into the valuation are generally based upon readily observable market pricing information, the majority of beneficial interests issued by consolidated VIEs are classified within level 2 of the valuation hierarchy.

Deposits, other borrowed funds and long-term debt
Included within deposits, other borrowed funds and long-term debt are structured notes issued by the Firm that are financial instruments containing embedded derivatives. To estimate the fair value of structured notes, cash flows are evaluated taking into consideration any derivative features and are then discounted using the appropriate market rates for the applicable maturities. In addition, the valuation of structured notes includes an adjustment to reflect the credit quality of the Firm (i.e., the DVA). Where the inputs into the valuation are primarily based upon readily observable market pricing information, the structured notes are classified within level 2 of the valuation hierarchy. Where significant inputs are unobservable, structured notes are classified within level 3 of the valuation hierarchy.

Notes to consolidated financial statements

The following table presents the financial instruments carried at fair value as of December 31, 2008 and 2007, by caption on the Consolidated Balance Sheets and by SFAS 157 valuation hierarchy (as described above).

Assets and liabilities measured at fair value on a recurring basis

December 31, 2008 (in millions)	Quoted market prices in active markets (Level 1)	Internal models with significant observable market parameters (Level 2)	Internal models with significant unobservable market parameters (Level 3)	FIN 39 netting[d]	Total carrying value in the Consolidated Balance Sheets
Federal funds sold and securities purchased under resale agreements	$ —	$ 20,843	$ —	$ —	$ 20,843
Securities borrowed	—	3,381	—	—	3,381
Trading assets:					
Debt and equity instruments:					
U.S. government, agency, sponsored enterprise and non-U.S. governments	98,393	29,597	870	—	128,860
State and municipal securities	—	10,361	2,641	—	13,002
Certificates of deposit, bankers' acceptances and commercial paper	1,180	6,312	—	—	7,492
Corporate debt and other	5	61,230	6,506	—	67,741
Equity securities	73,174	3,992	1,380	—	78,546
Loans	—	14,711	17,091	—	31,802
Mortgage- and asset-backed securities	—	3,401	12,932	—	16,333
Physical commodities[a]	—	3,581	—	—	3,581
Total debt and equity instruments:	172,752	133,185	41,420	—	347,357
Derivative receivables	3,630	2,685,101	52,991	(2,579,096)	162,626
Total trading assets	176,382	2,818,286	94,411	(2,579,096)	509,983
Available-for-sale securities	118,823	74,695	12,391	—	205,909
Loans	—	5,029	2,667	—	7,696
Mortgage servicing rights	—	—	9,403	—	9,403
Other assets:					
Private equity investments	151	332	6,369	—	6,852
All other	5,977	11,355	5,015	—	22,347
Total other assets	6,128	11,687	11,384	—	29,199
Total assets at fair value	$301,333	$2,933,921	$130,256	$ (2,579,096)	$786,414
Less: Level 3 assets for which the Firm does not bear economic exposure[b]			21,169		
Total level 3 assets for which the Firm bears economic exposure			$109,087		
Deposits	$ —	$ 4,370	$ 1,235	$ —	$ 5,605
Federal funds purchased and securities loaned or sold under repurchase agreements	—	2,993	—	—	2,993
Other borrowed funds	—	14,612	101	—	14,713
Trading liabilities:					
Debt and equity instruments	34,568	10,418	288	—	45,274
Derivative payables	3,630	2,622,371	43,484	(2,547,881)	121,604
Total trading liabilities	38,198	2,632,789	43,772	(2,547,881)	166,878
Accounts payable and other liabilities	—	—	—	—	—
Beneficial interests issued by consolidated VIEs	—	1,735	—	—	1,735
Long-term debt	—	41,666	16,548	—	58,214
Total liabilities at fair value	$ 38,198	$2,698,165	$ 61,656	$ (2,547,881)	$250,138

Assets and liabilities measured at fair value on a recurring basis

December 31, 2007 (in millions)	Quoted market prices in active markets (Level 1)	Internal models with significant observable market parameters (Level 2)	Internal models with significant unobservable market parameters (Level 3)	FIN 39 netting[d]	Total carrying value in the Consolidated Balance Sheets
Federal funds sold and securities purchased under resale agreements	$ —	$ 19,131	$ —	$ —	$ 19,131
Trading assets:					
Debt and equity instruments:					
U.S. government, agency, sponsored enterprise and non-U.S. governments	106,572	40,362	258	—	147,192
State and municipal securities	7,230	5,860	—	—	13,090
Certificates of deposit, bankers' acceptances and commercial paper	3,019	5,233	—	—	8,252
Corporate debt and other	6	52,137	7,972	—	60,115
Equity securities	82,499	9,552	1,197	—	93,248
Loans	—	46,038	11,776	—	57,814
Mortgage- and asset-backed securities	—	27,209	2,863	—	30,072
Physical commodities[a]	—	4,490	—	—	4,490
Total debt and equity instruments:	199,326	190,881	24,066	—	414,273
Derivative receivables	18,574	871,105	20,188	(832,731)	77,136
Total trading assets	217,900	1,061,986	44,254	(832,731)	491,409
Available-for-sale securities	71,941	13,364	101	—	85,406
Loans	—	359	8,380	—	8,739
Mortgage servicing rights	—	—	8,632	—	8,632
Other assets:					
Private equity investments	68	322	6,763	—	7,153
All other	10,784	1,054	3,160	—	14,998
Total other assets	10,852	1,376	9,923	—	22,151
Total assets at fair value	$300,693	$1,096,216	$71,290	$ (832,731)	$635,468
Deposits	$ —	$ 5,228	$ 1,161	$ —	$ 6,389
Federal funds purchased and securities loaned or sold under repurchase agreements	—	5,768	—	—	5,768
Other borrowed funds	—	10,672	105	—	10,777
Trading liabilities:					
Debt and equity instruments	73,023	15,659	480	—	89,162
Derivative payables	19,553	852,055	19,555	(822,458)	68,705
Total trading liabilities	92,576	867,714	20,035	(822,458)	157,867
Accounts payable and other liabilities[c]	—	—	25	—	25
Beneficial interests issued by consolidated VIEs	—	2,922	82	—	3,004
Long-term debt	—	48,518	21,938	—	70,456
Total liabilities at fair value	$ 92,576	$ 940,822	$43,346	$ (822,458)	$254,286

(a) Physical commodities inventories are accounted for at the lower of cost or fair value.
(b) Includes assets for which the Firm serves as an intermediary between two parties and does not bear market risk. The assets are predominantly reflected within derivative receivables.
(c) Includes the fair value adjustment for unfunded lending-related commitments accounted for at fair value.
(d) As permitted under FIN 39, the Firm has elected to net derivative receivables and derivative payables and the related cash collateral received and paid when a legally enforceable master netting agreement exists. The increase in FIN 39 netting from December 31, 2007, primarily relates to the decline in interest rates, widening credit spreads and volatile foreign exchange rates reflected in interest rate, credit and foreign exchange derivatives, respectively.

Balances for which the Firm did not bear economic exposure at December 31, 2007, were not significant.

Notes to consolidated financial statements

Changes in level 3 recurring fair value measurements
The tables below include a rollforward of the balance sheet amounts for the years ended December 31, 2008 and 2007 (including the change in fair value), for financial instruments classified by the Firm within level 3 of the valuation hierarchy. When a determination is made to classify a financial instrument within level 3, the determination is based upon the significance of the unobservable parameters to the overall fair value measurement. However, level 3 financial instruments typically include, in addition to the unobservable or level 3 components, observable components (that is, components that are actively quoted and can be validated to external sources); accordingly, the gains and losses in the table below include changes in fair value due in part to observable factors that are part of the valuation methodology. Also, the Firm risk manages the observable components of level 3 financial instruments using securities and derivative positions that are classified within level 1 or 2 of the valuation hierarchy; as these level 1 and level 2 risk management instruments are not included below, the gains or losses in the tables do not reflect the effect of the Firm's risk management activities related to such level 3 instruments.

	Fair value measurements using significant unobservable inputs					
For the year ended December 31, 2008 (in millions)	Fair value, January 1, 2008	Total realized/ unrealized gains/ (losses)[c]	Purchases, issuances settlements, net	Transfers into and/or out of level 3[c]	Fair value, December 31, 2008	Change in unrealized gains and (losses) related to financial instruments held at December 31, 2008
Assets:						
Trading assets:						
Debt and equity instruments	**$ 24,066**	**$ (12,805)[d][e]**	**$ 6,201**	**$ 23,958**	**$ 41,420**	$ **(9,860)[d][e]**
Net derivative receivables	**633**	**4,556[d]**	**2,290**	**2,028**	**9,507**	**1,814[d]**
Available-for-sale securities	**101**	**(1,232)[f]**	**3,772**	**9,750**	**12,391**	**(422)[f]**
Loans	**8,380**	**(1,547)[d]**	**12**	**(4,178)**	**2,667**	**(1,324)[d]**
Mortgage servicing rights	**8,632**	**(6,933)[e]**	**7,704**	**—**	**9,403**	**(6,933)[e]**
Other assets:						
Private equity investments[a]	**6,763**	**(638)[d]**	**320**	**(76)**	**6,369**	**(1,089)[d]**
All other	**3,160**	**(930)[g]**	**2,802**	**(17)**	**5,015**	**(742)[g]**
Liabilities[b]:						
Deposits	**$ (1,161)**	**$ 57[d]**	**$ (79)**	**$ (52)**	**$ (1,235)**	$ **69[d]**
Other borrowed funds	**(105)**	**7[d]**	**(53)**	**50**	**(101)**	**24[d]**
Trading liabilities:						
Debt and equity instruments	**(480)**	**73[d]**	**33**	**86**	**(288)**	**125[d]**
Accounts payable and other liabilities	**(25)**	**25[d]**	**—**	**—**	**—**	**—[d]**
Beneficial interests issued by consolidated VIEs	**(82)**	**24[d]**	**603**	**(545)**	**—**	**—[d]**
Long-term debt	**(21,938)**	**4,502[d]**	**1,717**	**(829)**	**(16,548)**	**3,682[d]**

For the year ended December 31, 2007 (in millions)	Fair value measurements using significant unobservable inputs: Fair value, January 1, 2007	Total realized/ unrealized gains/ (losses)(c)	Purchases, issuances settlements, net	Transfers into and/or out of level 3(c)	Fair value, December 31, 2007	Change in unrealized gains and (losses) related to financial instruments held at December 31, 2007
Assets:						
Trading assets:						
Debt and equity instruments	$ 9,320	$ (916)(d)(e)	$ 5,902	$ 9,760	$ 24,066	$ (912)(d)(e)
Net derivative receivables	(2,800)	1,674(d)	257	1,502	633	1,979(d)
Available-for-sale securities	177	38(f)	(21)	(93)	101	(5)(f)
Loans	643	(346)(d)	8,013	70	8,380	(36)(d)
Mortgage servicing rights	7,546	(516)(e)	1,602	—	8,632	(516)(e)
Other assets:						
Private equity investments(a)	5,493	4,051(d)	(2,764)	(17)	6,763	1,711(d)
All other	1,591	37(g)	1,059	473	3,160	(19)(g)
Liabilities(b)**:**						
Deposits	$ (385)	$ (42)(d)	$ (667)	$ (67)	$ (1,161)	$ (38)(d)
Other borrowed funds	—	(67)(d)	(34)	(4)	(105)	(135)(d)
Trading liabilities:						
Debt and equity instruments	(32)	383(d)	(125)	(706)	(480)	(734)(d)
Accounts payable and other liabilities	—	(460)(d)	435	—	(25)	(25)(d)
Beneficial interests issued by consolidated VIEs	(8)	6(d)	1	(81)	(82)	—
Long-term debt	(11,386)	(1,142)(d)	(6,633)	(2,777)	(21,938)	(468)(d)

(a) Private equity instruments represent investments within the Corporate/Private Equity line of business.
(b) Level 3 liabilities as a percentage of total Firm liabilities accounted for at fair value (including liabilities carried at fair value on a nonrecurring basis) were 25% and 17% at December 31, 2008 and 2007, respectively. The Firm does not allocate the FIN 39 netting adjustment across the levels of the fair value hierarchy. As such, the level 3 derivative payables balance included in the level 3 total balance is gross of any netting adjustments.
(c) Beginning January 1, 2008, all transfers in and out of level 3 are assumed to occur at the beginning of the reporting period.
(d) Reported in principal transactions revenue.
(e) Changes in fair value for Retail Financial Services mortgage loans originated with the intent to sell and MSRs are measured at fair value and reported in mortgage fees and related income.
(f) Realized gains (losses) are reported in securities gains (losses). Unrealized gains (losses) are reported in accumulated other comprehensive income (loss).
(g) Reported in other income.

Notes to consolidated financial statements

Assets and liabilities measured at fair value on a nonrecurring basis

Certain assets, liabilities and unfunded lending-related commitments are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment). The following tables present the financial instruments carried on the Consolidated Balance Sheets by caption and level within the SFAS 157 valuation hierarchy (as described above) as of December 31, 2008 and 2007, for which a nonrecurring change in fair value has been recorded during the reporting period.

December 31, 2008 (in millions)	Quoted market prices in active markets (Level 1)	Internal models with significant observable market parameters (Level 2)	Internal models with significant unobservable market parameters (Level 3)	Total carrying value in the Consolidated Balance Sheets
Loans[(a)]	**$ —**	**$ 4,991**	**$ 3,999**	**$ 8,990**
Other assets	**—**	**1,763**	**291**	**2,054**
Total assets at fair value on a nonrecurring basis	**$ —**	**$ 6,754**	**$ 4,290**	**$ 11,044**
Accounts payable and other liabilities[(b)]	**$ —**	**$ 212**	**$ 98**	**$ 310**
Total liabilities at fair value on a nonrecurring basis	**$ —**	**$ 212**	**$ 98**	**$ 310**

December 31, 2007 (in millions)	Quoted market prices in active markets (Level 1)	Internal models with significant observable market parameters (Level 2)	Internal models with significant unobservable market parameters (Level 3)	Total carrying value in the Consolidated Balance Sheets
Loans[(a)(c)]	$ —	$ 2,818	$ 16,196	$ 19,014
Other assets	—	267	126	393
Total assets at fair value on a nonrecurring basis	$ —	$ 3,085	$ 16,322	$ 19,407
Accounts payable and other liabilities[(b)]	$ —	$ —	$ 103	$ 103
Total liabilities at fair value on a nonrecurring basis	$ —	$ —	$ 103	$ 103

(a) Includes leveraged lending and other loan warehouses held-for-sale.
(b) Represents the fair value adjustment associated with $1.5 billion and $3.2 billion of unfunded held-for-sale lending-related commitments within the leveraged lending portfolio at December 31, 2008 and 2007, respectively.
(c) Includes $4.5 billion of level 3 held-for-sale loans reclassified to held-for-investment during 2007.

Nonrecurring fair value changes

The following table presents the total change in value of financial instruments for which a fair value adjustment has been included in the Consolidated Statements of Income for the years ended December 31, 2008 and 2007, related to financial instruments held at December 31, 2008 and 2007.

Year ended December 31, (in millions)	**2008**	2007
Loans	**$(3,887)**	$(720)
Other assets	**(685)**	(161)
Accounts payable and other liabilities	**(285)**	2
Total nonrecurring fair value gains (losses)	**$(4,857)**	$(879)

In the above table, loans predominantly include the change in fair value for IB leveraged lending and warehouse loans carried on the balance sheet at the lower of cost or fair value; and accounts payable and other liabilities predominantly include the change in fair value for unfunded lending-related commitments within the leveraged lending portfolio.

Level 3 analysis

Level 3 assets (including assets measured at fair value on a nonrecurring basis) were 6% of total Firm assets at December 31, 2008. The following describes significant changes to level 3 assets during the year.

Level 3 assets increased $46.9 billion in 2008, largely due to the following:

- Acquisition of $41.5 billion of level 3 assets as a result of the merger with Bear Stearns.
- Acquisition of $5.9 billion of MSRs related to the Washington Mutual transaction.
- Purchase of approximately $4.4 billion of reverse mortgages in the first quarter of 2008, for which there is limited pricing information and a lack of market liquidity.
- Transfers of $14.0 billion of AAA-rated CLOs backed by corporate loans, based upon a significant reduction in new deal issuance and price transparency; $10.5 billion of mortgage-related assets, including commercial mortgage-backed securities with a rating below “AAA”, other noninvestment grade mortgage securities and certain prime mortgages; and $2.8 billion of auction-rate securities, in each case due to a significant reduction in market liquidity.

The increases in level 3 assets described above were partially offset by:

- Approximately $20.0 billion of sales and markdowns of residential mortgage-backed securities, prime residential mortgage loans and Alt-A residential mortgage loans.
- $11.5 billion of sales and markdowns of leveraged loans, as well as transfers of similar loans to level 2 due to the increased price transparency for such assets.

- $3.5 billion of transfers of bridge loans to level 2 due to increased price transparency for such assets.

Gains and Losses
Gains and losses in the tables above for 2008 include:

- Losses on trading debt and equity instruments of approximately $12.8 billion, principally from mortgage-related transactions and auction-rate securities.
- A $6.9 billion decline in the fair value of the MSR asset.
- Losses of approximately $3.9 billion on leveraged loans. Leveraged loans are typically classified as held-for-sale and measured at the lower of cost or fair value and therefore included in the nonrecurring fair value assets.
- Gains of $4.5 billion related to structured notes, principally due to significant volatility in the equity markets.
- Net gains of $4.6 billion related to derivatives, principally due to changes in credit spreads and rate curves.

The Firm risk manages level 3 financial instruments using securities and derivative positions classified within level 1 or 2 of the valuation hierarchy; the effect of these risk management activities is not reflected in the level 3 gains and losses included in the tables above.

For further information on changes in the fair value of the MSRs, see Note 18 on pages 187–188 of this Annual Report.

Credit adjustments
When determining the fair value of an instrument, it may be necessary to record a valuation adjustment to arrive at an exit price in accordance with SFAS 157. Valuation adjustments include, but are not limited to, amounts to reflect counterparty credit quality and the Firm's own creditworthiness. For a detailed discussion of the valuation adjustments the Firm considers, see the valuation discussion at the beginning of this Note.

The following table provides the credit adjustments, gross of hedges where risk is actively managed, as reflected within the Consolidated Balance Sheets of the Firm as of the dates indicated.

Year ended December 31, (in millions)	**2008**	2007
Derivatives receivables balance	**$162,626**	$77,136
Derivatives CVA[(a)]	**(9,566)**	(1,265)
Derivatives payable balance	**121,604**	68,705
Derivatives DVA	**1,389**	518
Structured notes balance	**67,340**	87,622
Structured notes DVA[(b)]	**2,413**	896

(a) Derivative CVA, gross of hedges, includes results managed by Credit Portfolio and other lines of business within IB.
(b) Structured notes are carried at fair value based upon the Firm's election under SFAS 159. For further information on these elections, see Note 5 on page 144 of this Annual Report.

The following table provides the impact of credit adjustments, gross of hedges where risk is actively managed, on earnings in the respective periods.

Year ended December 31, (in millions)	**2008**	2007
Credit adjustments:		
Derivatives CVA[(a)]	**$(7,561)**	$(803)
Derivatives DVA	**789**	514
Structured Notes DVA[(b)]	**1,211**	806

(a) Derivative CVA, gross of hedges, includes results managed by Credit Portfolio and other lines of business within IB.
(b) Structured notes are carried at fair value based upon the Firm's election under SFAS 159. For further information on these elections, see Note 5 on page 144 of this Annual Report.

The market's view of the Firm's credit quality is reflected in credit spreads observed in the credit default swap market. These credit spreads are affected by a number of factors, such as the performance of the assets the Firm holds. Consequently, significant deterioration in the value of sizable exposures held by the Firm are likely to result in wider credit default swap spreads. This will lead to an increase in the Firm's credit adjustment (i.e., DVA) for liabilities carried at fair value.

Mortgage-related exposures carried at fair value
As noted above, certain of the Firm's wholesale and consumer loans are carried at fair value including mortgage related loans. Since the second half of 2007, liquidity in certain sectors of the mortgage markets has decreased, thereby limiting the price transparency of certain mortgage-related instruments. The table below summarizes the Firm's mortgage-related exposures that are carried at fair value through earnings or at the lower of cost or fair value; the table excludes securities held in the available-for-sale portfolio.

	Exposure as of December 31, 2008		Net gains/(losses)[(e)] reported in income – year ended December 31, 2008
(in millions)	Gross	Net of risk management activities[(d)]	
U.S. Residential Mortgage:[(a)(b)(c)]			
Prime	$11,221	$ 5,044	
Alt-A	3,934	3,917	
	15,155	8,961	$ (1,468)
Subprime	941	(28)	(369)
Non-U.S. Residential	1,591	951	(292)
Commercial Mortgage:			
Securities	2,836	1,438	(792)
Loans	4,338	2,179	(752)

(a) Included exposures in IB and Retail Financial Services segments.
(b) Excluded from the table above are certain mortgage-related assets that are carried at fair value and recorded in trading assets, such as: (i) U.S. government agency and U.S. government-sponsored enterprise securities that are liquid and of high credit quality of $58.9 billion at December 31, 2008; and (ii) reverse mortgages of $4.3 billion at December 31, 2008, for which the principal risk is mortality risk. Also excluded are mortgage servicing rights, which are reported in Note 18 on pages 187–188 of this Annual Report.
(c) Also excluded from the table above are certain mortgage-related financing transactions, which are collateralized by mortgage-related assets, of $5.7 billion at December 31, 2008. These financing transactions are excluded from the table as they are accounted for on an accrual basis of accounting. For financings deemed to be impaired, impairment is measured and recognized based upon the fair value of the collateral. Of these financing transactions, $1.2 billion at December 31, 2008, was considered impaired.
(d) The amounts presented reflect the effects of derivatives utilized to risk manage the gross exposures arising from cash-based instruments and are presented on a bond or loan equivalent (notional) basis. Derivatives are excluded from the gross exposure as they are principally used for risk management purposes.
(e) Net gains and losses include all revenue related to the positions (i.e., interest income, changes in fair value of the assets, changes in fair value of the related risk management positions, and interest expense related to the liabilities funding the positions).

Notes to consolidated financial statements

Residential mortgages

Prime Mortgage – The Firm had exposure of $11.2 billion to prime mortgages carried at fair value through earnings or at the lower of cost or fair value at December 31, 2008, which consisted of $2.9 billion of securities (including $1.2 billion of forward purchase commitments), largely rated “AAA”, and $8.3 billion of first-lien mortgages.

Alt-A mortgage – The Firm had exposure of $3.9 billion to Alt-A mortgages carried at fair value through earnings or at the lower of cost or fair value at December 31, 2008, which consisted of $787 million of securities and $3.1 billion of first-lien mortgages.

Subprime mortgage – The Firm had exposure of $941 million to sub-prime mortgages carried at fair value through earnings or at the lower of cost or fair value at December 31, 2008, which included $680 million of securities and $261 million of first-lien mortgages.

Classification and Valuation
Residential mortgage loans and mortgage-backed securities are classified within level 2 or level 3 of the valuation hierarchy depending on the level of liquidity and activity in the markets for a particular product. Level 3 assets include residential whole loans, prime and Alt-A residential mortgage-backed securities rated below “AAA”, subprime residential mortgage-backed securities and single-name CDS on ABS. Products that continue to have reliable price transparency as evidenced by consistent market transactions, such as AAA-rated prime and Alt-A securities, as well as agency securities, continue to be classified in level 2.

For those products classified within level 2 of the valuation hierarchy, the Firm estimates the value of such instruments using a combination of observed transaction prices, independent pricing services and relevant broker quotes. Consideration is given to the nature of the quotes (e.g., indicative or firm) and the relationship of recently evidenced market activity to the prices provided from independent pricing services.

When relevant market activity is not occurring or is limited, the fair value is estimated as follows:

Residential mortgage loans – Fair value of residential mortgage loans is estimated by projecting the expected cash flows and discounting those cash flows at a rate reflective of current market liquidity. To estimate the projected cash flows (inclusive of assumptions of prepayment, default rates and loss severity), specific consideration is given to both borrower-specific and other market factors including, but not limited to: the borrower’s FICO score; the type of collateral supporting the loan; an estimate of the current value of the collateral supporting the loan; the level of documentation for the loan; and market-derived expectations for home price appreciation or depreciation in the respective geography of the borrower.

Residential mortgage-backed securities – Fair value of residential mortgage-backed securities is estimated considering the value of the collateral and the specific attributes of the securities held by the Firm. The value of the collateral pool supporting the securities is analyzed using the same techniques and factors described above for residential mortgage loans, albeit in a more aggregated manner across the pool. For example, average FICO scores, average delinquency rates, average loss severities and prepayment rates, among other metrics, may be evaluated. In addition, as each securitization vehicle distributes cash in a manner or order that is predetermined at the inception of the vehicle, the priority in which each particular mortgage-backed security is allocated cash flows, and the level of credit enhancement that is in place to support those cash flows, are key considerations in deriving the value of residential mortgage-backed securities. Finally, the risk premium that investors demand for securitized products in today’s market is factored into the valuation. To benchmark its valuations, the Firm looks to transactions for similar instruments and utilizes independent pricing provided by third-party vendors, broker quotes and relevant market indices such as the ABX index, as applicable. While none of those sources are solely indicative of fair value, they serve as directional indicators for the appropriateness of the Firm’s estimates.

Commercial mortgages

Commercial mortgages are loans to companies backed by commercial real estate. Commercial mortgage-backed securities are securities collateralized by a pool of commercial mortgages. Typically, commercial mortgages have lock-out periods, where the borrower is restricted from prepaying the loan for a specified timeframe, or periods where there are disincentives for the borrower to prepay the loan due to prepayment penalties. These features reduce prepayment risk for commercial mortgages relative to that of residential mortgages.

The Firm had exposure to $7.2 billion of commercial mortgage-backed assets carried at fair value through earnings or at the lower of cost or fair value at December 31, 2008, which consisted of $2.8 billion of securities, largely rated “AAA”, and $4.4 billion of first-lien mortgages, largely in the U.S.

Classification and Valuation
While commercial mortgages and commercial mortgage-backed securities are classified within level 2 or level 3 of the valuation hierarchy, depending on the level of liquidity and activity in the markets, the majority of these mortgages, including both loans and lower-rated securities, are currently classified in level 3. Level 2 assets include AAA-rated fixed-rate commercial mortgage-backed securities.

Commercial mortgage loans – Fair value of commercial mortgage loans is estimated by projecting the expected cash flows and discounting those cash flows at a rate reflective of current market liquidity. To estimate the projected cash flows, consideration is given to both borrower-specific and other market factors including, but not limited to: the borrower’s debt-to-service coverage ratio; the type of commercial property (e.g., retail, office, lodging, multi-family, etc.); an estimate of the current loan-to-value ratio; and market-derived expectations for property price appreciation or depreciation in the respective geographic location.

Commercial mortgage-backed securities – When relevant market activity is not present or is limited, the value of commercial mortgage-backed securities is estimated considering the value of the collateral and the specific attributes of the securities held by the Firm. The value of the collateral pool supporting the securities is analyzed using the same techniques and factors described above for the valuation of commercial mortgage loans, albeit in a more aggregated manner across the pool. For example, average delinquencies, loan or geographic concentrations and average debt-service coverage ratios, among other metrics, may be evaluated. In addition, as each securitization vehicle distributes cash in a manner or order that is predetermined at the inception of the vehicle, the priority in which each particular mortgage-backed security is allocated cash flows, and the level of credit enhancement that is in place to support those cash flows, are key considerations in deriving the value of commercial mortgage-backed securities. Finally, the risk premium that investors demand for securitized products in today's market is factored into the valuation. To benchmark its valuations, the Firm utilizes independent pricing provided by third-party vendors, and broker quotes, as applicable. While none of those sources are solely indicative of fair value, they serve as directional indicators for the appropriateness of the Firm's estimates.

The following table presents mortgage-related activities within the available-for-sale securities portfolio.

(in millions)	Exposures as of December 31, 2008	Net gains/(losses) reported in income – year ended December 31, 2008[a]	Unrealized gains/(losses) included in other comprehensive income (pretax) – year ended December 31, 2008
U.S. residential mortgage:			
Prime	$ 6,027	$ (32)	$ (1,769)
Alt-A	868	—	(196)
Subprime	194	(89)	(32)
Non-U.S. residential	2,075	2	(156)
Commercial mortgage	3,939	—	(684)
U.S. government and federal agency obligations:			
Mortgage-backed securities	$ 6,424	$ 23	$ 165
Collateralized mortgage obligations	558	(5)	(4)
U.S. government-sponsored enterprise obligations:			
Mortgage-backed securities	110,403	458	1,915
Direct obligations	9,657	11	(54)

(a) Excludes related net interest income.

Exposures in the table above include $140.1 billion of mortgage-backed securities classified as available-for-sale in the Firm's Consolidated Balance Sheets at December 31, 2008. These investments are primarily used as part of the Firm's centralized risk management of structural interest rate risk (the sensitivity of the Firm's aggregate balance sheet to changes in interest rates). Changes in the Firm's structural interest rate position, as well as changes in the overall interest rate environment, are continually monitored, resulting in periodic repositioning of mortgage-backed securities classified as available-for-sale. Given that this portfolio is primarily used to manage interest rate risk, predominantly all of these securities are backed by either U.S. government agencies, government sponsored entities, or they are rated "AAA".

Investment securities in the available-for-sale portfolio include:

- $6.9 billion of prime and Alt-A securities, principally rated "AAA". The fair value of these securities is determined based upon independent pricing services supported by relevant and observable market data for similar securities. The Firm classifies these securities in level 2 of the valuation hierarchy.
- $3.9 billion of commercial mortgage-backed securities, principally rated "AAA". The fair value of these securities is determined using a third party pricing service that uses relevant and observable market data. The Firm classifies these securities in level 2 of the valuation hierarchy.
- $127.0 billion of U.S. government agencies or U.S. government-sponsored enterprise mortgage-backed securities. Where these securities trade in active markets and there is market-observable pricing, they are classified in level 1 of the valuation hierarchy. Where the determination of fair value is based on broker quotes and independent pricing services, supported by relevant and observable market data, the Firm classifies such securities in level 2 of the valuation hierarchy.

SFAS 157 Transition
In connection with the initial adoption of SFAS 157, the Firm recorded the following on January 1, 2007:

- a cumulative effect increase to retained earnings of $287 million, primarily related to the release of profit previously deferred in accordance with EITF 02-3;
- an increase to pretax income of $166 million ($103 million after-tax) related to the incorporation of the Firm's creditworthiness in the valuation of liabilities recorded at fair value; and
- an increase to pretax income of $464 million ($288 million after-tax) related to valuations of nonpublic private equity investments.

Prior to the adoption of SFAS 157, the Firm applied the provisions of EITF 02-3 to its derivative portfolio. EITF 02-3 precluded the recognition of initial trading profit in the absence of: (a) quoted market prices, (b) observable prices of other current market transactions or (c) other observable data supporting a valuation technique. In accordance with EITF 02-3, the Firm recognized the deferred profit in principal transactions revenue on a systematic basis (typically straight-line amortization over the life of the instruments) and when observable market data became available.

Prior to the adoption of SFAS 157 the Firm did not incorporate an adjustment into the valuation of liabilities carried at fair value on the Consolidated Balance Sheets. Commencing January 1, 2007, in accordance with the requirements of SFAS 157, an adjustment was made to the valuation of liabilities measured at fair value to reflect the credit quality of the Firm.

Prior to the adoption of SFAS 157, privately held investments were initially valued based upon cost. The carrying values of privately held investments were adjusted from cost to reflect both positive and negative changes evidenced by financing events with third-party capital providers. The investments were also subject to ongoing impairment reviews by private equity senior investment professionals. The increase in pretax income related to nonpublic private equity investments in connection with the adoption of SFAS 157 was due to there being sufficient market evidence to support an increase in fair values using the SFAS 157 methodology, although there had not been an actual third-party market transaction related to such investments.

Financial disclosures required by SFAS 107
Many but not all of the financial instruments held by the Firm are recorded at fair value on the Consolidated Balance Sheets. SFAS 107 requires disclosure of the estimated fair value of certain financial instruments and the methods and significant assumptions used to estimate their fair value. Financial instruments within the scope of SFAS 107 are included in the table below. Additionally, certain financial instruments and all nonfinancial instruments are excluded from the scope of SFAS 107. Accordingly, the fair value disclosures required by SFAS 107 provide only a partial estimate of the fair value of JPMorgan Chase. For example, the Firm has developed long-term relationships with its customers through its deposit base and credit card accounts, commonly referred to as core deposit intangibles and credit card relationships. In the opinion of management, these items, in the aggregate, add significant value to JPMorgan Chase, but their fair value is not disclosed in this Note.

Financial instruments for which fair value approximates carrying value
Certain financial instruments that are not carried at fair value on the Consolidated Balance Sheets are carried at amounts that approximate fair value due to their short-term nature and generally negligible credit risk. These instruments include cash and due from banks, deposits with banks, federal funds sold and securities purchased under resale agreements and securities borrowed with short-dated maturities, short-term receivables and accrued interest receivable, commercial paper, federal funds purchased and securities loaned or sold under repurchase agreements with short-dated maturities, other borrowed funds (excluding advances from Federal Home Loan Banks), accounts payable and accrued liabilities. In addition, SFAS 107 requires that the fair value for deposit liabilities with no stated maturity (i.e., demand, savings and certain money market deposits) be equal to their carrying value. SFAS 107 does not allow for the recognition of the inherent funding value of these instruments.

The following table presents the carrying value and estimated fair value of financial assets and liabilities as required by SFAS 107 (a discussion of the valuation of the individual instruments can be found at the beginning of this Note or following the table below).

	2008			2007		
December 31, (in billions)	Carrying value	Estimated fair value	Appreciation/ (depreciation)	Carrying value	Estimated fair value	Appreciation/ (depreciation)
Financial assets						
Assets for which fair value approximates carrying value	**$ 226.0**	**$ 226.0**	**$ —**	$ 76.4	$ 76.4	$ —
Federal funds sold and securities purchased under resale agreements (included $20.8 and $19.1 at fair value at December 31, 2008 and 2007, respectively)	**203.1**	**203.1**	**—**	170.9	170.9	—
Securities borrowed (included $3.4 and zero at fair value at December 31, 2008 and 2007, respectively)	**124.0**	**124.0**	**—**	84.2	84.2	—
Trading assets	**510.0**	**510.0**	**—**	491.4	491.4	—
Securities	**205.9**	**205.9**	**—**	85.4	85.4	—
Loans (included $7.7 and $8.7 at fair value at December 31, 2008 and 2007, respectively)	**721.7**	**700.0**	**(21.7)**	510.1	510.7	0.6
Mortgage servicing rights at fair value	**9.4**	**9.4**	**—**	8.6	8.6	—
Other (included $29.2 and $22.2 at fair value at December 31, 2008 and 2007, respectively)	**104.6**	**104.7**	**0.1**	66.6	67.1	0.5
Total financial assets	**$ 2,104.7**	**$ 2,083.1**	**$ (21.6)**	$ 1,493.6	$ 1,494.7	$ 1.1
Financial liabilities						
Deposits (included $5.6 and $6.4 at fair value at December 31, 2008 and 2007, respectively)(a)	**$ 1,009.3**	**$ 1,010.2**	**$ (0.9)**	$ 740.7	$ 741.3	$ (0.6)
Federal funds purchased and securities loaned or sold under repurchase agreements (included $3.0 and $5.8 at fair value at December 31, 2008 and 2007, respectively)	**192.5**	**192.5**	**—**	154.4	154.4	—
Commercial paper	**37.8**	**37.8**	**—**	49.6	49.6	—
Other borrowed funds (included $14.7 and $10.8 at fair value at December 31, 2008 and 2007, respectively)	**132.4**	**134.1**	**(1.7)**	28.8	28.8	—
Trading liabilities	**166.9**	**166.9**	**—**	157.9	157.9	—
Accounts payable and other liabilities	**183.3**	**183.3**	**—**	89.0	89.0	—
Beneficial interests issued by consolidated VIEs (included $1.7 and $3.0 at fair value at December 31, 2008 and 2007, respectively)	**10.6**	**10.5**	**0.1**	14.0	13.9	0.1
Long-term debt and junior subordinated deferrable interest debentures (included $58.2 and $70.5 at fair value at December 31, 2008 and 2007, respectively)(b)	**270.7**	**262.1**	**8.6**	199.0	198.7	0.3
Total financial liabilities	**$ 2,003.5**	**$ 1,997.4**	**$ 6.1**	$ 1,433.4	$ 1,433.6	$ (0.2)
Net (depreciation) appreciation			**$ (15.5)**			$ 0.9

(a) The fair value of interest-bearing deposits are estimated by discounting cash flows using the appropriate market rates for the applicable maturity.
(b) Fair value for long-term debt, including junior subordinated deferrable interest debentures held by trusts that issued guaranteed capital debt securities, is based upon current market rates and adjusted for JPMorgan Chase's credit quality.

The majority of the Firm's unfunded lending-related commitments are not carried at fair value on a recurring basis on the Consolidated Balance Sheets nor are they actively traded. Although there is no liquid secondary market for wholesale commitments, the Firm estimates the fair value of its wholesale lending-related commitments primarily using the cost of credit derivatives (which is adjusted to account for the difference in recovery rates between bonds, upon which the cost of credit derivatives is based, and loans) and loan equivalents (which represent the portion of an unused commitment expected, based upon the Firm's average portfolio historical experience, to become outstanding in the event an obligor defaults). On this basis, the estimated fair value of the Firm's lending-related commitments at December 31, 2008 and 2007, was a liability of $7.5 billion and $1.9 billion, respectively. The Firm does not estimate the fair value of consumer lending-related commitments. In many cases, the Firm can reduce or cancel these commitments by providing the borrower prior notice, or, in some cases, without notice as permitted by law.

Note 5 – Fair value option

In February 2007, the FASB issued SFAS 159, which was effective for fiscal years beginning after November 15, 2007, with early adoption permitted. The Firm chose early adoption for SFAS 159 effective January 1, 2007. SFAS 159 provides an option to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized firm commitments, and written loan commitments not previously carried at fair value.

Elections

The following is a discussion of the primary financial instruments for which fair value elections were made and the basis for those elections:

Loans and unfunded lending-related commitments
On January 1, 2007, the Firm elected to record, at fair value, the following:

- Loans and unfunded lending-related commitments that are extended as part of IB's principal investing activities. The transition amount related to these loans included a reversal of the allowance for loan losses of $56 million.
- Certain loans held-for-sale. These loans were reclassified to trading assets – debt and equity instruments. This election enabled the Firm to record loans purchased as part of the Investment Bank's commercial mortgage securitization activity and proprietary activities at fair value and discontinue SFAS 133 fair value hedge relationships for certain originated loans.

Beginning on January 1, 2007, the Firm chose to elect fair value as the measurement attribute for the following loans originated or purchased after that date:

- Loans purchased or originated as part of IB's securitization warehousing activities.
- Prime mortgage loans originated with the intent to sell within Retail Financial Services ("RFS").

The election to fair value the above loans did not include loans within these portfolios that existed on January 1, 2007, based upon the short holding period of the loans and/or the negligible impact of the elections.

Warehouse loans elected to be reported at fair value are classified as trading assets – debt and equity instruments. For additional information regarding warehouse loans, see Note 16 on pages 168–176 of this Annual Report.

Beginning in the third quarter of 2007, the Firm elected the fair value option for newly originated bridge financing activity in IB. These elections were made to align further the accounting basis of the bridge financing activities with their related risk management practices. For these activities, the loans continue to be classified within loans on the Consolidated Balance Sheets; the fair value of the unfunded commitments is recorded within accounts payable and other liabilities.

Securities Financing Arrangements
On January 1, 2007, the Firm elected to record at fair value resale and repurchase agreements with an embedded derivative or a maturity of greater than one year. The intent of this election was to mitigate volatility due to the differences in the measurement basis for the agreements (which were previously accounted for on an accrual basis) and the associated risk management arrangements (which are accounted for on a fair value basis). An election was not made for short-term agreements, as the carrying value for such agreements generally approximates fair value. For additional information regarding these agreements, see Note 13 on pages 162–163 of this Annual Report.

In the second quarter of 2008, the Firm began electing the fair value option for newly transacted securities borrowed and securities lending agreements with a maturity of greater than one year. An election was not made for any short-term agreements, as the carrying value for such agreements generally approximates fair value.

Structured Notes
IB issues structured notes as part of its client-driven activities. Structured notes are financial instruments that contain embedded derivatives and are included in long-term debt. On January 1, 2007, the Firm elected to record at fair value all structured notes not previously elected or eligible for election under SFAS 155. The election was made to mitigate the volatility due to the differences in the measurement basis for structured notes and the associated risk management arrangements as well as to eliminate the operational burdens of having different accounting models for the same type of financial instrument.

Other
In the third quarter of 2008, the Firm elected the fair value option for the ABCP investments purchased under the Federal Reserve's AML Facility for U.S. money market mutual funds, as well as the related nonrecourse advance from the Federal Reserve Bank of Boston ("FRBB"). At December 31, 2008, ABCP investments of $11.2 billion were recorded in other assets; the corresponding non-recourse liability to the FRBB in the same amount was recorded in other borrowed funds. For further discussion, see Note 21 on page 190 of this Annual Report.

In 2008, the Firm elected the fair value option for certain loans acquired as part of the Bear Stearns merger that were included in the trading portfolio and for prime mortgages previously designated as held-for-sale by Washington Mutual as part of the Washington Mutual transaction. In addition, the Firm elected the fair value option for certain tax credit and other equity investments acquired as part of the Washington Mutual transaction.

Changes in fair value under the fair value option election

The following table presents the changes in fair value included in the Consolidated Statements of Income for the years ended December 31, 2008 and 2007, for items for which the fair value election was made. The profit and loss information presented below only includes the financial instruments that were elected to be measured at fair value; related risk management instruments, which are required to be measured at fair value, are not included in the table.

December 31, (in millions)	2008 Principal transactions(c)	2008 Other income(c)	2008 Total changes in fair value recorded	2007 Principal transactions(c)	2007 Other income(c)	2007 Total changes in fair value recorded
Federal funds sold and securities purchased under resale agreements	**$ 1,139**	**$ —**	**$ 1,139**	$ 580	$ —	$ 580
Securities borrowed	**29**	**—**	**29**	—	—	—
Trading assets:						
Debt and equity instruments, excluding loans	**(870)**	**(58)(d)**	**(928)**	421	(1)(d)	420
Loans reported as trading assets:						
Changes in instrument-specific credit risk	**(9,802)**	**(283)(d)**	**(10,085)**	(517)	(157)(d)	(674)
Other changes in fair value	**696**	**1,178(d)**	**1,874**	188	1,033(d)	1,221
Loans:						
Changes in instrument-specific credit risk	**(1,991)**	**—**	**(1,991)**	102	—	102
Other changes in fair value	**(42)**	**—**	**(42)**	40	—	40
Other assets	**—**	**(660)(e)**	**(660)**	—	30(e)	30
Deposits(a)	**(132)**	**—**	**(132)**	(906)	—	(906)
Federal funds purchased and securities loaned or sold under repurchase agreements	**(127)**	**—**	**(127)**	(78)	—	(78)
Other borrowed funds(a)	**1,888**	**—**	**1,888**	(412)	—	(412)
Trading liabilities	**35**	**—**	**35**	(17)	—	(17)
Accounts payable and other liabilities	**—**	**—**	**—**	(460)	—	(460)
Beneficial interests issued by consolidated VIEs	**355**	**—**	**355**	(228)	—	(228)
Long-term debt:						
Changes in instrument-specific credit risk(a)	**1,174**	**—**	**1,174**	771	—	771
Other changes in fair value(b)	**16,202**	**—**	**16,202**	(2,985)	—	(2,985)

(a) Total changes in instrument-specific credit risk related to structured notes were $1.2 billion and $806 million for the years ended December 31, 2008 and 2007, respectively, which includes adjustments for structured notes classified within deposits and other borrowed funds, as well as long-term debt.

(b) Structured notes are debt instruments with embedded derivatives that are tailored to meet a client's need for derivative risk in funded form. The embedded derivative is the primary driver of risk. The 2008 gain included in "Other changes in fair value" results from a significant decline in the value of certain structured notes where the embedded derivative is principally linked to either equity indices or commodity prices, both of which declined sharply during the second half of 2008. Although the risk associated with the structured notes is actively managed, the balance reported in this table does not include the income statement impact of such risk management instruments.

(c) Included in the amounts are gains and losses related to certain financial instruments previously carried at fair value by the Firm, such as structured liabilities elected pursuant to SFAS 155 and loans purchased as part of the Investment Bank's trading activities.

(d) Reported in mortgage fees and related income.

(e) Reported in other income.

Determination of instrument-specific credit risk for items for which a fair value election was made

The following describes how the gains and losses included in earnings during 2008 and 2007, which were attributable to changes in instrument-specific credit risk, were determined.

- Loans and lending-related commitments: For floating-rate instruments, all changes in value are attributed to instrument-specific credit risk. For fixed-rate instruments, an allocation of the changes in value for the period is made between those changes in value that are interest rate-related and changes in value that are credit-related. Allocations are generally based upon an analysis of borrower-specific credit spread and recovery information, where available, or benchmarking to similar entities or industries.
- Long-term debt: Changes in value attributable to instrument-specific credit risk were derived principally from observable changes in the Firm's credit spread. The gain for 2008 and 2007 was attributable to the widening of the Firm's credit spread.
- Resale and repurchase agreements, securities borrowed agreements and securities lending agreements: Generally, for these types of agreements, there is a requirement that collateral be maintained with a market value equal to or in excess of the principal amount loaned; as a result, there would be no adjustment or an immaterial adjustment for instrument-specific credit risk related to these agreements.

Difference between aggregate fair value and aggregate remaining contractual principal balance outstanding

The following table reflects the difference between the aggregate fair value and the aggregate remaining contractual principal balance outstanding as of December 31, 2008 and 2007, for loans and long-term debt for which the SFAS 159 fair value option has been elected. The loans were classified in trading assets – debt and equity instruments or in loans.

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December 31, (in millions)	2008 Remaining aggregate contractual principal amount outstanding	2008 Fair value	2008 Fair value over (under) remaining aggregate contractual principal amount outstanding	2007 Remaining aggregate contractual principal amount outstanding	2007 Fair value	2007 Fair value over (under) remaining aggregate contractual principal amount outstanding
Loans						
Performing loans 90 days or more past due						
Loans reported as trading assets	$ —	$ —	$ —	$ —	$ —	$ —
Loans	—	—	—	11	11	—
Nonaccrual loans						
Loans reported as trading assets	7,454	1,519	(5,935)	3,044	1,176	(1,868)
Loans	189	51	(138)	15	5	(10)
Subtotal	7,643	1,570	(6,073)	3,070	1,192	(1,878)
All other performing loans						
Loans reported as trading assets	34,038	30,283	(3,755)	56,164	56,638	474
Loans	10,206	7,441	(2,765)	9,011	8,580	(431)
Total loans	$ 51,887	$ 39,294	$ (12,593)	$ 68,245	$ 66,410	$ (1,835)
Long-term debt						
Principal protected debt	$ (27,043)[b]	$ (26,241)	$ (802)	$ (24,262)[b]	$ (24,033)	$ (229)
Nonprincipal protected debt[a]	NA	(31,973)	NA	NA	(46,423)	NA
Total long-term debt	NA	$ (58,214)	NA	NA	$ (70,456)	NA
FIN 46R long-term beneficial interests						
Principal protected debt	$ —	$ —	$ —	$ (58)	$ (58)	$ —
Nonprincipal protected debt[a]	NA	(1,735)	NA	NA	(2,946)	NA
Total FIN 46R long-term beneficial interests	NA	$ (1,735)	NA	NA	$ (3,004)	NA

(a) Remaining contractual principal is not applicable to nonprincipal protected notes. Unlike principal protected notes for which the Firm is obligated to return a stated amount of principal at the maturity of the note, nonprincipal protected notes do not obligate the Firm to return a stated amount of principal at maturity but to return an amount based upon the performance of an underlying variable or derivative feature embedded in the note.
(b) Where the Firm issues principal protected zero coupon or discount notes, the balance reflected as the remaining contractual principal is the final principal payment at maturity.

The contractual amount of unfunded lending-related commitments for which the fair value option was elected was negligible at December 31, 2008. At December 31, 2007, the contractual amount of unfunded lending-related commitments for which the fair value option was elected was $1.0 billion with a corresponding fair value of $25 million. Such commitments are reflected as liabilities and included in accounts payable and other liabilities.

Note 6 – Principal transactions

Principal transactions revenue consists of realized and unrealized gains and losses from trading activities (including physical commodities inventories that are accounted for at the lower of cost or fair value), changes in fair value associated with financial instruments held by the Investment Bank for which the SFAS 159 fair value option was elected, and loans held-for-sale within the wholesale lines of business. For loans measured at fair value under SFAS 159, origination costs are recognized in the associated expense category as incurred. Principal transactions revenue also includes private equity gains and losses.

The following table presents principal transactions revenue.

Year ended December 31, (in millions)	2008	2007	2006
Trading revenue	$ (9,791)	$4,736	$ 9,418
Private equity gains (losses)[a]	(908)	4,279	1,360
Principal transactions	$(10,699)	$9,015	$10,778

(a) Includes revenue on private equity investments held in the Private Equity business within Corporate/Private Equity and those held in other business segments.

Trading assets and liabilities

Trading assets include debt and equity instruments held for trading purposes that JPMorgan Chase owns (“long” positions), certain loans for which the Firm manages on a fair value basis and has elected the SFAS 159 fair value option, and physical commodities inventories that are accounted for at the lower of cost or fair value. Trading liabilities include debt and equity instruments that the Firm has sold to other parties but does not own (“short” positions). The Firm is obligated to purchase instruments at a future date to cover the short positions. Included in trading assets and trading liabilities are the reported receivables (unrealized gains) and payables (unrealized losses) related to derivatives. Trading assets and liabilities are carried at fair value on the Consolidated Balance Sheets. For a discussion of the valuation of trading assets and trading liabilities, see Note 5 on pages 144–146 of this Annual Report.

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The following table presents the fair value of trading assets and trading liabilities for the dates indicated.

December 31, (in millions)	2008	2007
Trading assets		
Debt and equity instruments:[a]		
U.S. government and federal agency obligations:		
U.S. treasuries	**$ 22,121**	$ 32,378
Mortgage-backed securities	**6,037**	791
Agency obligations	**35**	2,264
U.S. government-sponsored enterprise obligations:		
Mortgage-backed securities	**52,871**	33,910
Direct obligations	**9,149**	9,928
Obligations of state and political subdivisions	**13,002**	13,090
Certificates of deposit, bankers' acceptances and commercial paper	**7,492**	8,252
Debt securities issued by non-U.S. governments	**38,647**	67,921
Corporate debt securities	**60,323**	53,941
Equity securities	**78,546**	93,248
Loans	**31,802**	57,814
Mortgage-backed securities:		
Prime	**1,725**	6,136
Alt-A	**787**	3,572
Subprime	**680**	1,459
Non-U.S. residential	**805**	974
Commercial	**2,816**	8,256
Asset-backed securities:		
Credit card receivables	**1,296**	321
Automobile loans	**722**	605
Other consumer loans	**1,343**	2,675
Commercial and industrial loans	**1,604**	169
Collateralized debt obligations	**3,868**	4,879
Other	**687**	1,026
Physical commodities	**3,581**	4,490
Other	**7,418**	6,174
Total debt and equity instruments	**347,357**	414,273
Derivative receivables:		
Interest rate	**64,101**	36,020
Credit	**44,695**	22,083
Commodity	**14,830**	9,419
Foreign exchange	**24,715**	5,616
Equity	**14,285**	3,998
Total derivative receivables	**162,626**	77,136
Total trading assets	**$509,983**	$491,409

December 31, (in millions)	2008	2007
Trading liabilities		
Debt and equity instruments[b]	**$ 45,274**	$ 89,162
Derivative payables:		
Interest rate	**48,449**	25,542
Credit	**23,566**	11,613
Commodity	**11,921**	6,942
Foreign exchange	**20,352**	7,552
Equity	**17,316**	17,056
Total derivative payables	**121,604**	68,705
Total trading liabilities	**$166,878**	$157,867

(a) Prior periods have been revised to reflect the current presentation.
(b) Primarily represents securities sold, not yet purchased.

Included in trading assets and trading liabilities are the reported receivables (unrealized gains) and payables (unrealized losses) related to derivatives. As permitted under FIN 39, the Firm has elected to net derivative receivables and derivative payables and the related cash collateral received and paid when a legally enforceable master netting agreement exists. The netted amount of cash collateral received and paid was $103.6 billion and $72.4 billion, respectively, at December 31, 2008, and $34.9 billion and $24.6 billion, respectively, at December 31, 2007. The Firm received and paid excess collateral of $22.2 billion and $3.7 billion, respectively, at December 31, 2008, and $17.4 billion and $2.4 billion, respectively, at December 31, 2007. This additional collateral received and paid secures potential exposure that could arise in the derivatives portfolio should the mark-to-market of the transactions move in the Firm's favor or the client's favor, respectively, and is not nettable against the derivative receivables or payables in the table above. The above amounts also exclude liquid securities held and posted as collateral by the Firm to secure derivative receivables and derivative payables. Collateral amounts held and posted in securities form are not recorded on the Firm's balance sheet, and are therefore not nettable against derivative receivables. The Firm held securities collateral of $19.8 billion and $9.8 billion at December 31, 2008 and 2007, respectively, related to derivative receivables. The Firm posted $11.8 billion and $5.9 billion of securities collateral at December 31, 2008 and 2007, respectively, related to derivative payables.

Average trading assets and liabilities were as follows for the periods indicated.

Year ended December 31, (in millions)	2008	2007	2006
Trading assets – debt and equity instruments	**$384,102**	$381,415	$280,079
Trading assets – derivative receivables	**121,417**	65,439	57,368
Trading liabilities – debt and equity instruments[a]	**$ 78,841**	$ 94,737	$102,794
Trading liabilities – derivative payables	**93,200**	65,198	57,938

(a) Primarily represent securities sold, not yet purchased.

Private equity investments

Private equity investments are recorded in other assets on the Consolidated Balance Sheets. The following table presents the carrying value and cost of the private equity investment portfolio held by the Private Equity business within Corporate/Private Equity for the dates indicated.

December 31,	2008		2007	
(in millions)	Carrying value	Cost	Carrying value	Cost
Total private equity investments	**$ 6,852**	**$8,257**	$ 7,153	$6,231

The above private equity investments include investments in buyouts, growth equity and venture opportunities. These investments are accounted for under investment company guidelines. Accordingly, these investments, irrespective of the percentage of equity ownership interest held, are carried on the Consolidated Balance Sheets at fair value. Realized and unrealized gains and losses arising from changes in fair value are reported in principal transactions revenue in the Consolidated Statements of Income in the period that the gains or losses are recognized. For a discussion of the valuation of private equity investments, see Note 5 on pages 144–146 of this Annual Report.

Note 7 – Other noninterest revenue

Investment banking fees

This revenue category includes advisory and equity and debt underwriting fees. Advisory fees are recognized as revenue when the related services have been performed. Underwriting fees are recognized as revenue when the Firm has rendered all services to the issuer and is entitled to collect the fee from the issuer, as long as there are no other contingencies associated with the fee (e.g., the fee is not contingent upon the customer obtaining financing). Underwriting fees are net of syndicate expense; the Firm recognizes credit arrangement and syndication fees as revenue after satisfying certain retention, timing and yield criteria.

The following table presents the components of Investment banking fees.

Year ended December 31, (in millions)	2008	2007	2006
Underwriting:			
Equity	**$1,477**	$1,713	$1,179
Debt	**2,094**	2,650	2,703
Total underwriting	**3,571**	4,363	3,882
Advisory	**1,955**	2,272	1,638
Total investment banking fees	**$5,526**	$6,635	$5,520

Lending & deposit-related fees

This revenue category includes fees from loan commitments, standby letters of credit, financial guarantees, deposit-related fees in lieu of compensating balances, cash management-related activities or transactions, deposit accounts and other loan-servicing activities. These fees are recognized over the period in which the related service is provided.

Asset management, administration and commissions

This revenue category includes fees from investment management and related services, custody, brokerage services, insurance premiums and commissions, and other products. These fees are recognized over the period in which the related service is provided. Performance-based fees, which are earned based upon exceeding certain benchmarks or other performance targets, are accrued and recognized at the end of the performance period in which the target is met.

The following table presents components of asset management, administration and commissions.

Year ended December 31, (in millions)	2008	2007	2006
Asset management:			
Investment management fees	**$ 5,562**	$ 6,364	$ 4,429
All other asset management fees	**432**	639	567
Total asset management fees	**5,994**	7,003	4,996
Total administration fees(a)	**2,452**	2,401	2,430
Commission and other fees:			
Brokerage commissions	**3,141**	2,702	2,184
All other commissions and fees	**2,356**	2,250	2,245
Total commissions and fees	**5,497**	4,952	4,429
Total asset management, administration and commissions	**$13,943**	$14,356	$11,855

(a) Includes fees for custody, securities lending, funds services and broker-dealer clearance.

Mortgage fees and related income

This revenue category primarily reflects Retail Financial Services' mortgage banking revenue, including: fees and income derived from mortgages originated with the intent to sell; mortgage sales and servicing; the impact of risk management activities associated with the mortgage pipeline, warehouse loans and MSRs; and revenue related to any residual interests held from mortgage securitizations. This revenue category also includes gains and losses on sales and lower of cost or fair value adjustments for mortgage loans held-for-sale, as well as changes in fair value for mortgage loans originated with the intent to sell and measured at fair value under SFAS 159. For loans measured at fair value under SFAS 159, origination costs are recognized in the associated expense category as incurred. Costs to originate loans held-for-sale and accounted for at the lower of cost or fair value are deferred and recognized as a component of the gain or loss on sale. Net interest income from mortgage loans and securities gains and losses on available-for-sale ("AFS") securities used in mortgage-related risk management activities are recorded in interest income and securities gains (losses), respectively. For a further discussion of MSRs, see Note 18 on pages 187–188 of this Annual Report.

Credit card income

This revenue category includes interchange income from credit and debit cards and servicing fees earned in connection with securitization activities. Volume-related payments to partners and expense for rewards programs are netted against interchange income; expense related to rewards programs are recorded when the rewards are earned by the customer, as more fully described below. Other fee revenue is recognized as earned, except for annual fees, which are deferred and recognized on a straight-line basis over the 12-month period to which they pertain. Direct loan origination costs are also deferred and recognized over a 12-month period. In addition, due to the consolidation of Chase Paymentech Solutions in the fourth quarter of 2008, this category now includes net fees earned for processing card transactions for merchants.

Credit card revenue sharing agreements
The Firm has contractual agreements with numerous affinity organizations and co-brand partners, which grant the Firm exclusive rights to market to the members or customers of such organizations and partners. These organizations and partners endorse the credit card programs and provide their mailing lists to the Firm, and they may also conduct marketing activities and provide awards under the various credit card programs. The terms of these agreements generally range from three to ten years. The economic incentives the Firm pays to the endorsing organizations and partners typically include payments based upon new account originations, charge volumes, and the cost of the endorsing organizations' or partners' marketing activities and awards.

The Firm recognizes the payments made to the affinity organizations and co-brand partners based upon new account originations as direct loan origination costs. Payments based upon charge volumes are considered by the Firm as revenue sharing with the affinity organizations and co-brand partners, which are deducted from interchange income as the related revenue is earned. Payments based upon marketing efforts undertaken by the endorsing organization or partner are expensed by the Firm as incurred. These costs are recorded within noninterest expense.

Note 8 – Interest income and Interest expense

Details of interest income and interest expense were as follows.

Year ended December 31, (in millions)	2008	2007	2006
Interest income(a)			
Loans(b)	**$38,347**	$36,660	$33,121
Securities(b)	**6,344**	5,232	4,147
Trading assets	**17,236**	17,041	10,942
Federal funds sold and securities purchased under resale agreements	**5,983**	6,497	5,578
Securities borrowed	**2,297**	4,539	3,402
Deposits with banks	**1,916**	1,418	1,265
Interests in purchased receivables(b)	**—**	—	652
Other assets(c)	**895**	—	—
Total interest income	**73,018**	71,387	59,107
Interest expense(a)			
Interest-bearing deposits	**14,546**	21,653	17,042
Short-term and other liabilities(d)	**10,933**	16,142	14,086
Long-term debt	**8,355**	6,606	5,503
Beneficial interests issued by consolidated VIEs	**405**	580	1,234
Total interest expense	**34,239**	44,981	37,865
Net interest income	**38,779**	26,406	21,242
Provision for credit losses	**19,445**	6,864	3,270
Provision for credit losses – accounting conformity(e)	**1,534**	—	—
Total provision for credit losses	**$20,979**	$ 6,864	$ 3,270
Net interest income after provision for credit losses	**$17,800**	$19,542	$17,972

(a) Interest income and interest expense include the current period interest accruals for financial instruments measured at fair value except for financial instruments containing embedded derivatives that would be separately accounted for in accordance with SFAS 133 absent the SFAS 159 fair value election; for those instruments, all changes in fair value, including any interest elements, are reported in principal transactions revenue.
(b) As a result of restructuring certain multi-seller conduits the Firm administers, JPMorgan Chase deconsolidated $29 billion of interests in purchased receivables, $3 billion of loans and $1 billion of securities and recorded $33 billion of lending-related commitments during 2006.
(c) Predominantly margin loans.
(d) Includes brokerage customer payables.
(e) Includes accounting conformity loan loss reserve provision related to the acquisition of Washington Mutual's banking operations.

Note 9 – Pension and other postretirement employee benefit plans

The Firm's defined benefit pension plans are accounted for in accordance with SFAS 87 and SFAS 88, and its other postretirement employee benefit ("OPEB") plans are accounted for in accordance with SFAS 106. In September 2006, the FASB issued SFAS 158, which requires companies to recognize on their Consolidated Balance Sheets the overfunded or underfunded status of their defined benefit postretirement plans, measured as the difference between the fair value of plan assets and the benefit obligation. SFAS 158 requires unrecognized amounts (e.g., net loss and prior service costs) to be recognized in accumulated other comprehensive income (loss) ("AOCI") and that these amounts be adjusted as they are subsequently recognized as components of net periodic benefit cost based upon the current amortization and recognition requirements of SFAS 87 and SFAS 106. The Firm prospectively adopted SFAS 158 on December 31, 2006, and recorded an after-tax charge to AOCI of $1.1 billion at that date.

SFAS 158 also eliminates the provisions of SFAS 87 and SFAS 106 that allow plan assets and obligations to be measured as of a date not more than three months prior to the reporting entity's balance sheet date. The Firm uses a measurement date of December 31 for its defined benefit pension and OPEB plans; therefore, this provision of SFAS 158 had no effect on the Firm's financial statements.

For the Firm's defined benefit pension plans, fair value is used to determine the expected return on plan assets. For the Firm's OPEB plans, a calculated value that recognizes changes in fair value over a five-year period is used to determine the expected return on plan assets. Amortization of net gains and losses is included in annual net periodic benefit cost if, as of the beginning of the year, the net gain or loss exceeds 10 percent of the greater of the projected benefit obligation or the fair value of the plan assets. Any excess, as well as prior service costs, are amortized over the average future service period of defined benefit pension plan participants, which for the U.S. defined benefit pension plan is currently nine years (the decrease of one year from the prior year in the assumptions is related to pension plan demographic assumption revisions at December 31, 2007, to reflect recent experience relating to the form and timing of benefit distributions and rates of turnover). For OPEB plans, any excess net gains and losses also are amortized over the average future service period, which is currently six years; however, prior service costs are amortized over the average years of service remaining to full eligibility age, which is currently four years. The amortization periods for net gains and losses and prior service costs for OPEB are unchanged from the prior year.

Notes to consolidated financial statements

Defined benefit pension plans

The Firm has a qualified noncontributory U.S. defined benefit pension plan that provides benefits to substantially all U.S. employees. The U.S. plan employs a cash balance formula in the form of pay and interest credits to determine the benefits to be provided at retirement, based upon eligible compensation and years of service. Employees begin to accrue plan benefits after completing one year of service, and beginning January 1, 2008, benefits generally vest after three years of service. The Firm also offers benefits through defined benefit pension plans to qualifying employees in certain non-U.S. locations based upon factors such as eligible compensation, age and/or years of service.

It is the Firm's policy to fund the pension plans in amounts sufficient to meet the requirements under applicable employee benefit and local tax laws. On January 15, 2009, the Firm made a discretionary cash contribution to its U.S. defined benefit pension plan of $1.3 billion, funding the plan to the maximum allowable amount under applicable tax law. The expected amount of 2009 contributions to its non-U.S. defined benefit pension plans is $44 million, of which $20 million is contractually required. The amount of potential 2009 contributions to the United Kingdom ("U.K.") defined benefit plans is not reasonably estimable at this time.

JPMorgan Chase also has a number of defined benefit pension plans not subject to Title IV of the Employee Retirement Income Security Act. The most significant of these plans is the Excess Retirement Plan, pursuant to which certain employees earn pay and interest credits on compensation amounts above the maximum stipulated by law under a qualified plan. The Excess Retirement Plan had an unfunded projected benefit obligation in the amount of $273 million and $262 million, at December 31, 2008 and 2007, respectively.

Defined contribution plans

JPMorgan Chase offers several defined contribution plans in the U.S. and in certain non-U.S. locations, all of which are administered in accordance with applicable local laws and regulations. The most significant of these plans is The JPMorgan Chase 401(k) Savings Plan (the "401(k) Savings Plan"), which covers substantially all U.S. employees. The 401(k) Savings Plan allows employees to make pretax and Roth 401(k) contributions to tax-deferred investment portfolios. The JPMorgan Chase Common Stock Fund, which is an investment option under the 401(k) Savings Plan, is a nonleveraged employee stock ownership plan. The Firm matches eligible employee contributions up to a certain percentage of benefits-eligible compensation per pay period, subject to plan and legal limits. Employees begin to receive matching contributions after completing a one-year-of-service requirement and are immediately vested in the Firm's contributions when made. Employees with total annual cash compensation of $250,000 or more are not eligible for matching contributions. The 401(k) Savings Plan also permits discretionary profit-sharing contributions by participating companies for certain employees, subject to a specified vesting schedule.

OPEB plans

JPMorgan Chase offers postretirement medical and life insurance benefits to certain retirees and postretirement medical benefits to qualifying U.S. employees. These benefits vary with length of service and date of hire and provide for limits on the Firm's share of covered medical benefits. The medical benefits are contributory, while the life insurance benefits are noncontributory. Postretirement medical benefits also are offered to qualifying U.K. employees.

JPMorgan Chase's U.S. OPEB obligation is funded with corporate-owned life insurance ("COLI") purchased on the lives of eligible employees and retirees. While the Firm owns the COLI policies, COLI proceeds (death benefits, withdrawals and other distributions) may be used only to reimburse the Firm for its net postretirement benefit claim payments and related administrative expense. The U.K. OPEB plan is unfunded.

The following table presents the changes in benefit obligations and plan assets and funded status amounts reported on the Consolidated Balance Sheets for the Firm's U.S. and non-U.S. defined benefit pension and OPEB plans.

As of or for the year ended December 31, (in millions)	Defined benefit pension plans U.S. 2008	U.S. 2007	Non-U.S. 2008	Non-U.S. 2007	OPEB plans[d] 2008	OPEB plans[d] 2007
Change in benefit obligation						
Benefit obligation, beginning of year	**$ (7,556)**	$ (8,098)	**$ (2,743)**	$ (2,917)	**$ (1,204)**	$ (1,443)
Benefits earned during the year	**(278)**	(270)	**(29)**	(36)	**(5)**	(7)
Interest cost on benefit obligations	**(488)**	(468)	**(142)**	(144)	**(74)**	(74)
Plan amendments	**—**	—	**—**	2	**—**	—
Business combinations	**—**	—	**—**	—	**(1)**[e]	—
Liabilities of newly material plans	**—**	—	**—**	(5)	**—**	—
Employee contributions	**NA**	NA	**(3)**	(3)	**(61)**	(57)
Net gain (loss)	**(147)**	494	**214**	327	**99**	231
Benefits paid	**673**	789	**105**	90	**154**	165
Expected Medicare Part D subsidy receipts	**NA**	NA	**NA**	NA	**(10)**	(11)
Curtailments	**—**	—	**—**	4	**(6)**	(6)
Settlements	**—**	—	**—**	24	**—**	—
Special termination benefits	**—**	—	**(3)**	(1)	**—**	(1)
Foreign exchange impact and other	**—**	(3)	**594**	(84)	**13**	(1)
Benefit obligation, end of year	**$ (7,796)**	$ (7,556)	**$ (2,007)**	$ (2,743)	**$ (1,095)**	$ (1,204)
Change in plan assets						
Fair value of plan assets, beginning of year	**$ 9,960**	$ 9,955	**$ 2,933**	$ 2,813	**$ 1,406**	$ 1,351
Actual return on plan assets	**(2,377)**	753	**(298)**	57	**(246)**	87
Firm contributions	**38**	37	**88**	92	**3**	3
Employee contributions	**—**	—	**3**	3	**—**	—
Assets of newly material plans	**—**	—	**—**	3	**—**	—
Benefits paid	**(673)**	(789)	**(105)**	(90)	**(37)**	(35)
Settlements	**—**	—	**—**	(24)	**—**	—
Foreign exchange impact and other	**—**	4	**(613)**	79	**—**	—
Fair value of plan assets, end of year	**$ 6,948**[c]	$ 9,960[c]	**$ 2,008**	$ 2,933	**$ 1,126**	$ 1,406
Funded (unfunded) status[a][b]	**$ (848)**	$ 2,404	**$ 1**	$ 190	**$ 31**	$ 202
Accumulated benefit obligation, end of year	**$ (7,413)**	$ (7,184)	**$ (1,977)**	$ (2,708)	**NA**	NA

(a) Represents overfunded plans with an aggregate balance of $122 million and $3.3 billion at December 31, 2008 and 2007, respectively, and underfunded plans with an aggregate balance of $938 million and $491 million at December 31, 2008 and 2007, respectively.
(b) The table above does not include any amounts attributable to the Washington Mutual Pension and OPEB plans. The disposition of those plans has not been determined.
(c) At December 31, 2008 and 2007, approximately $313 million and $299 million, respectively, of U.S. plan assets included participation rights under participating annuity contracts.
(d) Includes an unfunded accumulated postretirement benefit obligation of $32 million and $49 million at December 31, 2008 and 2007, respectively, for the U.K. plan.
(e) Represents change resulting from the Bear Stearns merger.

The following table presents pretax pension and OPEB amounts recorded in AOCI.

As of the year ended December 31, (in millions)	Defined benefit pension plans U.S. 2008	U.S. 2007	Non-U.S. 2008	Non-U.S. 2007	OPEB plans 2008	OPEB plans 2007
Net loss	**$ (3,493)**	$ (250)	**$ (492)**	$ (434)	**$ (349)**	$ (98)
Prior service cost (credit)	**(26)**	(31)	**2**	2	**40**	58
Accumulated other comprehensive income (loss), pretax, end of year	**$ (3,519)**	$ (281)	**$ (490)**	$ (432)	**$ (309)**	$ (40)

Notes to consolidated financial statements

The following table presents the components of net periodic benefit costs reported in the Consolidated Statements of Income and other comprehensive income for the Firm's U.S. and non-U.S. defined benefit pension and OPEB plans.

	Defined benefit pension plans								
	U.S.			Non-U.S.			OPEB plans		
Year ended December 31, (in millions)	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Components of net periodic benefit cost									
Benefits earned during the year	**$ 278**	$ 270	$ 281	**$ 29**	$ 36	$ 37	**$ 5**	$ 7	$ 9
Interest cost on benefit obligations	**488**	468	452	**142**	144	120	**74**	74	78
Expected return on plan assets	**(719)**	(714)	(692)	**(152)**	(153)	(122)	**(98)**	(93)	(93)
Amortization:									
Net loss	**—**	—	12	**25**	55	45	**—**	14	29
Prior service cost (credit)	**4**	5	5	**—**	—	—	**(16)**	(16)	(19)
Curtailment (gain) loss	**1**	—	2	**—**	—	1	**4**	2	2
Settlement (gain) loss	**—**	—	—	**—**	(1)	4	**—**	—	—
Special termination benefits	**—**	—	—	**3**	1	1	**—**	1	2
Net periodic benefit cost	**52**	29	60	**47**	82	86	**(31)**	(11)	8
Other defined benefit pension plans(a)	**11**	4	2	**14**	27	36	**NA**	NA	NA
Total defined benefit plans	**63**	33	62	**61**	109	122	**(31)**	(11)	8
Total defined contribution plans	**263**	268	254	**286**	219	199	**NA**	NA	NA
Total pension and OPEB cost included in compensation expense	**$ 326**	$ 301	$ 316	**$ 347**	$ 328	$ 321	**$ (31)**	$ (11)	$ 8
Changes in plan assets and benefit obligations recognized in other comprehensive income									
Net (gain) loss arising during the year	**$ 3,243**	$ (533)	NA	**$ 235**	$ (176)	NA	**$ 248**	$ (223)	NA
Prior service credit arising during the year	**—**	—	NA	**—**	(2)	NA	**—**	—	NA
Amortization of net loss	**—**	—	NA	**(27)**	(55)	NA	**—**	(14)	NA
Amortization of prior service (cost) credit	**(5)**	(5)	NA	**—**	—	NA	**15**	16	NA
Curtailment (gain) loss	**—**	—	NA	**—**	(5)	NA	**3**	3	NA
Settlement loss	**—**	—	NA	**—**	1	NA	**—**	—	NA
Foreign exchange impact and other	**—**	—	NA	**(150)**	—	NA	**3**	—	NA
Total recognized in other comprehensive income	**3,238**	(538)	NA	**58**	(237)	NA	**269**	(218)	NA
Total recognized in net periodic benefit cost and other comprehensive income	**$ 3,290**	$ (509)	NA	**$ 105**	$ (155)	NA	**$ 238**	$ (229)	NA

(a) Includes various defined benefit pension plans, which are individually immaterial.

The estimated pretax amounts that will be amortized from AOCI into net periodic benefit cost in 2009 are as follows.

	Defined benefit pension plans		OPEB plans	
Year ended December 31, 2009 (in millions)	U.S.	Non-U.S.	U.S.	Non-U.S.
Net loss	$ 301	$ 42	$ —	$ —
Prior service cost (credit)	4	—	(14)	—
Total	$ 305	$ 42	$ (14)	$ —

Plan assumptions

JPMorgan Chase's expected long-term rate of return for U.S. defined benefit pension and OPEB plan assets is a blended average of the investment advisor's projected long-term (10 years or more) returns for the various asset classes, weighted by the asset allocation. Returns on asset classes are developed using a forward-looking building-block approach and are not strictly based upon historical returns. Equity returns are generally developed as the sum of inflation, expected real earnings growth and expected long-term dividend yield. Bond returns are generally developed as the sum of inflation, real bond yield and risk spread (as appropriate), adjusted for the expected effect on returns from changing yields. Other asset-class returns are derived from their relationship to the equity and bond markets. Consideration was also given to current market conditions and the short-term portfolio mix of each Plan; as a result, the Firm has generally maintained the same expected return on assets from the prior year.

For the U.K. defined benefit pension plans, which represent the most significant of the non-U.S. defined benefit pension plans, procedures similar to those in the U.S. are used to develop the expected long-term rate of return on defined benefit pension plan assets, taking into consideration local market conditions and the specific allocation of plan assets. The expected long-term rate of return on U.K. plan assets is an average of projected long-term returns for each asset class. The return on equities has been selected by reference to the yield on long-term U.K. government bonds plus an equity risk premium above the risk-free rate. The return on "AA"-rated long-term corporate bonds has been taken as the average yield on such bonds, adjusted for the expected downgrades and the expected narrowing of credit spreads over the long term.

The discount rate used in determining the benefit obligation under the U.S. defined benefit pension and OPEB plans was selected by reference to the yields on portfolios of bonds with maturity dates and coupons that closely match each of the plan's projected cash flows; such portfolios are derived from a broad-based universe of high-quality corporate bonds as of the measurement date. In years in which these hypothetical bond portfolios generate excess cash, such excess is assumed to be reinvested at the one-year forward rates implied by the Citigroup Pension Discount Curve published as of the measurement date. The discount rate for the U.K. defined benefit pension and OPEB plans represents a rate implied from the yield curve of the year-end iBoxx £ corporate "AA" 15-year-plus bond index (adjusted for expected downgrades in the underlying bonds comprising the index) with a duration corresponding to that of the underlying benefit obligations.

The following tables present the weighted-average annualized actuarial assumptions for the projected and accumulated postretirement benefit obligations and the components of net periodic benefit costs for the Firm's U.S. and non-U.S. defined benefit pension and OPEB plans, as of and for the periods indicated.

Weighted-average assumptions used to determine benefit obligations

	U.S.		Non-U.S.	
December 31,	**2008**	2007	**2008**	2007
Discount rate:				
Defined benefit pension plans	**6.65%**	6.60%	**2.00-6.20%**	2.25-5.80%
OPEB plans	**6.70**	6.60	**6.20**	5.80
Rate of compensation increase	**4.00**	4.00	**3.00-4.00**	3.00-4.25
Health care cost trend rate:				
Assumed for next year	**8.50**	9.25	**7.00**	5.75
Ultimate	**5.00**	5.00	**5.50**	4.00
Year when rate will reach ultimate	**2014**	2014	**2012**	2010

Weighted-average assumptions used to determine net periodic benefit costs

	U.S.			Non-U.S.		
Year ended December 31,	**2008**	2007	2006	**2008**	2007	2006
Discount rate:						
Defined benefit pension plans	**6.60%**	5.95%	5.70%	**2.25-5.80%**	2.25-5.10%	2.00-4.70%
OPEB plans	**6.60**	5.90	5.65	**5.80**	5.10	4.70
Expected long-term rate of return on plan assets:						
Defined benefit pension plans	**7.50**	7.50	7.50	**3.25-5.75**	3.25-5.60	3.25-5.50
OPEB plans	**7.00**	7.00	6.84	**NA**	NA	NA
Rate of compensation increase	**4.00**	4.00	4.00	**3.00-4.25**	3.00-4.00	3.00-3.75
Health care cost trend rate:						
Assumed for next year	**9.25**	10.00	10.00	**5.75**	6.63	7.50
Ultimate	**5.00**	5.00	5.00	**4.00**	4.00	4.00
Year when rate will reach ultimate	**2014**	2014	2013	**2010**	2010	2010

The following table presents the effect of a one-percentage-point change in the assumed health care cost trend rate on JPMorgan Chase's total service and interest cost and accumulated postretirement benefit obligation.

For the year ended December 31, 2008 (in millions)	1-Percentage-point increase	1-Percentage-point decrease
Effect on total service and interest cost	$ 3	$ (3)
Effect on accumulated postretirement benefit obligation	45	(40)

Notes to consolidated financial statements

At December 31, 2008, the Firm increased the discount rates used to determine its benefit obligations for the U.S. defined benefit pension and OPEB plans based upon current market interest rates, which will result in a decrease in expense of approximately $1.6 million for 2009. The 2009 expected long-term rate of return on U.S. pension plan assets and U.S. OPEB plan assets remained at 7.5% and 7.0%, respectively. The health care benefit obligation trend assumption declined from 9.25% in 2008 to 8.5% in 2009, declining to a rate of 5% in 2014. As of December 31, 2008, the interest crediting rate assumption and the assumed rate of compensation increase remained at 5.25% and 4.0%, respectively.

JPMorgan Chase's U.S. defined benefit pension and OPEB plan expense is sensitive to the expected long-term rate of return on plan assets and the discount rate. With all other assumptions held constant, a 25-basis point decline in the expected long-term rate of return on U.S. plan assets would result in an increase of approximately $23 million in 2009 U.S. defined benefit pension and OPEB plan expense. A 25-basis point decline in the discount rate for the U.S. plans would result in an increase in 2009 U.S. defined benefit pension and OPEB plan expense of approximately $9 million and an increase in the related projected benefit obligations of approximately $159 million. A 25-basis point decline in the discount rates for the non-U.S. plans would result in an increase in the 2009 non-U.S. defined benefit pension and OPEB plan expense of approximately $10 million. A 25-basis point increase in the interest crediting rate for the U.S. defined benefit pension plan would result in an increase in 2009 U.S. defined benefit pension expense of approximately $16 million and an increase in the related projected benefit obligations of approximately $66 million.

Investment strategy and asset allocation

The investment policy for the Firm's postretirement employee benefit plan assets is to optimize the risk-return relationship as appropriate to the respective plan's needs and goals, using a global portfolio of various asset classes diversified by market segment, economic sector and issuer. Specifically, the goal is to optimize the asset mix for future benefit obligations, while managing various risk factors and each plan's investment return objectives. For example, long-duration fixed income securities are included in the U.S. qualified pension plan's asset allocation, in recognition of its long-duration obligations. Plan assets are managed by a combination of internal and external investment managers and are rebalanced within approved ranges on a continued basis. The Firm reviews the allocation daily and all factors that impact portfolio changes to ensure the Plan stays within these ranges, rebalancing when deemed necessary.

The Firm's U.S. defined benefit pension plan assets are held in trust and invested in a well-diversified portfolio of equities (including U.S. large and small capitalization and international equities), fixed income (including corporate and government bonds, Treasury inflation-indexed and high-yield securities), real estate, cash equivalents and alternative investments. Non-U.S. defined benefit pension plan assets are held in various trusts and similarly invested in well-diversified portfolios of equity, fixed income and other securities. Assets of the Firm's COLI policies, which are used to fund partially the U.S. OPEB plan, are held in separate accounts with an insurance company and are invested in equity and fixed income index funds. As of December 31, 2008, assets held by the Firm's U.S. and non-U.S. defined benefit pension and OPEB plans do not include JPMorgan Chase common stock, except in connection with investments in third-party stock-index funds.

The following table presents the weighted-average asset allocation of the fair values of total plan assets at December 31 for the years indicated, as well as the respective approved range/target allocation by asset category, for the Firm's U.S. and non-U.S. defined benefit pension and OPEB plans.

	Defined benefit pension plans								
	U.S.			Non-U.S.			OPEB plans[(a)]		
	Target	% of plan assets		Target	% of plan assets		Target	% of plan assets	
December 31,	Allocation	**2008**	2007	Allocation	**2008**	2007	Allocation	**2008**	2007
Asset category									
Debt securities	10-30%	**25%**	28%	68%	**73%**	70%	50%	**50%**	50%
Equity securities	25-60	**36**	45	27	**21**	25	50	**50**	50
Real estate	5-20	**7**	9	1	**1**	1	—	**—**	—
Alternatives	15-50	**32**	18	4	**5**	4	—	**—**	—
Total	100%	**100%**	100%	100%	**100%**	100%	100%	**100%**	100%

(a) Represents the U.S. OPEB plan only, as the U.K. OPEB plan is unfunded.

The following table presents the actual rate of return on plan assets for the U.S. and non-U.S. defined benefit pension and OPEB plans.

	U.S.			Non-U.S.		
December 31,	**2008**	2007	2006	**2008**	2007	2006
Actual rate of return:						
Defined benefit pension plans	**(25.17)%**	7.96%	13.40%	**(21.58)-5.06%**	0.06-7.51%	2.80-7.30%
OPEB plans	**(17.89)**	6.51	9.30	**NA**	NA	NA

Estimated future benefit payments
The following table presents benefit payments expected to be paid, which include the effect of expected future service, for the years indicated. The OPEB medical and life insurance payments are net of expected retiree contributions.

Year ended December 31, (in millions)	U.S. defined benefit pension plans	Non-U.S. defined benefit pension plans	OPEB before Medicare Part D subsidy	Medicare Part D subsidy
2009	$ 917	$ 88	$ 109	$ 11
2010	928	94	111	12
2011	597	99	112	13
2012	616	102	110	14
2013	629	107	109	15
Years 2014–2018	3,333	571	513	87

Note 10 – Employee stock-based incentives

Effective January 1, 2006, the Firm adopted SFAS 123R and all related interpretations using the modified prospective transition method. SFAS 123R requires all share-based payments to employees, including employee stock options and stock appreciation rights (“SARs”), to be measured at their grant date fair values. The Firm also adopted the transition election provided by FSP FAS 123(R)-3.

Upon adopting SFAS 123R, the Firm began to recognize in the Consolidated Statements of Income compensation expense for unvested stock options previously accounted for under APB 25. Additionally, JPMorgan Chase recognized as compensation expense an immaterial cumulative effect adjustment resulting from the SFAS 123R requirement to estimate forfeitures at the grant date instead of recognizing them as incurred. Finally, the Firm revised its accounting policies for share-based payments granted to employees eligible for continued vesting under specific age and service or service-related provisions (“full-career eligible employees”) under SFAS 123R. Prior to adopting SFAS 123R, the Firm’s accounting policy for share-based payment awards granted to full-career eligible employees was to recognize compensation cost over the award’s stated service period. Beginning with awards granted to full-career eligible employees in 2006, JPMorgan Chase recognized compensation expense on the grant date without giving consideration to the impact of post-employment restrictions. In the first quarter of 2006, the Firm also began to accrue the estimated cost of stock awards granted to full-career eligible employees in the following year.

In June 2007, the FASB ratified EITF 06-11, which requires that realized tax benefits from dividends or dividend equivalents paid on equity-classified share-based payment awards that are charged to retained earnings be recorded as an increase to additional paid-in capital and included in the pool of excess tax benefits available to absorb tax deficiencies on share-based payment awards. Prior to the issuance of EITF 06-11, the Firm did not include these tax benefits as part of this pool of excess tax benefits. The Firm adopted EITF 06-11 on January 1, 2008. The adoption of this consensus did not have an impact on the Firm’s Consolidated Balance Sheets or results of operations.

In connection with the Bear Stearns merger, 46 million Bear Stearns employee stock awards, principally restricted stock units (“RSUs”), capital appreciation plan units and stock options, were exchanged for equivalent JPMorgan Chase awards using the merger exchange ratio of 0.21753. The fair value of these employee stock awards was included in the purchase price since substantially all of the awards were fully vested immediately after the merger date under provisions that provided for accelerated vesting upon a change of control of Bear Stearns. However, Bear Stearns vested employee stock options had no impact on the purchase price; since the employee stock options were significantly out of the money at the merger date, the fair value of these awards was equal to zero upon their conversion into JPMorgan Chase options.

The Firm also exchanged 6 million shares of its common stock for 27 million shares of Bear Stearns common stock held in an irrevocable grantor trust (the “RSU Trust”) using the merger exchange ratio of 0.21753. The RSU Trust was established to hold common stock underlying awards granted to selected employees and key executives under certain Bear Stearns employee stock plans. The RSU Trust was consolidated on JPMorgan Chase’s Consolidated Balance Sheets as of June 30, 2008, and the shares held in the RSU Trust were recorded in “Shares held in RSU Trust,” which reduced stockholders’ equity, similar to the treatment for treasury stock. A related obligation to issue stock under these employee stock plans is reported in capital surplus. The issuance of shares held in the RSU Trust to employees will not have any effect on the Firm’s total stockholders’ equity, net

Notes to consolidated financial statements

income or earnings per share. Shares in the RSU Trust were distributed in 2008 with approximately half of the shares in the RSU Trust distributed in January 2009. The remaining shares are expected to be distributed over the next four years.

Employee stock-based awards
In 2008, 2007 and 2006, JPMorgan Chase granted long-term stock-based awards to certain key employees under the 2005 Long-Term Incentive Plan (the "2005 Plan"). The 2005 Plan, plus prior Firm plans and plans assumed as the result of acquisitions, constitute the Firm's stock-based incentive plans ("LTI Plan"). The 2005 Plan became effective on May 17, 2005, after approval by shareholders at the 2005 annual meeting. In May 2008, the 2005 Plan was amended and under the terms of the amended plan as of December 31, 2008, 348 million shares of common stock are available for issuance through May 2013. The amended 2005 Plan is the only active plan under which the Firm is currently granting stock-based incentive awards.

RSUs are awarded at no cost to the recipient upon their grant. RSUs are generally granted annually and generally vest 50 percent after two years and 50 percent after three years and convert to shares of common stock at the vesting date. In addition, RSUs typically include full-career eligibility provisions, which allow employees to continue to vest upon voluntary termination, subject to post-employment and other restrictions. All of these awards are subject to forfeiture until the vesting date. An RSU entitles the recipient to receive cash payments equivalent to any dividends paid on the underlying common stock during the period the RSU is outstanding.

Under the LTI Plan, stock options and SARs have been granted with an exercise price equal to the fair value of JPMorgan Chase's common stock on the grant date. The Firm typically awards SARs to certain key employees once per year, and it also periodically grants discretionary stock-based incentive awards to individual employees, primarily in the form of both employee stock options and SARs. The 2008 and 2007 grants of SARs to key employees vest ratably over five years (i.e., 20% per year) and the 2006 awards vest one-third after each of years three, four, and five. These awards do not include any full-career eligibility provisions and all awards generally expire ten years after the grant date.

The Firm separately recognizes compensation expense for each tranche of each award as if it were a separate award with its own vesting date. For each tranche granted (other than grants to employees who are full-career eligible at the grant date), compensation expense is recognized on a straight-line basis from the grant date until the vesting date of the respective tranche, provided that the employees will not become full-career eligible during the vesting period. For each tranche granted to employees who will become full-career eligible during the vesting period, compensation expense is recognized on a straight-line basis from the grant date until the earlier of the employee's full-career eligibility date or the vesting date of the respective tranche.

The Firm's policy for issuing shares upon settlement of employee stock-based incentive awards is to issue either new shares of common stock or treasury shares. During 2008 and 2007, the Firm settled all of its employee stock-based awards by issuing treasury shares. During 2006, the Firm settled all of its employee stock-based awards by issuing new shares of common stock from January 1 through May 31, 2006, and by issuing treasury shares thereafter.

In January 2008, the Firm awarded to its Chairman and Chief Executive Officer up to two million SARs. The terms of this award are distinct from, and more restrictive than, other equity grants regularly awarded by the Firm. The SARs, which have a ten-year term, will become exercisable no earlier than January 22, 2013, and have an exercise price of $39.83, the price of JPMorgan Chase common stock on the date of the award. The number of SARs that will become exercisable (ranging from none to the full two million) and their exercise date or dates may be determined by the Board of Directors based on an assessment of the performance of both the CEO and JPMorgan Chase. That assessment will be made by the Board in the year prior to the fifth anniversary of the date of the award, relying on such factors that in its sole discretion the Board deems appropriate. Due to the substantial uncertainty surrounding the number of SARs that will ultimately be granted and their exercise dates, a grant date has not been established for accounting purposes. However, since the service inception date precedes the grant date, the Firm will recognize this award ratably over an assumed five-year service period, subject to a requirement to recognize changes in the fair value of the award through the grant date. The Firm recognized $1 million in compensation expense in 2008 for this award.

RSU activity
Compensation expense for RSUs is measured based upon the number of shares granted multiplied by the stock price at the grant date and is recognized in net income as previously described. The following table summarizes JPMorgan Chase's RSU activity for 2008.

Year ended December 31, 2008

(in thousands, except weighted average data)	Number of Shares	Weighted-average grant date fair value
Outstanding, January 1	99,017	$ 43.11
Granted	85,890	40.37
Bear Stearns conversion	5,975	42.24
Vested	(36,606)	38.95
Forfeited	(6,232)	42.90
Outstanding, December 31	148,044	$ 42.53

The total fair value of shares that vested during the years ended December 31, 2008, 2007 and 2006, was $1.6 billion, $1.5 billion and $1.3 billion, respectively.

Employee stock option and SARs activity

Compensation expense, which is measured at the grant date as the fair value of employee stock options and SARs, is recognized in net income as described above.

The following table summarizes JPMorgan Chase's employee stock option and SARs activity for the year ended December 31, 2008, including awards granted to key employees and awards granted in prior years under broad-based plans.

Year ended December 31, 2008

(in thousands, except weighted-average data)	Number of options/SARs	Weighted-average exercise price	Weighted-average remaining contractual life (in years)	Aggregate intrinsic value
Outstanding, January 1	325,931	$ 41.70		
Granted	9,341	41.37		
Bear Stearns conversion	3,906	399.91		
Exercised	(34,761)	33.73		
Forfeited	(3,382)	44.13		
Canceled	(17,666)	47.61		
Outstanding, December 31	283,369	$ 47.21	3.5	$ 224,632
Exercisable, December 31	242,653	47.85	2.7	224,632

The weighted-average grant date per share fair value of stock options and SARs granted during the years ended December 31, 2008, 2007 and 2006, was $10.36, $13.38 and $10.99, respectively. The total intrinsic value of options exercised during the years ended December 31, 2008, 2007 and 2006 was $391 million, $937 million and $994 million, respectively.

Impact of adoption of SFAS 123R

During 2006, the incremental expense related to the Firm's adoption of SFAS 123R was $712 million. This amount represents an accelerated noncash recognition of costs that would otherwise have been incurred in future periods. Also, as a result of adopting SFAS 123R, the Firm's income from continuing operations (pretax) for the year ended December 31, 2006, was lower by $712 million, and each of income from continuing operations (after-tax) and net income for the year ended December 31, 2006, was lower by $442 million, than if the Firm had continued to account for stock-based incentives under APB 25 and SFAS 123. Basic and diluted earnings per share from continuing operations, as well as basic and diluted net income per share, for the year ended December 31, 2006 were $.13 and $.12 lower, respectively, than if the Firm had not adopted SFAS 123R.

Compensation expense

The Firm recognized noncash compensation expense related to its various employee stock-based incentive awards of $2.6 billion, $2.0 billion and $2.4 billion (including the $712 million incremental impact of adopting SFAS 123R) for the years ended December 31, 2008, 2007, and 2006, respectively, in its Consolidated Statements of Income. These amounts included an accrual for the estimated cost of stock awards to be granted to full-career eligible employees of $409 million, $500 million and $498 million for the years ended December 31, 2008, 2007 and 2006, respectively. At December 31, 2008, approximately $1.9 billion (pretax) of compensation cost related to unvested awards has not yet been charged to net income. That cost is expected to be amortized into compensation expense over a weighted-average period of 1.3 years. The Firm does not capitalize any compensation cost related to share-based compensation awards to employees.

Cash flows and tax benefits

The total income tax benefit related to stock-based incentive arrangements recognized in the Firm's Consolidated Statements of Income for the years ended December 31, 2008, 2007 and 2006, was $1.1 billion, $810 million and $947 million, respectively.

The following table sets forth the cash received from the exercise of stock options under all stock-based incentive arrangements and the actual tax benefit realized related to the tax deduction from the exercise of stock options.

Year ended December 31, (in millions)	**2008**	2007	2006
Cash received for options exercised	**$1,026**	$2,023	$1,924
Tax benefit realized	**72**	238	211

Valuation assumptions

The following table presents the assumptions used to value employee stock options and SARs granted during the period under the Black-Scholes valuation model.

Year ended December 31,	**2008**	2007	2006
Weighted-average annualized valuation assumptions			
Risk-free interest rate	**3.90%**	4.78%	5.11%
Expected dividend yield	**3.57**	3.18	2.89
Expected common stock price volatility	**34**	33	23
Expected life (in years)	**6.8**	6.8	6.8

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Prior to the adoption of SFAS 123R, the Firm used the historical volatility of its common stock price as the expected volatility assumption in valuing options. The Firm completed a review of its expected volatility assumption in 2006. Effective October 1, 2006, JPMorgan Chase began to value its employee stock options granted or modified after that date using an expected volatility assumption derived from the implied volatility of its publicly traded stock options.

The expected life assumption is an estimate of the length of time that an employee might hold an option or SAR before it is exercised or canceled. The expected life assumption was developed using historic experience.

Note 11 – Noninterest expense

Merger costs

Costs associated with the Bear Stearns merger and the Washington Mutual transaction in 2008, the 2004 merger with Bank One Corporation, and The Bank of New York, Inc. ("The Bank of New York") transaction in 2006 are reflected in the merger costs caption of the Consolidated Statements of Income. For a further discussion of the Bear Stearns merger and the Washington Mutual transaction, see Note 2 on pages 123–128 of this Annual Report. A summary of merger-related costs is shown in the following table.

	2008				
Year ended December 31, (in millions)	Bear Stearns	Washington Mutual	Total	2007[b]	2006[b]
Expense category					
Compensation	**$ 181**	**$ 113**	**$ 294**	$ (19)	$ 26
Occupancy	**42**	**—**	**42**	17	25
Technology and communications and other	**85**	**11**	**96**	188	239
The Bank of New York transaction	**—**	**—**	**—**	23	15
Total[a]	**$ 308**	**$ 124**	**$ 432**	$ 209	$ 305

(a) With the exception of occupancy and technology-related write-offs, all of the costs in the table required the expenditure of cash.
(b) The 2007 and 2006 activity reflect the 2004 merger with Bank One Corporation and the Bank of New York transaction.

The table below shows the change in the merger reserve balance related to the costs associated with the transactions.

	2008				
Year ended December 31, (in millions)	Bear Stearns	Washington Mutual	Total	2007[a]	2006[a]
Merger reserve balance, beginning of period	**$ —**	**$ —**	**$ —**	$ 155	$ 311
Recorded as merger costs	**308**	**124**	**432**	186	290
Included in net assets acquired	**1,112**	**435**	**1,547**	(60)	—
Utilization of merger reserve	**(1,093)**	**(118)**	**(1,211)**	(281)	(446)
Merger reserve balance, end of period	**$ 327**	**$ 441**	**$ 768**	$ —[b]	$ 155[b]

(a) The 2007 and 2006 activity reflect the 2004 merger with Bank One Corporation.
(b) Excludes $10 million and $21 million at December 31, 2007 and 2006, respectively, related to the Bank of New York transaction.

Note 12 – Securities

Securities are classified as AFS, held-to-maturity ("HTM") or trading. Trading securities are discussed in Note 6 on pages 146–148 of this Annual Report. Securities are classified primarily as AFS when used to manage the Firm's exposure to interest rate movements, as well as to make strategic longer-term investments. AFS securities are carried at fair value on the Consolidated Balance Sheets. Unrealized gains and losses, after any applicable SFAS 133 hedge accounting adjustments, are reported as net increases or decreases to accumulated other comprehensive income (loss). The specific identification method is used to determine realized gains and losses on AFS securities, which are included in securities gains (losses) on the Consolidated Statements of Income. Securities that the Firm has the positive intent and ability to hold to maturity are classified as HTM and are carried at amortized cost on the Consolidated Balance Sheets. The Firm has not classified new purchases of securities as HTM for the past several years.

The following table presents realized gains and losses from AFS securities.

Year ended December 31, (in millions)	2008	2007	2006
Realized gains	**$1,890**	$ 667	$ 399
Realized losses	**(330)**[b]	(503)	(942)
Net realized securities gains (losses)[a]	**$1,560**	$ 164	$(543)

(a) Proceeds from securities sold were within approximately 2% of amortized cost.
(b) 2008 includes $76 million of losses due to the other-than-temporary impairment of subprime mortgage-backed securities.

The amortized cost and estimated fair value of AFS and HTM securities were as follows for the dates indicated.

December 31, (in millions)	2008 Amortized cost	2008 Gross unrealized gains	2008 Gross unrealized losses	2008 Fair value	2007 Amortized cost	2007 Gross unrealized gains	2007 Gross unrealized losses	2007 Fair value
Available-for-sale securities								
U.S. government and federal agency obligations:								
U.S. treasuries	**$ 616**	**$ 2**	**$ 7**	**$ 611**	$ 2,470	$ 14	$ 2	$ 2,482
Mortgage-backed securities	**6,281**	**148**	**5**	**6,424**	8	1	—	9
Agency obligations	**69**	**13**	**—**	**82**	73	9	—	82
Collateralized mortgage obligations	**557**	**9**	**8**	**558**	—	—	—	—
U.S. government-sponsored enterprise obligations:								
Mortgage-backed securities	**108,360**	**2,257**	**214**	**110,403**	62,505	641	55	63,091
Direct obligations(a)	**9,717**	**37**	**90**	**9,664**	6	2	—	8
Obligations of state and political subdivisions	**3,479**	**94**	**238**	**3,335**	92	1	2	91
Certificates of deposit	**17,226**	**64**	**8**	**17,282**	2,040	—	—	2,040
Debt securities issued by non-U.S. governments	**8,173**	**173**	**2**	**8,344**	6,804	18	28	6,794
Corporate debt securities	**9,358**	**257**	**61**	**9,554**	1,927	1	4	1,924
Equity securities	**3,073**	**2**	**7**	**3,068**	4,124	55	1	4,178
Mortgage-backed securities:								
Prime	**7,762**	**4**	**1,739**	**6,027**	3,551	7	5	3,553
Subprime	**213**	**—**	**19**	**194**	384	41	28	397
Alt-A	**1,064**	**—**	**196**	**868**	—	—	—	—
Non-U.S. residential	**2,233**	**24**	**182**	**2,075**	—	—	—	—
Commercial	**4,623**	**—**	**684**	**3,939**	—	—	—	—
Asset-backed securities:								
Credit card receivables	**13,651**	**8**	**2,268**	**11,391**	775	—	47	728
Other consumer loans	**1,008**	**4**	**134**	**878**	—	—	—	—
Commercial and industrial loans	**11,847**	**168**	**820**	**11,195**	—	—	—	—
Other	**18**	**—**	**1**	**17**	29	—	—	29
Total available-for-sale securities	**$ 209,328**	**$ 3,264**	**$ 6,683**	**$ 205,909**	$ 84,788	$ 790	$ 172	$ 85,406
Held-to-maturity securities(b)	**$ 34**	**$ 1**	**$ —**	**$ 35**	$ 44	$ 1	$ —	$ 45

(a) Consists primarily of mortgage-related obligations.
(b) Consists primarily of mortgage-backed securities issued by U.S. government-sponsored entities.

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The following table presents the fair value and gross unrealized losses for AFS securities by aging category at December 31.

	Securities with gross unrealized losses					
	Less than 12 months		12 months or more			
2008 (in millions)	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Total Fair value	Total Gross unrealized losses
Available-for-sale securities						
U.S. government and federal agency obligations:						
U.S. treasuries	$ 249	$ 7	$ —	$ —	$ 249	$ 7
Mortgage-backed securities	2,042	5	1	—	2,043	5
Agency obligations	—	—	—	—	—	—
Collateralized mortgage obligations	427	8	—	—	427	8
U.S. government-sponsored enterprise obligations:						
Mortgage-backed securities	3,547	211	468	3	4,015	214
Direct obligations	7,410	90	—	—	7,410	90
Obligations of state and political subdivisions	1,129	232	16	6	1,145	238
Certificates of deposit	382	8	—	—	382	8
Debt securities issued by non-U.S. governments	308	1	74	1	382	2
Corporate debt securities	558	54	30	7	588	61
Equity securities	19	7	—	—	19	7
Mortgage-backed securities:						
Prime	5,386	1,642	333	97	5,719	1,739
Subprime	—	—	151	19	151	19
Alt-A	868	196	—	—	868	196
Non-U.S. residential	1,908	182	—	—	1,908	182
Commercial	3,939	684	—	—	3,939	684
Asset-backed securities:						
Credit card receivables	10,267	1,964	472	304	10,739	2,268
Other consumer loans	813	134	—	—	813	134
Commercial and industrial loans	9,059	820	—	—	9,059	820
Other	—	—	17	1	17	1
Total securities with gross unrealized losses	$ 48,311	$ 6,245	$ 1,562	$ 438	$ 49,873	$ 6,683

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2007 (in millions)	Securities with gross unrealized losses: Less than 12 months: Fair value	Less than 12 months: Gross unrealized losses	12 months or more: Fair value	12 months or more: Gross unrealized losses	Total Fair value	Total Gross unrealized losses
Available-for-sale securities						
U.S. government and federal agency obligations:						
U.S. treasuries	$ 175	$ 2	$ —	$ —	$ 175	$ 2
Mortgage-backed securities	—	—	—	—	—	—
Agency obligations	—	—	—	—	—	—
Collateralized mortgage obligations	—	—	—	—	—	—
U.S. government-sponsored enterprise obligations:						
Mortgage-backed securities	—	—	1,345	55	1,345	55
Direct obligations	—	—	—	—	—	—
Obligations of state and political subdivisions	21	2	—	—	21	2
Certificates of deposit	1,102	—	—	—	1,102	—
Debt securities issued by non-U.S. governments	335	3	1,928	25	2,263	28
Corporate debt securities	1,126	3	183	1	1,309	4
Equity securities	—	—	4	1	4	1
Mortgage-backed securities:						
Prime	1,313	5	—	—	1,313	5
Subprime	306	28	—	—	306	28
Alt-A	—	—	—	—	—	—
Non-U.S. residential	—	—	—	—	—	—
Commercial	—	—	—	—	—	—
Asset-backed securities:						
Credit card receivables	443	31	285	16	728	47
Other consumer loans	—	—	—	—	—	—
Commercial and industrial loans	—	—	—	—	—	—
Other	29	—	—	—	29	—
Total securities with gross unrealized losses	$ 4,850	$ 74	$ 3,745	$ 98	$ 8,595	$ 172

AFS securities in unrealized loss positions are analyzed in depth as part of the Firm's ongoing assessment of other-than-temporary impairment. Potential other-than-temporary impairment of AFS securities is considered using a variety of factors, including the length of time and extent to which the market value has been less than cost; the financial condition and near-term prospects of the issuer or underlying collateral of a security; and the Firm's intent and ability to retain the security in order to allow for an anticipated recovery in fair value. Where applicable under EITF Issue 99-20, the Firm estimates the cash flows over the life of the security to determine if any adverse changes have occurred that require an other-than-temporary impairment charge. The Firm applies EITF Issue 99-20 to beneficial interests in securitizations that are rated below "AA" at acquisition or that can be contractually prepaid or otherwise settled in such a way that the Firm would not recover substantially all of its recorded investment. The Firm considers a decline in fair value to be other-than-temporary if it is probable that the Firm will not recover its recorded investment, including as applicable under EITF Issue 99-20, when an adverse change in cash flows has occurred.

The Firm's analysis of the financial condition and near term prospects of the issuer or underlying collateral of a security noted above includes analysis of performance indicators relevant to the specific investment. For asset-backed investments, such relevant performance indicators may include ratings, valuation of subordinated positions in current and/or stress scenarios, excess spread or overcollateralization levels, and whether certain protective triggers have been reached. For mortgage-backed investments, such relevant performance indicators may include ratings, prepayment speeds, delinquencies, default rates, loss severities, geographic concentration, and forecasted performance under various home price decline stress scenarios.

As of December 31, 2008, approximately $438 million of the unrealized losses relate to securities that have been in an unrealized loss position for longer than 12 months, and primarily relate to prime mortgage-backed securities and credit card-related asset-backed securities. The prime mortgage-backed securities are primarily rated "AAA", while the credit card-related asset-backed securities are rated "BBB". Based upon the analyses described above, which have been applied to these securities, the Firm believes that the unrealized losses result from liquidity conditions in the current market environment and not from concerns regarding the credit of the issuers or underlying collateral. The Firm does not believe it is probable that it will not recover its investments, given the current levels of collateral and credit enhancements that exist to protect the investments. For securities analyzed for impairment under EITF 99-20, the collateral and credit enhancement features are at levels sufficient to ensure that an adverse change in expected future cash flows has not occurred.

As of December 31, 2008, approximately $6.2 billion of the unrealized losses relate to securities that have been in an unrealized loss position for less than 12 months; these losses largely relate to credit

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card-related asset-backed securities, mortgage-backed securities issued by private issuers and commercial and industrial asset-backed securities. Of the $2.0 billion of unrealized losses related to credit card-related asset-backed securities, $1.7 billion relates to purchased credit card-related asset-backed securities, and $304 million relates to retained interests in the Firm's own credit card receivable securitizations. The credit card-related asset-backed securities include "AAA", "A" and "BBB" ratings. Based on the levels of excess spread available to absorb credit losses, and based on the value of interests subordinate to the Firm's interests where applicable, the Firm does not believe it is probable that it will not recover its investments. Where applicable under EITF 99-20, the collateral and credit enhancement features are at levels sufficient to ensure that an adverse change in expected future cash flows has not occurred. Of the remaining unrealized losses as of December 31, 2008, related to securities that have been in an unrealized loss position for less than 12 months, $2.7 billion relates to mortgage-backed securities issued by private issuers and $820 million relates to commercial and industrial asset-backed securities. The mortgage-backed securities and commercial and industrial asset-backed securities are predominantly rated "AAA". Based on an analysis of the performance indicators noted above for mortgage-backed securities and asset-backed securities, which have been applied to the loans underlying these securities, the Firm does not believe it is probable that it will not recover its investments in these securities.

The Firm intends to hold the securities in an unrealized loss position for a period of time sufficient to allow for an anticipated recovery in fair value or maturity. The Firm has sufficient capital and liquidity to hold these securities until recovery in fair value or maturity. Based on the Firm's evaluation of the factors and other objective evidence described above, the Firm believes that the securities are not other-than-temporarily impaired as of December 31, 2008.

The following table presents the amortized cost, estimated fair value and average yield at December 31, 2008, of JPMorgan Chase's AFS and HTM securities by contractual maturity.

By remaining maturity at **December 31, 2008** (in millions, except ratios)	Available-for-sale securities			Held-to-maturity securities		
	Amortized cost	Fair value	Average yield[b]	Amortized cost	Fair value	Average yield[b]
Due in one year or less	$ 24,163	$ 24,056	2.80%	$ —	$ —	—%
Due after one year through five years	26,115	25,075	2.46	—	—	—
Due after five years through ten years	13,105	12,436	3.78	31	32	6.89
Due after ten years[a]	145,945	144,342	5.19	3	3	5.69
Total securities	$209,328	$205,909	4.49%	$34	$35	6.78%

(a) Includes securities with no stated maturity. Substantially all of the Firm's mortgage-backed securities and collateralized mortgage obligations are due in ten years or more based upon contractual maturity. The estimated duration, which reflects anticipated future prepayments based upon a consensus of dealers in the market, is approximately four years for mortgage-backed securities and collateralized mortgage obligations.
(b) The average yield is based upon amortized cost balances at year-end. Yields are derived by dividing interest income by total amortized cost. Taxable-equivalent yields are used where applicable.

Note 13 – Securities financing activities

JPMorgan Chase enters into resale agreements, repurchase agreements, securities borrowed transactions and securities loaned transactions, primarily to finance the Firm's inventory positions, acquire securities to cover short positions and settle other securities obligations. The Firm also enters into these transactions to accommodate customers' needs.

Resale agreements and repurchase agreements are generally treated as collateralized financing transactions carried on the Consolidated Balance Sheets at the amounts the securities will be subsequently sold or repurchased, plus accrued interest. On January 1, 2007, pursuant to the adoption of SFAS 159, the Firm elected fair value measurement for certain resale and repurchase agreements. In 2008, the Firm elected fair value measurement for certain newly transacted securities borrowed and securities lending agreements. For a further discussion of SFAS 159, see Note 5 on pages 144–146 of this Annual Report. The securities financing agreements for which the fair value option was elected continue to be reported within securities purchased under resale agreements; securities loaned or sold under repurchase agreements; securities borrowed; and other borrowed funds on the Consolidated Balance Sheets. Generally, for agreements carried at fair value, current-period interest accruals are recorded within interest income and interest expense, with changes in fair value reported in principal transactions revenue. However, for financial instruments containing embedded derivatives that would be separately accounted for in accordance with SFAS 133, all changes in fair value, including any interest elements, are reported in principal transactions revenue. Where appropriate, resale and repurchase agreements with the same counterparty are reported on a net basis in accordance with FIN 41. JPMorgan Chase takes possession of securities purchased under resale agreements. On a daily basis, JPMorgan Chase monitors the market value of the underlying collateral, primarily U.S. and non-U.S. government and agency securities, that it has received from its counterparties, and requests additional collateral when necessary.

Transactions similar to financing activities that do not meet the SFAS 140 definition of a repurchase agreement are accounted for as "buys" and "sells" rather than financing transactions. These transactions are accounted for as a purchase (sale) of the underlying securities with a forward obligation to sell (purchase) the securities. The forward purchase (sale) obligation, a derivative, is recorded on the Consolidated Balance Sheets at its fair value, with changes in fair value recorded in principal transactions revenue.

Securities borrowed and securities lent are recorded at the amount of cash collateral advanced or received. Securities borrowed consist primarily of government and equity securities. JPMorgan Chase monitors the market value of the securities borrowed and lent on a daily basis and calls for additional collateral when appropriate. Fees received or paid in connection with securities borrowed and lent are recorded in interest income or interest expense.

The following table details the components of collateralized financings.

December 31, (in millions)	2008	2007
Securities purchased under resale agreements[(a)]	**$ 200,265**	$ 169,305
Securities borrowed[(b)]	**124,000**	84,184
Securities sold under repurchase agreements[(c)]	**$ 174,456**	$ 126,098
Securities loaned	**6,077**	10,922

(a) Includes resale agreements of $20.8 billion and $19.1 billion accounted for at fair value at December 31, 2008 and 2007, respectively.
(b) Includes securities borrowed of $3.4 billion accounted for at fair value at December 31, 2008.
(c) Includes repurchase agreements of $3.0 billion and $5.8 billion accounted for at fair value at December 31, 2008 and 2007, respectively.

JPMorgan Chase pledges certain financial instruments it owns to collateralize repurchase agreements and other securities financings. Pledged securities that can be sold or repledged by the secured party are identified as financial instruments owned (pledged to various parties) on the Consolidated Balance Sheets.

At December 31, 2008, the Firm received securities as collateral that could be repledged, delivered or otherwise used with a fair value of approximately $511.9 billion. This collateral was generally obtained under resale or securities borrowing agreements. Of these securities, approximately $456.6 billion were repledged, delivered or otherwise used, generally as collateral under repurchase agreements, securities lending agreements or to cover short sales.

Note 14 – Loans

The accounting for a loan may differ based upon whether it is originated or purchased and as to whether the loan is used in an investing or trading strategy. For purchased loans held-for-investment, the accounting also differs depending on whether a loan is credit-impaired at the date of acquisition. Purchased loans with evidence of credit deterioration since the origination date and for which it is probable, at acquisition, that all contractually required payments receivable will not be collected are considered to be credit-impaired. The measurement framework for loans in the Consolidated Financial Statements is one of the following:

- At the principal amount outstanding, net of the allowance for loan losses, unearned income and any net deferred loan fees or costs, for loans held for investment (other than purchased credit-impaired loans);
- At the lower of cost or fair value, with valuation changes recorded in noninterest revenue, for loans that are classified as held-for-sale; or
- At fair value, with changes in fair value recorded in noninterest revenue, for loans classified as trading assets or risk managed on a fair value basis;
- Purchased credit-impaired loans held for investment are accounted for under SOP 03-3 and initially measured at fair value, which includes estimated future credit losses. Accordingly, an allowance for loan losses related to these loans is not recorded at the acquisition date.

See Note 5 on pages 144–146 of this Annual Report for further information on the Firm's elections of fair value accounting under SFAS 159. See Note 6 on pages 146–148 of this Annual Report for further information on loans carried at fair value and classified as trading assets.

For loans held for investment, other than purchased credit-impaired loans, interest income is recognized using the interest method or on a basis approximating a level rate of return over the term of the loan.

Loans within the held-for-investment portfolio that management decides to sell are transferred to the held-for-sale portfolio. Transfers to held-for-sale are recorded at the lower of cost or fair value on the date of transfer. Credit-related losses are charged off to the allowance for loan losses and losses due to changes in interest rates, or exchange rates, are recognized in noninterest revenue.

Loans within the held-for-sale portfolio that management decides to retain are transferred to the held-for-investment portfolio at the lower of cost or fair value. These loans are subsequently assessed for impairment based on the Firm's allowance methodology. For a further discussion of the methodologies used in establishing the Firm's allowance for loan losses, see Note 15 on pages 166–168 of this Annual Report.

Nonaccrual loans are those on which the accrual of interest is discontinued. Loans (other than certain consumer and purchased credit-impaired loans discussed below) are placed on nonaccrual status immediately if, in the opinion of management, full payment of principal or interest is in doubt, or when principal or interest is 90 days or more past due and collateral, if any, is insufficient to cover principal and interest. Loans are charged off to the allowance for loan losses when it is highly certain that a loss has been realized. Interest accrued but not collected at the date a loan is placed on nonaccrual status is reversed against interest income. In addition, the amortization of net deferred loan fees is suspended. Interest income on nonaccrual loans is recognized only to the extent it is received in cash. However, where there is doubt regarding the ultimate collectibility of loan principal, all cash thereafter received is applied to reduce the carrying value of such loans (i.e., the cost recovery method). Loans are restored to accrual status only when future payments of interest and principal are reasonably assured.

Consumer loans, other than purchased credit-impaired loans, are generally charged to the allowance for loan losses upon reaching specified stages of delinquency, in accordance with the Federal Financial Institutions Examination Council policy. For example, credit card loans are charged off by the end of the month in which the account becomes 180 days past due or within 60 days from receiving notification of the filing of bankruptcy, whichever is earlier. Residential mortgage products are generally charged off to net realizable value at no later than 180 days past due. Other consumer

Notes to consolidated financial statements

products, if collateralized, are generally charged off to net realizable value at 120 days past due. Accrued interest on residential mortgage products, automobile financings, student loans and certain other consumer loans are accounted for in accordance with the nonaccrual loan policy discussed in the preceding paragraph. Interest and fees related to credit card loans continue to accrue until the loan is charged off or paid in full. Accrued interest on all other consumer loans is generally reversed against interest income when the loan is charged off. A collateralized loan is reclassified to assets acquired in loan satisfactions, within other assets, only when JPMorgan Chase has taken physical possession of the collateral, regardless of whether formal foreclosure proceedings have taken place.

For purchased credit-impaired loans, the excess of the loan's cash flows expected to be collected over the initial fair value (i.e., the accretable yield) is accreted into interest income at a level rate of return over the term of the loan, provided that the timing and amount of future cash flows is reasonably estimable. On a periodic basis, the Firm updates the amount of cash flows expected to be collected for these loans, incorporating assumptions regarding default rates, loss severities, the amounts and timing of prepayments and other factors that are reflective of current market conditions. Probable and significant increases in cash flows previously expected to be collected would first be used to reverse any related valuation allowance; any remaining increases are recognized prospectively as interest income. Probable decreases in expected cash flows after the acquisition date, excluding decreases related to repricings of variable rate loans, are recognized through the allowance for loan losses. Disposals of loans, which may include sales of loans, receipt of payments in full by the borrower, or foreclosure, result in removal of the loan from the SOP 03-3 portfolio.

With respect to purchased credit-impaired loans, when the timing and/or amounts of expected cash flows on such loans are not reasonably estimable, no interest is accreted and the loan is reported as a nonperforming loan; otherwise, if the timing and amounts of expected cash flows for purchased credit-impaired loans are reasonably estimable, then interest is accreted and the loans are reported as performing loans.

The composition of the Firm's aggregate loan portfolio at each of the dates indicated was as follows.

December 31, (in millions)	2008	2007
U.S. wholesale loans:		
Commercial and industrial	**$ 68,709**	$ 55,655
Real estate	**64,214**	16,748
Financial institutions	**20,615**	14,757
Government agencies	**5,918**	5,770
Other	**22,330**	25,883
Loans held-for-sale and at fair value	**4,990**	14,440
Total U.S. wholesale loans	**186,776**	133,253
Non-U.S. wholesale loans:		
Commercial and industrial	**27,941**	27,659
Real estate	**2,667**	3,527
Financial institutions	**16,381**	16,740
Government agencies	**603**	720
Other	**18,711**	21,968
Loans held-for-sale and at fair value	**8,965**	9,209
Total non-U.S. wholesale loans	**75,268**	79,823
Total wholesale loans:(a)(b)		
Commercial and industrial	**96,650**	83,314
Real estate(c)	**66,881**	20,275
Financial institutions	**36,996**	31,497
Government agencies	**6,521**	6,490
Other	**41,041**	47,851
Loans held-for-sale and at fair value(d)	**13,955**	23,649
Total wholesale loans	**262,044**	213,076
Total consumer loans:(e)		
Home equity	**114,335**	94,832
Prime mortgage	**72,266**	39,988
Subprime mortgage	**15,330**	15,473
Option ARMs	**9,018**	—
Auto loans	**42,603**	42,350
Credit card(f)	**104,746**	84,352
Other	**33,715**	25,314
Loans held-for-sale(g)	**2,028**	3,989
Total consumer loans – excluding purchased credit-impaired	**394,041**	306,298
Consumer loans – purchased credit-impaired	**88,813**	NA
Total consumer loans	**482,854**	306,298
Total loans(b)(h)	**$744,898**	$519,374

(a) Includes Investment Bank, Commercial Banking, Treasury & Securities Services and Asset Management.
(b) Includes purchased credit-impaired loans of $224 million at December 31, 2008, acquired in the Washington Mutual transaction.
(c) Represents credits extended for real estate-related purposes to borrowers who are primarily in the real estate development or investment businesses and which the repayment is predominantly from the sale, lease, management, operations or refinancing of the property.
(d) Includes loans for commercial & industrial, real estate, financial institutions and other of $11.0 billion, $428 million, $1.5 billion and $995 million at December 31, 2008, respectively, and $19.6 billion, $548 million, $862 million and $2.7 billion at December 31, 2007 respectively.
(e) Includes Retail Financial Services, Card Services and the Corporate/Private Equity segment.
(f) Includes billed finance charges and fees net of an allowance for uncollectible amounts.
(g) Includes loans for prime mortgage and other (largely student loans) of $206 million and $1.8 billion at December 31, 2008, respectively, and $570 million and $3.4 billion at December 31, 2007, respectively.
(h) Loans (other than purchased loans and those for which the SFAS 159 fair value option has been elected) are presented net of unearned income and net deferred loan fees of $694 million and $1.0 billion at December 31, 2008 and 2007, respectively.

The following table reflects information about the Firm's loan sales.

Year ended December 31, (in millions)	**2008**	2007	2006
Net gains/(losses) on sales of loans (including lower of cost or fair value adjustments)(a)	**$(2,508)**	$ 99	$ 672

(a) Excludes sales related to loans accounted for at fair value.

Purchased credit-impaired loans

In connection with the Washington Mutual transaction, JPMorgan Chase acquired certain loans that it deemed to be credit-impaired under SOP 03-3. Wholesale loans with a carrying amount of $224 million at December 31, 2008, were determined to be credit-impaired at the date of acquisition in accordance with SFAS 114. These wholesale loans are being accounted for individually (not on a pooled basis) and are reported as nonperforming loans since cash flows for each individual loan are not reasonably estimable. Such loans are excluded from the remainder of the following discussion, which relates solely to purchased credit-impaired consumer loans.

Purchased credit-impaired consumer loans were determined to be credit-impaired based upon specific risk characteristics of the loan, including product type, loan-to-value ratios, FICO scores, and past due status. SOP 03-3 allows purchasers to aggregate credit-impaired loans acquired in the same fiscal quarter into one or more pools, provided that the loans have common risk characteristics. A pool is then accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. With respect to the Washington Mutual transaction, all of the consumer loans were aggregated into pools of loans with common risk characteristics.

The table below sets forth information about these purchased credit-impaired consumer loans at the acquisition date.

(in millions)	September 25, 2008(a)(b)
Contractually required payments receivable (including interest)	$ 168,460
Less: Nonaccretable difference	(45,690)
Cash flows expected to be collected(c)	122,770
Less: Accretable yield(d)	(32,662)
Fair value of loans acquired	$ 90,108

(a) Date of the Washington Mutual transaction.
(b) The amounts in the table above were revised in the fourth quarter of 2008 due to the Firm's refinement of both estimates and its application of certain provisions of SOP 03-3.
(c) Represents undiscounted principal and interest cash flows expected at acquisition.
(d) This amount is recognized into interest income over the estimated life of the underlying loans.

The Firm determined the fair value of the purchased credit-impaired consumer loans by discounting the cash flows expected to be collected at a market observable discount rate, when available, adjusted for factors that a market participant would consider in determining fair value. In determining the cash flows expected to be collected, management incorporated assumptions regarding default rates, loss severities and the amounts and timing of prepayments. Contractually required payments were determined following the same process used to estimate cash flows expected to be collected, but without incorporating assumptions related to default rates and loss severities.

Purchased credit-impaired loans acquired in the Washington Mutual transaction are reported in loans on the Firm's Consolidated Balance Sheets. Following the initial acquisition date of these loans, the allowance for loan losses, if any is required, would be reported as a reduction of the carrying amount of the loans. No allowance has been recorded for these loans as of December 31, 2008. The outstanding balance and the carrying value of the purchased credit-impaired consumer loans were as follows.

December 31, (in millions)	2008
Outstanding balance(a)	$118,180
Carrying amount	88,813

(a) Represents the sum of principal and earned interest at the reporting date.

Interest income is being accreted on the purchased credit-impaired consumer loans based on the Firm's belief that both the timing and amount of cash flows expected to be collected is reasonably estimable. For variable rate loans, expected future cash flows are based on the current contractual rate of the underlying loans.

The table below sets forth the accretable yield activity for these loans for the year ended December 31, 2008.

Accretable Yield Activity (in millions)	
Balance, September 30, 2008	$32,662
Accretion into interest income	(1,292)
Changes in interest rates on variable rate loans	(4,877)
Balance, December 31, 2008	**$26,493**

Impaired loans

A loan is considered impaired when, based upon current information and events, it is probable that the Firm will be unable to collect all amounts due (including principal and interest) according to the contractual terms of the loan agreement. Impaired loans include certain nonaccrual wholesale loans and loans for which a charge-off has been recorded based upon the fair value of the underlying collateral. Impaired loans also include loans that have been modified in troubled debt restructurings as a concession to borrowers experiencing financial difficulties. Troubled debt restructurings typically result from the Firm's loss mitigation activities and could include rate reductions, principal forgiveness, forbearance and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of collateral. When the Firm modifies home equity lines of credit in troubled debt restructurings, future lending commitments related to the modified loans are canceled as part of the terms of the modification. Accordingly, the Firm does not have future commitments to lend additional funds related to these modified loans. Purchased credit-impaired loans are not required to be reported as impaired loans as long as it is probable that the Firm expects to collect all cash flows expected at acquisition, plus additional cash flows expected to be collected arising from changes in estimates after acquisition. Accordingly, none of the credit-impaired loans acquired in the Washington Mutual transaction are reported in the following tables.

Interest income on impaired loans is recognized based on the Firm's policy for recognizing interest on accrual and nonaccrual loans. Certain loans that have been modified through troubled debt restructurings accrue interest under this policy.

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The tables below set forth information about JPMorgan Chase's impaired loans, excluding credit card loans which are discussed below. The Firm primarily uses the discounted cash flow method for valuing impaired loans.

December 31, (in millions)	2008	2007
Impaired loans with an allowance:		
Wholesale	$2,026	$ 429
Consumer[(a)]	2,252	322
Total impaired loans with an allowance[(b)]	4,278	751
Impaired loans without an allowance:[(c)]		
Wholesale	62	28
Consumer[(a)]	—	—
Total impaired loans without an allowance	62	28
Total impaired loans[(b)]	$4,340	$ 779
Allowance for impaired loans under SFAS 114:		
Wholesale	$ 712	$ 108
Consumer[(a)]	379	116
Total allowance for impaired loans under SFAS 114[(d)]	$1,091	$ 224

Year ended December 31, (in millions)	2008	2007	2006
Average balance of impaired loans during the period:			
Wholesale	$ 896	$ 316	$ 697
Consumer[(a)]	1,211	317	300
Total impaired loans[(b)]	$2,107	$ 633	$ 997
Interest income recognized on impaired loans during the period:			
Wholesale	$ —	$ —	$ 2
Consumer[(a)]	57	—	—
Total interest income recognized on impaired loans during the period	$ 57	$ —	$ 2

(a) Excludes credit card loans.
(b) In 2008, methodologies for calculating impaired loans have changed. Prior periods have been revised to conform to current presentation.
(c) When the discounted cash flows, collateral value or market price equals or exceeds the carrying value of the loan, then the loan does not require an allowance under SFAS 114.
(d) The allowance for impaired loans under SFAS 114 is included in JPMorgan Chase's allowance for loan losses. The allowance for certain consumer impaired loans has been categorized in the allowance for loan losses as formula-based.

During 2008, loss mitigation efforts related to delinquent mortgage and home equity loans increased substantially, resulting in a significant increase in consumer troubled debt restructurings. In the fourth quarter of 2008, the Firm announced plans to further expand loss mitigation efforts related to these portfolios, including plans to open regional counseling centers, hire additional loan counselors, introduce new financing alternatives, proactively reach out to borrowers to offer pre-qualified modifications, and commence a new process to independently review each loan before moving it into the foreclosure process. These loss mitigation efforts, which generally represent various forms of term extensions, rate reductions and forbearances, are expected to result in additional increases in the balance of modified loans carried on the Firm's balance sheet, including loans accounted for as troubled debt restructurings, while minimizing the economic loss to the Firm and providing alternatives to foreclosure.

JPMorgan Chase may modify the terms of its credit card loan agreements with borrowers who have experienced financial difficulty. Such modifications may include canceling the customer's available line of credit on the credit card, reducing the interest rate on the card, and placing the customer on a fixed payment plan not exceeding 60 months. If the cardholder does not comply with the modified terms, then the credit card loan agreement will revert back to its original terms, with the amount of any loan outstanding reflected in the appropriate delinquency "bucket" and the loan amounts then charged-off in accordance with the Firm's standard charge-off policy. Under these procedures, $2.4 billion and $1.4 billion of on-balance sheet credit card loan outstandings have been modified at December 31, 2008 and 2007, respectively. In accordance with the Firm's methodology for determining its consumer allowance for loan losses, the Firm had already provisioned for these credit card loans; the modifications to these credit card loans had no incremental impact on the Firm's allowance for loan losses.

Note 15 – Allowance for credit losses

During 2008, in connection with the Washington Mutual transaction, the Firm recorded adjustments to its provision for credit losses in the aggregate amount of $1.5 billion to conform the Washington Mutual loan loss reserve methodologies to the appropriate JPMorgan Chase methodology, based upon the nature and characteristics of the underlying loans. This amount included an adjustment of $646 million to the wholesale provision for credit losses and an adjustment of $888 million to the consumer provision for credit losses. The Firm's methodologies for determining its allowance for credit losses, which have been applied to the Washington Mutual loans, are described more fully below.

JPMorgan Chase's allowance for loan losses covers the wholesale (risk-rated) and consumer (scored) loan portfolios and represents management's estimate of probable credit losses inherent in the Firm's loan portfolio. Management also computes an allowance for wholesale lending-related commitments using a methodology similar to that used for the wholesale loans.

The allowance for loan losses includes an asset-specific component and a formula-based component. The asset-specific component relates to provisions for losses on loans considered impaired and measured pursuant to SFAS 114. An allowance is established when the discounted cash flows (or collateral value or observable market price) of the loan is lower than the carrying value of that loan. To compute the asset-specific component of the allowance, larger impaired loans are evaluated individually, and smaller impaired loans are evaluated as a pool using historical loss experience for the respective class of assets. An allowance for loan losses will also be recorded for purchased credit-impaired loans accounted for in accordance with SOP 03-3 if there are probable decreases in expected future cash flows other than decreases related to repricing of variable rate loans. Any required allowance would be measured based on the present value of expected cash flows discounted at the loan's (or pool's) effective interest rate. For additional information on purchased credit-impaired loans, see Note 14 on pages 165 - 166 of this Annual Report.

The formula-based component covers performing wholesale and consumer loans. For risk-rated loans (generally loans originated by the wholesale lines of business), it is based on a statistical calculation, which is adjusted to take into consideration model imprecision, external factors and current economic events that have occurred but are not yet reflected in the factors used to derive the statistical calculation. The statistical calculation is the product of probability of default ("PD") and loss given default ("LGD"). These factors are differentiated by risk rating and expected maturity. PD estimates are based on observable external data, primarily credit-rating agency default statistics. LGD estimates are based on a study of actual credit losses over more than one credit cycle. For scored loans (generally loans originated by the consumer lines of business), loss is primarily determined by applying statistical loss factors, including loss frequency and severity factors, to pools of loans by asset type. In developing loss frequency and severity assumptions, known and anticipated changes in the economic environment, including changes in housing prices, unemployment rates and other risk indicators, are considered. Multiple forecasting methods are used to estimate statistical losses, including credit loss forecasting models and vintage-based loss forecasting.

Management applies its judgment within specified ranges to adjust the statistical calculation. Where adjustments are made to the statistical calculation for the risk-rated portfolios, the determination of the appropriate point within the range are based upon management's quantitative and qualitative assessment of the quality of underwriting standards; relevant internal factors affecting the credit quality of the current portfolio; and external factors such as current macroeconomic and political conditions that have occurred but are not yet reflected in the loss factors. Factors related to concentrated and deteriorating industries are also incorporated into the calculation, where relevant. Adjustments to the statistical calculation for the scored loan portfolios are accomplished in part by analyzing the historical loss experience for each major product segment. The specific ranges and the determination of the appropriate point within the range are based upon management's view of uncertainties that relate to current macroeconomic and political conditions, the quality of underwriting standards, and other relevant internal and external factors affecting the credit quality of the portfolio.

The allowance for lending-related commitments represents management's estimate of probable credit losses inherent in the Firm's process of extending credit. Management establishes an asset-specific allowance for lending-related commitments that are considered impaired and computes a formula-based allowance for performing wholesale lending-related commitments. These are computed using a methodology similar to that used for the wholesale loan portfolio, modified for expected maturities and probabilities of drawdown.

Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the loan portfolio, in light of the factors then prevailing, may result in significant changes in the allowances for loan losses and lending-related commitments in future periods.

At least quarterly, the allowance for credit losses is reviewed by the Chief Risk Officer, the Chief Financial Officer and the Controller of the Firm and discussed with the Risk Policy and Audit Committees of the Board of Directors of the Firm. As of December 31, 2008, JPMorgan Chase deemed the allowance for credit losses to be appropriate (i.e., sufficient to absorb losses that are inherent in the portfolio, including those not yet identifiable).

The table below summarizes the changes in the allowance for loan losses.

Year ended December 31, (in millions)	**2008**	2007	2006
Allowance for loan losses at January 1	**$ 9,234**	$7,279	$7,090
Cumulative effect of change in accounting principles[(a)]	**—**	(56)	—
Allowance for loan losses at January 1, adjusted	**9,234**	7,223	7,090
Gross charge-offs	**10,764**	5,367	3,884
Gross (recoveries)	**(929)**	(829)	(842)
Net charge-offs	**9,835**	4,538	3,042
Provision for loan losses			
Provision excluding accounting conformity	**19,660**	6,538	3,153
Provision for loan losses – accounting conformity[(b)]	**1,577**	—	—
Total provision for loan losses	**21,237**	6,538	3,153
Addition resulting from Washington Mutual transaction	**2,535**	—	—
Other[(c)]	**(7)**	11	78
Allowance for loan losses at December 31	**$23,164**	$9,234	$7,279
Components:			
Asset-specific	**$ 786**	$ 188	$ 118
Formula-based	**22,378**	9,046	7,161
Total Allowance for loan losses	**$23,164**	$9,234	$7,279

(a) Reflects the effect of the adoption of SFAS 159 at January 1, 2007. For a further discussion of SFAS 159, see Note 5 on pages 144–146 of this Annual Report.
(b) Relates to the Washington Mutual transaction in 2008.
(c) The 2008 amount represents foreign-exchange translation. The 2007 amount represents assets acquired of $5 million and $5 million of foreign-exchange translation. The 2006 amount represents the Bank of New York transaction.

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The table below summarizes the changes in the allowance for lending-related commitments.

Year ended December 31, (in millions)	2008	2007	2006
Allowance for lending-related commitments at January 1	**$ 850**	$ 524	$ 400
Provision for lending-related commitments			
Provision excluding accounting conformity	**(215)**	326	117
Provision for lending-related commitments – accounting conformity[(a)]	**(43)**	—	—
Total provision for lending-related commitments	**(258)**	326	117
Addition resulting from Washington Mutual	**66**	—	—
Other[(b)]	**1**	—	7
Allowance for lending-related commitments at December 31	**$ 659**	$ 850	$ 524
Components:			
Asset-specific	**$ 29**	$ 28	$ 33
Formula-based	**630**	822	491
Total allowance for lending- related commitments	**$ 659**	$ 850	$ 524

(a) Related to the Washington Mutual transaction.
(b) The 2006 amount represents the Bank of New York transaction.

Note 16 – Loan securitizations

JPMorgan Chase securitizes and sells a variety of loans, including residential mortgage, credit card, automobile, student, and commercial loans (primarily related to real estate). JPMorgan Chase-sponsored securitizations utilize SPEs as part of the securitization process. These SPEs are structured to meet the definition of a QSPE (as discussed in Note 1 on page 122 of this Annual Report); accordingly, the assets and liabilities of securitization-related QSPEs are not reflected on the Firm's Consolidated Balance Sheets (except for retained interests, as described below). The primary purpose of these securitization vehicles is to meet investor needs and to generate liquidity for the Firm through the sale of loans to the QSPEs. These QSPEs are financed through the issuance of fixed, or floating-rate asset-backed securities.

The Firm records a loan securitization as a sale when the accounting criteria for a sale are met. Those criteria are: (1) the transferred assets are legally isolated from the Firm's creditors; (2) the entity can pledge or exchange the financial assets, or if the entity is a QSPE, its investors can pledge or exchange their interests; and (3) the Firm does not maintain effective control to repurchase the transferred assets before their maturity or have the ability to unilaterally cause the holder to return the transferred assets.

For loan securitizations that meet the accounting sales criteria, the gains or losses recorded depend, in part, on the carrying amount of the loans sold except for servicing assets which are initially recorded at fair value. At the time of sale, any retained servicing asset is initially recognized at fair value. The remaining carrying amount of the loans sold is allocated between the loans sold and the other interests retained, based upon their relative fair values on the date of sale. Gains on securitizations are reported in noninterest revenue.

When quoted market prices are not available, the Firm estimates the fair value for these retained interests by calculating the present value of future expected cash flows using modeling techniques. Such models incorporate management's best estimates of key variables, such as expected credit losses, prepayment speeds and the discount rates appropriate for the risks involved. See Note 4 on page 132 of this Annual Report for further information on the valuation of retained interests.

The Firm may retain interests in the securitized loans in the form of undivided seller's interest, senior or subordinated interest-only strips, debt and equity tranches, escrow accounts and servicing rights. The classification of retained interests is dependent upon several factors, including the type of interest, whether or not the retained interest is represented by a security certificate and when it was retained. Interests retained by IB are classified as trading assets. See credit card securitizations and mortgage securitizations sections of the note for further information on the classification of their related retained interests. Retained interests classified as AFS that are rated below "AA" by an external rating agency are subject to the impairment provisions of EITF 99-20, as discussed in Note 12 on page 162 of this Annual Report.

The following table presents the total unpaid principal amount of assets held in JPMorgan Chase-sponsored securitization entities, for which sale accounting was achieved and to which the Firm has continuing involvement, at December 31, 2008 and 2007. Continuing involvement includes servicing the loans, holding senior or subordinated interests, recourse or guarantee arrangements and derivative transactions. In certain instances, the Firm's only continuing involvement is servicing the loans. Certain of the Firm's retained interests (trading assets, AFS securities and other assets) are reflected at their fair value.

December 31, 2008 (in billions)	Principal amount outstanding: Total assets held by Firm-sponsored QSPEs	Principal amount outstanding: Assets held in QSPEs with continuing involvement	JPMorgan Chase interest in securitized assets(f)(g)(h)(i): Trading assets	AFS securities	Loans	Other assets	Total interests held by JPMorgan Chase
Securitized related:							
Credit card	$ 121.6	$ 121.6(e)	$ 0.5	$ 5.6	$ 33.3	$ 5.6	$ 45.0
Residential mortgage:							
Prime(a)	233.9	212.3	1.7	0.7	—	—	2.4
Subprime	61.0	58.6	—	0.1	—	—	0.1
Option ARMs	48.3	48.3	0.1	0.3	—	—	0.4
Commercial and other(b)	174.1	45.7	2.0	0.5	—	—	2.5
Student loans	1.1	1.1	—	—	—	0.1	0.1
Auto	0.8	0.8	—	—	—	—	—
Total(c)(d)	$ 640.8	$ 488.4	$ 4.3	$ 7.2	$ 33.3	$ 5.7	$ 50.5

December 31, 2007 (in billions)	Principal amount outstanding: Total assets held by Firm-sponsored QSPEs	Principal amount outstanding: Assets held in QSPEs with continuing involvement	JPMorgan Chase interest in securitized assets(f)(i)(j): Trading assets	AFS securities	Loans	Other assets	Total interests held by JPMorgan Chase
Securitized related:							
Credit card	$ 92.7	$ 92.7(e)	$ —	$ 0.3	$ 18.6	$ 4.6	$ 23.5
Residential mortgage:							
Prime(a)	78.3	77.7	0.4	—	—	—	0.4
Subprime	23.7	22.7	0.3	0.1	—	—	0.4
Option ARMs	—	—	—	—	—	—	—
Commercial and other(b)	109.6	3.4	—	—	—	—	—
Student loans	1.1	1.1	—	—	—	0.1	0.1
Auto	2.3	2.3	—	—	—	0.1	0.1
Total(c)	$ 307.7	$ 199.9	$ 0.7	$ 0.4	$ 18.6	$ 4.8	$ 24.5

(a) Includes Alt-A loans.
(b) Includes co-sponsored commercial securitizations and, therefore, includes non-JPMorgan Chase originated commercial mortgage loans. Commercial and other consists of securities backed by commercial loans (predominantly real estate) and non-mortgage related consumer receivables purchased from third parties. The Firm generally does not retain a residual interest in the Firm's sponsored commercial mortgage securitization transactions.
(c) Includes securitized loans where the Firm owns less than a majority of the subordinated or residual interests in the securitizations.
(d) Includes securitization-related QSPEs sponsored by heritage Bear Stearns and heritage Washington Mutual at December 31, 2008.
(e) Includes credit card loans, accrued interest and fees, and cash amounts on deposit.
(f) Excludes retained servicing (for a discussion of MSRs, see Note 18 on pages 187–188 of this Annual Report).
(g) Excludes senior and subordinated securities of $974 million at December 31, 2008, that the Firm purchased in connection with IB's secondary market-making activities.
(h) Includes investments acquired in the secondary market, but predominantly held-for-investment purposes of $1.8 billion as of December 31, 2008. This is comprised of $1.4 billion of investments classified as available-for-sale, including $172 million in credit cards, $693 million of residential mortgages and $495 million of commercial and other; and $452 million of investments classified as trading, including $112 million of credit cards, $303 million of residential mortgages, and $37 million of commercial and other.
(i) Excludes interest rate and foreign exchange derivatives that are primarily used to manage the interest rate and foreign exchange risks of the securitization entities. See Note 6 and Note 32 on pages 146–147 and 202–205, respectively, of this Annual Report for further information on derivatives.
(j) Excludes senior and subordinated securities of $9.8 billion at December 31, 2007, that were retained at the time of securitization in connection with IB's underwriting activity or that are purchased in connection with IB's secondary market-making activities.

Securitization activity by major product type

The following discussion describes the nature of the Firm's securitization activities by major product type.

Credit Card Securitizations

The Card Services ("CS") business securitizes originated and purchased credit card loans. The Firm's primary continuing involvement includes servicing the receivables, retaining an undivided seller's interest in the receivables, retaining certain senior and subordinated securities and the maintenance of escrow accounts.

CS maintains servicing responsibilities for all credit card securitizations that it sponsors. As servicer and transferor, the Firm receives contractual servicing fees based upon the securitized loan balance plus excess servicing fees, which are recorded in credit card income as discussed in Note 7 on pages 148–149 of this Annual Report.

The agreements with the credit card securitization trusts require the Firm to maintain a minimum undivided interest in the trusts (which generally ranges from 4% to 12%). At December 31, 2008 and 2007, the Firm had $33.3 billion and $18.6 billion, respectively, related to its undivided interests in the trusts. The Firm maintained an average undivided interest in principal receivables in the trusts of approximately 22% and 19% for the years ended December 31, 2008 and 2007, respectively. These undivided interests in the trusts represent the Firm's undivided interests in the receivables transferred to the trust that have not been securitized; these undivided interests are not represented by security certificates, are carried at historical cost, and are classified within loans.

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Additionally, the Firm retained subordinated interest in accrued interest and fees on the securitized receivables totaling $3.0 billion and $2.7 billion (net of an allowance for uncollectible amounts) as of December 31, 2008 and 2007, respectively, which are classified in other assets.

The Firm retained subordinated securities in credit card securitization trusts totaling $2.3 billion and $284 million at December 31, 2008 and 2007, respectively, and senior securities totaling $3.5 billion at December 31, 2008. Of the securities retained, $5.4 billion and $284 million were classified as AFS securities at December 31, 2008 and 2007, respectively. Securities of $389 million that were acquired in the Washington Mutual Bank transaction were classified as trading assets at December 31, 2008. The senior AFS securities were used by the Firm as collateral for a secured financing transaction.

The Firm also maintains escrow accounts up to predetermined limits for some credit card securitizations to cover deficiencies in cash flows owed to investors. The amounts available in such escrow accounts related to credit cards are recorded in other assets and amounted to $74 million and $97 million as of December 31, 2008 and 2007, respectively.

Mortgage Securitizations
The Firm securitizes originated and purchased residential mortgages and originated commercial mortgages.

RFS securitizes residential mortgage loans that it originates and purchases and it typically retains servicing for all of its originated and purchased residential mortgage loans. Additionally, RFS may retain servicing for certain mortgage loans purchased by IB. As servicer, the Firm receives servicing fees based upon the securitized loan balance plus ancillary fees. The Firm also retains the right to service the residential mortgage loans it sells to the Government National Mortgage Association (“GNMA”), Federal National Mortgage Association (“Fannie Mae”) and Federal Home Loan Mortgage Corporation (“Freddie Mac”) in accordance with their servicing guidelines and standards. For a discussion of MSRs, see Note 18 on pages 187–188 of this Annual Report. In a limited number of securitizations, RFS may retain an interest in addition to servicing rights. The amount of interest retained related to these securitizations totaled $939 million and $221 million at December 31, 2008 and 2007, respectively. These retained interests are accounted for as trading or AFS securities; the classification depends on whether the retained interest is represented by a security certificate, has an embedded derivative, and when it was retained (i.e., prior to the adoption of SFAS 155).

IB securitizes residential mortgage loans (including those that it purchased and certain mortgage loans originated by RFS) and commercial mortgage loans that it originated. Upon securitization, IB may engage in underwriting and trading activities of the securities issued by the securitization trust. IB may retain unsold senior and/or subordinated interests (including residual interests) in both residential and commercial mortgage securitizations at the time of securitization. These retained interests are accounted for at fair value and classified as trading assets. The amount of residual interests retained was $155 million and $547 million at December 31, 2008 and 2007, respectively. Additionally, IB retained $2.8 billion of senior and subordinated interests as of December 31, 2008; these securities were retained at securitization in connection with the Firm’s underwriting activity.

In addition to the amounts reported in the securitization activity tables below, the Firm sold residential mortgage loans totaling $122.0 billion, $81.8 billion and $53.7 billion during the years ended December 31, 2008, 2007 and 2006, respectively. The majority of these loan sales were for securitization by the GNMA, Fannie Mae and Freddie Mac. These sales resulted in pretax gains of $32 million, $47 million and $251 million, respectively.

The Firm’s mortgage loan sales are primarily nonrecourse, thereby effectively transferring the risk of future credit losses to the purchaser of the loans. However, for a limited number of loan sales, the Firm is obligated to share up to 100% of the credit risk associated with the sold loans with the purchaser. See Note 33 on page 209 of this Annual Report for additional information on loans sold with recourse.

Other Securitizations
The Firm also securitizes automobile and student loans originated by RFS and purchased consumer loans (including automobile and student loans). The Firm retains servicing responsibilities for all originated and certain purchased student and automobile loans. It may also hold a retained interest in these securitizations; such residual interests are classified as other assets. At December 31, 2008 and 2007, the Firm held $37 million and $85 million, respectively, of retained interests in securitized automobile loans and $52 million and $55 million, respectively, of retained interests in securitized student loans.

The Firm also maintains escrow accounts up to predetermined limits for some automobile and student loan securitizations to cover deficiencies in cash flows owed to investors. These escrow accounts are classified within other assets and carried at fair value. The amounts available in such escrow accounts as of December 31, 2008, were $3 million for both automobile and student loan securitizations; as of December 31, 2007, these amounts were $21 million and $3 million for automobile and student loan securitizations, respectively.

Securitization activity

The following tables provide information related to the Firm's securitization activities for the years ended December 31, 2008, 2007 and 2006. For the periods presented there were no cash flows from the Firm to the QSPEs related to recourse or guarantee arrangements.

Year ended December 31, 2008 (in millions, except for ratios and where otherwise noted)	Credit card	Residential mortgage[g] Prime[h]	Residential mortgage[g] Subprime	Residential mortgage[g] Option ARMs	Commercial and other	Student loans	Auto
Principal securitized	**$ 21,390**	**$ —**	**$ —**	**$ —**	**$ 1,023**	$ —	$ —
Pretax gains	**151**	**—**	**—**	**—**	**—**	—	—
All cash flows during the period:							
Proceeds from new securitizations	**$ 21,389**[f]	**$ —**	**$ —**	**$ —**	**$ 989**	$ —	$ —
Servicing fees collected	**1,162**	**279**	**146**	**129**	**11**	**4**	**15**
Other cash flows received[a]	**4,985**	**23**	**16**	**—**	**—**	—	—
Proceeds from collections reinvested in revolving securitizations	**152,399**	**—**	**—**	**—**	**—**	—	—
Purchases of previously transferred financial assets (or the underlying collateral)[b][c]	**—**	**217**	**13**	**6**	**—**	—	**359**
Cash flows received on the interests that continue to be held by the Firm[d]	**117**	**267**	**23**	**53**	**455**	—	**43**
Key assumptions used to measure retained interests originated during the year (rates per annum):							
Prepayment rate[e]	**17.9-20.0% PPR**				**1.5% CPR**		
Weighted-average life (in years)	**0.4-0.5**				**2.1**		
Expected credit losses	**4.2-4.8%**				**1.5%**		
Discount rate	**12.0-13.0%**				**25.0%**		

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Year ended December 31, 2007 (in millions, except for ratios and where otherwise noted)	Credit card	Residential mortgage Prime[h]	Subprime	Option ARMs	Commercial and other	Student loans	Auto
Principal securitized	$ 21,160	$ 32,084	$ 6,763	$ —	$ 12,797	$ 1,168	$ —
Pretax gains	177	28[i]	43	—	—	51	—
All cash flows during the period:							
Proceeds from new securitizations	$ 21,160	$ 31,791	$ 6,844	$ —	$ 13,038	$ 1,168	$ —
Servicing fees collected	1,005	124	246	—	7	2	36
Other cash flows received[a]	4,963	—	—	—	—	—	—
Proceeds from collections reinvested in revolving securitizations	148,946	—	—	—	—	—	—
Purchases of previously transferred financial assets (or the underlying collateral)[b]	—	58	598	—	—	—	431
Cash flows received on the interests that continue to be held by the Firm[d]	18	140	278	—	256	—	89
Key assumptions used to measure retained interests originated during the year (rates per annum):							
Prepayment rate[e]	20.4% PPR	13.7-37.2% CPR	30.0-48.0% CPR		0.0-8.0% CPR	1.0-8.0% CPR	
Weighted-average life (in years)	0.4	1.3-5.4	2.3-2.8		1.3-10.2	9.3	
Expected credit losses	3.5-3.9%	0.0-1.6%[j]	1.2-2.2%		0.0-1.0%[j]	—%[j]	
Discount rate	12.0%	5.8-20.0%	12.1-26.7%		10.0-14.0%	9.0%	

Year ended December 31, 2006 (in millions, except for ratios and where otherwise noted)	Credit card	Residential mortgage Prime[h]	Subprime	Option ARMs	Commercial and other	Student loans	Auto
Principal securitized	$ 9,735	$ 30,254	$ 17,359	$ —	$ 13,858	$ —	$ 2,405
Pretax gains	67	53	193	—	129	—	—
All cash flows during the period:							
Proceeds from new securitizations	$ 9,735	$ 30,167	$ 17,635	$ —	$ 14,248	$ —	$ 1,745
Servicing fees collected	973	76	29	—	1	—	52
Other cash flows received[a]	5,281	35	—	—	95	—	—
Proceeds from collections reinvested in revolving securitizations	151,186	—	—	—	—	—	—
Purchases of previously transferred financial assets (or the underlying collateral)[b]	—	31	31	—	—	—	138
Cash flows received on the interests that continue to be held by the Firm[d]	76	48	258	—	73	—	96
Key assumptions used to measure retained interests originated during the year (rates per annum):							
Prepayment rate[e]	20.0-22.2% PPR	10.0-41.3% CPR	36.0-45.0% CPR		0.0-36.2% CPR		1.4-1.5% ABS
Weighted-average life (in years)	0.4	1.7-4.0	1.5-2.4		1.5-6.1		1.4-1.9
Expected credit losses	3.3-4.2%	0.1-3.3%[j]	1.1-2.1%		0.0-0.9%[j]		0.3-0.7%
Discount rate	12.0%	8.4-26.2%	15.1-22.0%		3.8-14.0%		7.6-7.8%

(a) Other cash flows received include excess servicing fees and other ancillary fees received.
(b) Includes cash paid by the Firm to reacquire assets from the QSPEs, for example, servicer clean-up calls.
(c) Excludes a random removal of $6.2 billion of credit card loans from a securitization trust previously established by Washington Mutual and an account addition of $5.8 billion of higher quality credit card loans from the legacy Chase portfolio to the legacy Washington Mutual trust in November 2008. These are noncash transactions that are permitted by the trust documents in order to maintain the appropriate level of undivided seller's interest.
(d) Includes cash flows received on retained interests including, for example, principal repayments, and interest payments.
(e) PPR: principal payment rate; CPR: constant prepayment rate; ABS: absolute prepayment speed.
(f) Includes $5.5 billion of securities retained by the Firm.
(g) Includes securitizations sponsored by Bear Stearns and Washington Mutual as of their respective acquisition dates.
(h) Includes Alt-A loans.
(i) As of January 1, 2007, the Firm adopted the fair value election for IB warehouse and the RFS prime mortgage warehouse. The carrying value of these loans accounted for at fair value approximates the proceeds received from securitization.
(j) Expected credit losses for consumer prime residential mortgage, and student and certain other securitizations are minimal and are incorporated into other assumptions.

Retained securitization interests

The following table summarizes the Firm's retained securitization interests, which are carried at fair value on the Firm's Consolidated Balance Sheets at December 31, 2008. As of December 31, 2008, 55% of the Firm's retained securitization interests, which are carried at fair value, were risk rated "A" or better.

December 31, (in billions)	Ratings profile of retained interests[c][d] 2008 Investment Grade	Noninvestment grade	Retained interest
Asset types:			
Credit card[a]	**$ 5.5**	**$ 3.8**	**$ 9.3**
Residential mortgage:			
Prime[b]	**1.1**	**0.3**	**1.4**
Subprime	**—**	**0.1**	**0.1**
Option ARMs	**0.4**	**—**	**0.4**
Commercial and other	**1.7**	**0.3**	**2.0**
Student loans	**—**	**0.1**	**0.1**
Auto	**—**	**—**	**—**
Total	**$ 8.7**	**$ 4.6**	**$ 13.3**

(a) Includes retained subordinated interests carried at fair value, including CS' accrued interests and fees, escrow accounts, and other residual interests. Excludes undivided seller interest in the trusts of $33.3 billion at December 31, 2008, which is carried at historical cost, and unencumbered cash amounts on deposit of $2.1 billion at December 31, 2008.
(b) Includes Alt-A loans.
(c) The ratings scale is presented on an S&P-equivalent basis.
(d) Excludes $1.8 billion of investments acquired in the secondary market, but predominantly held for investment purposes. Of this amount $1.7 billion is classified as investment grade.

The table below outlines the key economic assumptions used at December 31, 2008 and 2007, to determine the fair value as of December 31, 2008 and 2007, respectively, of the Firm's retained interests, other than MSRs, that are valued using modeling techniques; it excludes securities that are valued using quoted market prices. The table below also outlines the sensitivities of those fair values to immediate 10% and 20% adverse changes in assumptions used to determine fair value. For a discussion of residential MSRs, see Note 18 on pages 187–188 of this Annual Report.

December 31, 2008 (in millions, except rates and where otherwise noted)	Credit card	Residential mortgage Prime[c]	Subprime	Option ARMs	Commercial and other	Student loans	Auto
Retained interests	**$ 3,463**[b]	**$ 1,420**	**$ 68**	**$ 436**	**$ 1,966**	**$ 55**	**$ 40**
Weighted-average life (in years)	**0.5**	**5.3**	**1.5**	**7.3**	**3.5**	**8.2**	**0.7**
Prepayment rates[a]	**15.4-16.7%**	**0.0-50.6%**[d]	**1.0-53.1%**	**5.0-15.0%**	**0.0-100.0%**[g]	**5.0%**	**1.2-1.4%**
Weighted-average prepayment rate	**16.6 PPR**	**17.7 CPR**	**25.1 CPR**	**7.6 CPR**	**0.7 CPR**	**5.0 CPR**	**1.3 ABS**
Impact of 10% adverse change	**$ (42)**	**$ (31)**	**$ (5)**	**$ (4)**	**$ (1)**	**$ (1)**	**$ —**
Impact of 20% adverse change	**(85)**	**(57)**	**(6)**	**(11)**	**(1)**	**(2)**	**(1)**
Loss assumptions	**4.7-7.6%**	**0.0-78.1%**[d]	**0.0-78.1%**[f]	**0.0-26.3%**	**0.0-5.0%**	**—%**[e]	**0.4-0.7%**
Weighted-average loss assumption	**7.0**	**4.4**	**3.4**	**0.3**	**0.3**	**—**	**0.5**
Impact of 10% adverse change	**$ (235)**	**$ (25)**	**$ (7)**	**$ —**	**$ (12)**	**$ —**	**$ —**
Impact of 20% adverse change	**(426)**	**(49)**	**(13)**	**(1)**	**(24)**	**—**	**(1)**
Discount rates	**18.0%**	**9.9-67.7%**[d]	**10.6-30.0%**	**3.6-71.7%**	**3.3-47.8%**[g]	**9.0%**	**4.1-4.2%**
Weighted-average discount rate	**18.0**	**14.5**	**21.5**	**17.3**	**12.4**	**9.0**	**4.1**
Impact of 10% adverse change	**$ (10)**	**$ (52)**	**$ (3)**	**$ (16)**	**$ (26)**	**$ (2)**	**$ —**
Impact of 20% adverse change	**(20)**	**(102)**	**(5)**	**(28)**	**(49)**	**(4)**	**—**

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December 31, 2007 (in millions, except rates and where otherwise noted)	Credit card	Residential mortgage Prime[c]	Subprime	Option ARMs	Commercial and other	Student loans	Auto
Retained interests	$ 3,324	$ 381	$ 387	$—	$ 42	$ 58	$106
Weighted-average life (in years)	0.4-0.5	2.9-4.9	2.9	—	0.3-11.0	8.8	0.9
Prepayment rates[a]	15.6-18.9% PPR	19.0-25.3% CPR	25.7% CPR	—%	0.0-50.0% CPR	1.0-8.0% CPR	1.4% ABS
Impact of 10% adverse change	$ (59)	$ (14)	$ (30)	$ —	$ (1)	$ (1)	$ (1)
Impact of 20% adverse change	(118)	(25)	(54)	—	(2)	(2)	(1)
Loss assumptions	3.3-4.6%	0.0-3.0%[e]	3.3%	—%	0.0-0.9%	—%[e]	0.6%
Impact of 10% adverse change	$ (117)	$ (13)	$ (68)	$ —	$ (1)	$ —	$ (2)
Impact of 20% adverse change	(234)	(25)	(120)	—	(1)	—	(3)
Discount rates	12.0%	11.0-23.9%	15.0-30.0%	—%	1.0-18.0%	9.0%	6.8%
Impact of 10% adverse change	$ (2)	$ (18)	$ (16)	$ —	$ —	$ (3)	$ —
Impact of 20% adverse change	(4)	(36)	(31)	—	(1)	(5)	(1)

(a) PPR: principal payment rate; ABS: absolute prepayment speed; CPR: constant prepayment rate.
(b) Excludes certain interests that are not valued using modeling techniques.
(c) Includes Alt-A loans.
(d) Including the valuation assumptions used to determine the fair value for a limited amount of retained interests resulted in a wider range than those used for the majority of the portfolio. Excluding these retained interests, the range of assumptions used to value the prime/Alt A mortgage retained interests would have been 0.0-29.4% for prepayment rates; 0.0-25.0% for loss assumptions; and 9.9%-21.4% for the discount rates.
(e) Expected losses for prime residential mortgage, student loans and certain wholesale securitizations are minimal and are incorporated into other assumptions.
(f) Including the loss assumptions used to determine the fair value for a limited amount of retained interests resulted in a wider range than those used for the majority of the portfolio. Excluding these retained interests, the range of loss assumption used to value the subprime mortgage retained interests would have been 0.2-43.5%.
(g) The valuation assumptions used to determine the fair value for a limited amount of retained interests were higher than the majority of the portfolio. Excluding these retained interests, the range of assumptions used to value the commercial and other retained interests would have been 0.0% to 22.0% for prepayment rates and 3.3%-30.4% for the discount rates.

The sensitivity analysis in the preceding table is hypothetical. Changes in fair value based upon a 10% or 20% variation in assumptions generally cannot be extrapolated easily because the relationship of the change in the assumptions to the change in fair value may not be linear. Also, in the table, the effect that a change in a particular assumption may have on the fair value is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which might counteract or magnify the sensitivities. The above sensitivities also do not reflect the Firm's risk management practices that may be undertaken to mitigate such risks.

The table below includes information about delinquencies, net charge-offs and components of reported and securitized financial assets at December 31, 2008 and 2007.

December 31, (in millions)	Total Loans 2008	Total Loans 2007	90 days past due and still accruing 2008	90 days past due and still accruing 2007	Nonaccrual assets[g][h] 2008	Nonaccrual assets[g][h] 2007	Net loan charge-offs Year ended 2008	Net loan charge-offs Year ended 2007
Home Equity	**$ 114,335**	$ 94,832	**$ —**	$ —	**$ 1,394**	$ 786	**$ 2,391**	$ 564
Prime mortgage[a]	**72,266**	39,988	**—**	—	**1,895**	501	**526**	33
Subprime mortgage	**15,330**	15,473	**—**	—	**2,690**	1,017	**933**	157
Option ARMs	**9,018**	—	**—**	—	**10**	—	**—**	—
Auto loans	**42,603**	42,350	**—**	—	**148**	116	**568**	354
Credit card	**104,746**	84,352	**2,649**	1,547	**4**	7	**4,556**	3,116
All other loans	**33,715**	25,314	**463**	421	**430**	341	**459**	242
Loans held-for-sale[b]	**2,028**	3,989	**—**	—	**—**	—	**NA**	NA
Total consumer loans – excluding purchased credit-impaired	**394,041**	306,298	**3,112**	1,968	**6,571**	2,768	**9,433**	4,466
Consumer loans – purchased credit-impaired[c]	**88,813**	—	**—**	—	**—**	—	**—**	—
Total consumer loans	**482,854**	306,298	**3,112**	1,968	**6,571**	2,768	**9,433**	4,466
Total wholesale loans	**262,044**	213,076	**163**	75	**2,382**[i]	514[i]	**402**	72
Total loans reported	**744,898**	519,374	**3,275**	2,043	**8,953**	3,282	**9,835**	4,538
Securitized loans:								
Residential mortgage:								
Prime mortgages[a]	**212,274**	77,582	**—**	—	**21,130**	1,215	**5,645**	7
Subprime mortgage	**58,607**	22,692	**—**	—	**13,301**	3,238	**4,797**	413
Option ARMs	**48,328**	—	**—**	—	**6,440**	—	**270**	—
Automobile	**791**	2,276	**—**	—	**2**	6	**15**	13
Credit card	**85,571**	72,701	**1,802**	1,050	**—**	—	**3,612**	2,380
Student	**1,074**	1,141	**66**	—	**—**	—	**1**	—
Commercial and other	**45,677**	3,419	**28**	—	**166**	—	**8**	11
Total loans securitized[d]	**$ 452,322**	$179,811	**$1,896**	$1,050	**$41,039**	$4,459	**$14,348**	$2,824
Total loans reported and securitized[e]	**$1,197,220**[f]	$699,185[f]	**$5,171**	$3,093	**$49,992**	$7,741	**$24,183**	$7,362

(a) Includes Alt-A loans.
(b) Includes loans for prime mortgage and other (largely student loans) of $206 million and $1.8 billion at December 31, 2008, respectively, and $570 million and $3.4 billion at December 31, 2007, respectively.
(c) Purchased credit-impaired loans represent loans acquired in the Washington Mutual acquisition that were considered credit-impaired under SOP 03-3, and include $6.4 billion of loans that were nonperforming immediately prior to the acquisition. Under SOP 03-3, these loans are considered to be performing loans as of the acquisition date; they accrete interest income over the estimated life of the loan when cash flows are reasonably estimable, even if the underlying loans are contractually past due. For additional information, see Note 14 on pages 163–166 of this Annual Report.
(d) Total assets held in securitization-related SPEs were $640.8 billion and $307.7 billion at December 31, 2008 and 2007, respectively. The $452.3 billion and $179.8 billion of loans securitized at December 31, 2008 and 2007, respectively, excludes $152.4 billion and $107.8 billion of securitized loans, respectively, in which the Firm has no continuing involvement; $33.3 billion and $18.6 billion of seller's interests in credit card master trusts, respectively; and $2.8 billion and $1.5 billion of cash amounts on deposit and escrow accounts.
(e) Represents both loans on the Consolidated Balance Sheets and loans that have been securitized.
(f) Includes securitized loans that were previously recorded at fair value and classified as trading assets.
(g) During the second quarter of 2008, the policy for classifying subprime mortgage and home equity loans as nonperforming was changed to conform to all other home lending products. Amounts for 2007 have been revised to reflect this change.
(h) Excludes nonperforming assets related to (i) loans eligible for repurchase, as well as loans repurchased from GNMA pools that are insured by U.S. government agencies, of $3.3 billion and $1.5 billion at December 31, 2008 and 2007, respectively, and (ii) student loans that are 90 days past due and still accruing, which are insured by U.S. government agencies under the Federal Family Education Loan Program, of $437 million and $417 million at December 31, 2008 and 2007, respectively. These amounts for GNMA and student loans are excluded, as reimbursement is proceeding normally.
(i) Includes nonperforming loans held-for-sale and loans at fair value of $32 million and $50 million at December 31, 2008 and 2007, respectively.

Subprime adjustable-rate mortgage loan modifications
See the Glossary of Terms on page 220 of this Annual Report for the Firm's definition of subprime loans. Within the confines of the limited decision-making abilities of a QSPE under SFAS 140, the operating documents that govern existing subprime securitizations generally authorize the servicer to modify loans for which default is reasonably foreseeable, provided that the modification is in the best interests of the QSPE's beneficial interest holders and would not result in a REMIC violation.

In December 2007, the American Securitization Forum ("ASF") issued the "Streamlined Foreclosure and Loss Avoidance Framework for Securitized Subprime Adjustable Rate Mortgage Loans" (the "Framework"). The Framework provides guidance for servicers to streamline evaluation procedures for borrowers with certain subprime adjustable rate mortgage ("ARM") loans to more efficiently provide modifications of such loans with terms that are more appropriate for the individual needs of such borrowers. The Framework applies to all first-lien subprime ARM loans that have a fixed rate of interest for an initial period of 36 months or less, are included in securitized pools, were originated between January 1, 2005, and July 31, 2007, and have an initial interest rate reset date between January 1, 2008, and July 31, 2010 ("ASF Framework Loans").

The Framework categorizes the population of ASF Framework Loans into three segments: Segment 1 includes loans where the borrower is current and is likely to be able to refinance into any readily available mortgage product; Segment 2 includes loans where the borrower is current, is unlikely to be able to refinance into any readily available mortgage industry product and meets certain defined criteria; and Segment 3 includes loans where the borrower is not current, as defined, and does not meet the criteria for Segments 1 or 2.

ASF Framework Loans in Segment 2 of the Framework are eligible for fast-track modification under which the interest rate will be kept at the existing initial rate, generally for five years following the interest rate reset date. The Framework indicates that for Segment 2 loans, JPMorgan Chase, as servicer, may presume that the borrower will be unable to make payments pursuant to the original terms of the borrower's loan after the initial interest rate reset date. Thus, the Firm may presume that a default on that loan by the borrower is reasonably foreseeable unless the terms of the loan are modified. JPMorgan Chase has adopted the loss mitigation approaches under the Framework for securitized subprime ARM loans that meet the specific Segment 2 criteria and began modifying Segment 2 loans during the first quarter of 2008. The adoption of the Framework did not affect the off-balance sheet accounting treatment of JPMorgan Chase-sponsored QSPEs that hold Segment 2 subprime loans.

The total dollar amount of assets owned by Firm-sponsored QSPEs that hold subprime adjustable rate mortgage loans as of December 31, 2008 and 2007, was $30.8 billion and $20.0 billion, respectively. Of these amounts, $12.7 billion and $9.7 billion, respectively, are related to ASF Framework Loans serviced by the Firm. Included within the assets owned by Firm-sponsored QSPEs was foreclosure-related real estate owned, for which JPMorgan Chase is the servicer, in the amount of $3.5 billion and $637 million at December 31, 2008 and 2007, respectively. The growth in real estate owned in 2008 is attributable to the Washington Mutual transaction and increased foreclosures resulting from current housing market conditions. The following table presents the principal amounts of ASF Framework Loans, serviced by the Firm, that are owned by Firm-sponsored QSPEs that fell within Segments 1, 2 and 3 as of December 31, 2008 and 2007, respectively.

December 31,	**2008**		2007	
(in millions, except ratios)	Amount	%	Amount	%
Segment 1	**$ 1,940**	**15%**	$ 1,940	20%
Segment 2	**2,930**	**23**	970	10
Segment 3	**7,806**	**62**	6,790	70
Total	**$12,676**	**100%**	$ 9,700	100%

The estimates of segment classification could change substantially in the future as a result of future changes in housing values, economic conditions, borrower/investor behavior and other factors.

The total principal amount of beneficial interests issued by the Firm-sponsored securitizations that hold ASF Framework Loans as of December 31, 2008 and 2007, was as follows.

December 31, (in millions)	**2008**	2007
Third-party	**$44,401**	$19,636
Retained interest	**99**	412
Total	**$44,500**	$20,048

For those ASF Framework Loans serviced by the Firm and owned by Firm-sponsored QSPEs, the Firm modified principal amounts of $1.7 billion of Segment 2 subprime mortgages during the year ended December 31, 2008. There were no Segment 2 subprime mortgages modified during the year ended December 31, 2007. For Segment 3 loans, the Firm has adopted a loss mitigation approach, without employing the fast-track modifications prescribed for Segment 2 subprime mortgages, that is intended to maximize the recoveries of the securitization trust. The loss mitigation approach chosen by JPMorgan Chase is consistent with the applicable servicing agreements and could include rate reductions, principal forgiveness, forbearance and other actions intended to minimize economic loss and avoid foreclosure. The table below presents selected information relating to the principal amount of Segment 3 loans for the year ended December 31, 2008, including those that have been modified, subjected to other loss mitigation activities or have been prepaid by the borrower.

For the year ended December 31, (in millions)	2008
Loan modifications	$2,384
Other loss mitigation activities	865
Prepayments	219

The impact of loss mitigation efforts on the fair value of the Firm's retained interests in ASF Framework loans was not material at December 31, 2008.

Note 17 – Variable interest entities

Refer to Note 1 on page 122 of this Annual Report for a further description of JPMorgan Chase's policies regarding consolidation of variable interest entities.

JPMorgan Chase's principal involvement with VIEs occurs in the following business segments:

- Investment Bank: Utilizes VIEs to assist clients in accessing the financial markets in a cost-efficient manner. IB is involved with VIEs through multi-seller conduits and for investor intermediation purposes, as discussed below. IB also securitizes loans through QSPEs, to create asset-backed securities, as further discussed in Note 16 on pages 168–176 of this Annual Report.
- Asset Management ("AM"): Provides investment management services to a limited number of the Firm's funds deemed VIEs. AM earns a fixed fee based upon assets managed; the fee varies with each fund's investment objective and is competitively priced. For the limited number of funds that qualify as VIEs, AM's relationships with such funds are not considered significant variable interests under FIN 46(R).
- Treasury & Securities Services: Provides services to a number of VIEs that are similar to those provided to non-VIEs. TSS earns market-based fees for the services it provides. The relationships resulting from TSS' services are not considered to be significant variable interests under FIN 46(R).
- Commercial Banking ("CB"): Utilizes VIEs to assist clients in accessing the financial markets in a cost-efficient manner. This is often accomplished through the use of products similar to those offered in IB. CB may assist in the structuring and/or ongoing administration of these VIEs and may provide liquidity, letters of credit and/or derivative instruments in support of the VIE. The relationships resulting from CB's services are not considered to be significant variable interests under FIN 46(R).
- Corporate/Private Equity: Corporate utilizes VIEs to issue guaranteed capital debt securities. See Note 23 on page 191 for further information. The Private Equity business, also included in Corporate, may be involved with entities that could be deemed VIEs. Private equity activities are accounted for in accordance with the AICPA Audit and Accounting Guide *Investment Companies* (the "Guide"). In June 2007, the AICPA issued SOP 07-1, which provides guidance for determining whether an entity is within the scope of the Guide, and therefore qualifies to use the Guide's specialized accounting principles (referred to as "investment company accounting"). In May 2007, the FASB issued FSP FIN 46(R)-7, which amends FIN 46(R) to permanently exempt entities within the scope of the Guide from applying the provisions of FIN 46(R) to their investments. In February 2008, the FASB agreed to an indefinite delay of the effective date of SOP 07-1 in order to address implementation issues, which effectively delays FSP FIN 46(R)-7 as well for those companies, such as the Firm, that have not adopted SOP 07-1. Had FIN 46(R) been applied to VIEs subject to this deferral, the impact would have been immaterial to the Firm's consolidated financial statements as of December 31, 2008.

As noted above, IB is predominantly involved with multi-seller conduits and VIEs associated with investor intermediation activities. These nonconsolidated VIEs that are sponsored by JPMorgan Chase are discussed below. The Firm considers a "sponsored" VIE to include any entity where: (1) JPMorgan Chase is the principal beneficiary of the structure; (2) the VIE is used by JPMorgan Chase to securitize Firm assets; (3) the VIE issues financial instruments associated with the JPMorgan Chase brand name; or (4) the entity is a JPMorgan Chase administered asset-backed commercial paper ("ABCP") conduit.

Multi-seller conduits
Funding and liquidity
The Firm is an active participant in the asset-backed securities business, and it helps customers meet their financing needs by providing access to the commercial paper markets through VIEs known as multi-seller conduits. Multi-seller conduit entities are separate bankruptcy-remote entities that purchase interests in, and make loans secured by, pools of receivables and other financial assets pursuant to agreements with customers of the Firm. The conduits fund their purchases and loans through the issuance of highly rated commercial paper to third-party investors. The primary source of repayment of the commercial paper is the cash flow from the pools of assets. In most instances, the assets are structured with deal-specific credit enhancements provided by the customers (i.e., sellers) to the conduits or other third parties. Deal-specific credit enhancements are generally structured to cover a multiple of historical losses expected on the pool of assets, and are typically in the form of overcollateralization provided by the seller, but also may include any combination of the following: recourse to the seller or originator, cash collateral accounts, letters of credit, excess spread, retention of subordinated interests or third-party guarantees. The deal-specific credit enhancements mitigate the Firm's potential losses on its agreements with the conduits.

JPMorgan Chase receives fees related to the structuring of multi-seller conduit transactions and compensation from the multi-seller conduits for its role as administrative agent, liquidity provider, and provider of program-wide credit enhancement.

As a means of ensuring timely repayment of the commercial paper, each asset pool financed by the conduits has a minimum 100% deal-specific liquidity facility associated with it. Deal-specific liquidity facilities are the primary source of liquidity support for the conduits. The deal-specific liquidity facilities are typically in the form of asset purchase agreements and generally structured so the liquidity that will be provided by the Firm as liquidity provider will be effected by the Firm purchasing, or lending against, a pool of nondefaulted, performing assets.

The conduit's administrative agent can require the liquidity provider to perform under its asset purchase agreement with the conduit at any time. These agreements may cause the liquidity provider, including the Firm, to purchase an asset from the conduit at an amount above the asset's then current fair value – in effect providing a guarantee of the initial value of the reference asset as of the date of the agreement. In limited circumstances, the Firm may provide unconditional liquidity.

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The Firm also provides the multi-seller conduit vehicles with program-wide liquidity facilities in the form of uncommitted short-term revolving facilities that can be accessed by the conduits to handle funding increments too small to be funded by commercial paper and in the form of uncommitted liquidity facilities that can be accessed by the conduits only in the event of short-term disruptions in the commercial paper market.

Because the majority of the deal-specific liquidity facilities will only fund nondefaulted assets, program-wide credit enhancement is required to absorb losses on defaulted receivables in excess of losses absorbed by any deal-specific credit enhancement. Program-wide credit enhancement may be provided by JPMorgan Chase in the form of standby letters of credit or by third-party surety bond providers. The amount of program-wide credit enhancement required varies by conduit and ranges between 5% and 10% of applicable commercial paper outstanding.

The following table summarizes the Firm's involvement with non-consolidated Firm-administered multi-seller conduits. There were no consolidated Firm-administered multi-seller conduits as of December 31, 2008 or 2007.

December 31, (in billions)	**2008**	2007
Total assets held by conduits	**$42.9**	$61.2
Total commercial paper issued by conduits	**43.1**	62.6
Liquidity and credit enhancements[(a)]		
Deal-specific liquidity facilities		
(primary asset purchase agreements)	**55.4**	87.3
Program-wide liquidity facilities	**17.0**	13.2
Program-wide credit enhancements	**3.0**	2.5
Maximum exposure to loss[(b)]	**56.9**	88.9

(a) The accounting for these agreements is further discussed in Note 33 on pages 206–210. The carrying value related to asset purchase agreements was $147 million at December 31, 2008, of which $138 million represented the remaining fair value of the guarantee under FIN 45. The Firm has recognized this guarantee in other liabilities with an offsetting entry recognized in other assets for the net present value of the future premium receivable under the contracts.

(b) The Firm's maximum exposure to loss is limited to the amount of drawn commitments (i.e., sellers' assets held by the multi-seller conduits for which the Firm provides liquidity support) of $42.9 billion and $61.2 billion at December 31, 2008 and 2007, respectively, plus contractual but undrawn commitments of $14.0 billion and $27.7 billion at December 31, 2008 and 2007, respectively. Since the Firm provides credit enhancement and liquidity to Firm-administered, multi-seller conduits, the maximum exposure is not adjusted to exclude exposure that would be absorbed by third- party liquidity providers.

Assets funded by the multi-seller conduits

JPMorgan Chase's administered multi-seller conduits fund a variety of asset types for the Firm's clients. Asset types primarily include credit card receivables, auto loans, trade receivables, student loans, commercial loans, residential mortgages, capital commitments (e.g., loans to private equity, mezzanine and real estate opportunity funds secured by capital commitments of highly rated institutional investors), and various other asset types. It is the Firm's intention that the assets funded by its administered multi-seller conduits be sourced only from the Firm's clients and not originated by, or transferred from, JPMorgan Chase.

The following table presents information on the commitments and assets held by JPMorgan Chase's administered multi-seller conduits as of December 31, 2008 and 2007.

Summary of exposure to Firm-administered nonconsolidated multi-seller conduits

	2008				2007			
December 31, (in billions)	Unfunded commitments to Firm's clients	Commercial paper funded assets	Liquidity provided by third parties	Liquidity provided by Firm	Unfunded commitments to Firm's clients	Commercial paper funded assets	Liquidity provided by third parties	Liquidity provided by Firm
Asset types:								
Credit card	**$ 3.0**	**$ 8.9**	**$ 0.1**	**$ 11.8**	$ 3.3	$ 14.2	$ —	$ 17.5
Vehicle loans and leases	**1.4**	**10.0**	**—**	**11.4**	4.5	10.2	—	14.7
Trade receivables	**3.8**	**5.5**	**—**	**9.3**	6.0	6.6	—	12.6
Student loans	**0.7**	**4.6**		**5.3**	0.8	9.2	—	10.0
Commercial	**1.5**	**4.0**	**0.4**	**5.1**	2.1	4.8	0.4	6.5
Residential mortgage	**—**	**0.7**	**—**	**0.7**	4.6	3.1	—	7.7
Capital commitments	**1.3**	**3.9**	**0.6**	**4.6**	2.0	5.1	0.6	6.5
Rental car finance	**0.2**	**0.4**	**—**	**0.6**	0.6	0.7	—	1.3
Equipment loans and leases	**0.7**	**1.6**	**—**	**2.3**	1.1	2.5	—	3.6
Floorplan – vehicle	**0.7**	**1.8**	**—**	**2.5**	1.3	1.3	—	2.6
Floorplan – other	**—**	**—**	**—**	**—**	—	0.5	—	0.5
Consumer	**0.1**	**0.7**	**0.1**	**0.7**	0.7	1.7	0.2	2.2
Other	**0.6**	**0.8**	**0.3**	**1.1**	0.7	1.3	0.4	1.6
Total	**$ 14.0**	**$ 42.9**	**$ 1.5**	**$ 55.4**	$ 27.7	$ 61.2	$ 1.6	$ 87.3

December 31, 2008 (in billions)	Ratings profile of VIE assets of the multi-seller conduits[a] Investment-grade AAA to AAA-	AA+ to AA-	A+ to A-	BBB to BBB-	Noninvestment-grade BB+ and below	Commercial paper funded assets	Wt. avg. expected life (years)[b]
Asset types:							
Credit card	**$ 4.8**	**$ 3.9**	**$0.1**	**$0.1**	**$ —**	**$ 8.9**	**1.5**
Vehicle loans and leases	**4.1**	**4.1**	**1.8**	**—**	**—**	**10.0**	**2.5**
Trade receivables	**—**	**4.0**	**1.5**	**—**	**—**	**5.5**	**1.0**
Student loans	**3.6**	**0.9**	**—**	**0.1**	**—**	**4.6**	**1.8**
Commercial	**1.1**	**2.0**	**0.6**	**0.3**	**—**	**4.0**	**2.7**
Residential mortgage	**—**	**0.6**	**—**	**0.1**	**—**	**0.7**	**4.0**
Capital commitments	**—**	**3.6**	**0.3**	**—**	**—**	**3.9**	**2.4**
Rental car finance	**—**	**—**	**0.4**	**—**	**—**	**0.4**	**1.5**
Equipment loans and leases	**0.4**	**1.2**	**—**	**—**	**—**	**1.6**	**2.2**
Floorplan – vehicle	**0.1**	**1.0**	**0.7**	**—**	**—**	**1.8**	**1.1**
Floorplan – other	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Consumer	**0.1**	**0.4**	**0.2**	**—**	**—**	**0.7**	**1.6**
Other	**0.5**	**0.3**	**—**	**—**	**—**	**0.8**	**3.7**
Total	**$14.7**	**$22.0**	**$5.6**	**$0.6**	**$ —**	**$42.9**	**2.0**

December 31, 2007 (in billions)	Ratings profile of VIE assets of the multi-seller conduits[a] Investment-grade AAA to AAA-	AA+ to AA-	A+ to A-	BBB to BBB-	Noninvestment-grade BB+ and below	Commercial paper funded assets	Wt. avg. expected life (years)[b]
Asset types:							
Credit card	$ 4.2	$ 9.4	$0.6	$ —	$ —	$14.2	1.5
Vehicle loans and leases	1.8	6.9	1.4	—	0.1	10.2	2.3
Trade receivables	—	4.7	1.7	0.2	—	6.6	1.3
Student loans	1.0	8.1	0.1	—	—	9.2	0.5
Commercial	0.5	3.5	0.7	0.1	—	4.8	2.8
Residential mortgage	1.5	0.8	0.8	—	—	3.1	1.5
Capital commitments	—	5.1	—	—	—	5.1	3.4
Rental car finance	—	0.7	—	—	—	0.7	1.1
Equipment loans and leases	0.4	1.9	—	0.2	—	2.5	2.2
Floorplan – vehicle	0.4	0.7	0.2	—	—	1.3	0.8
Floorplan – other	—	0.5	—	—	—	0.5	0.7
Consumer	—	1.4	0.2	—	0.1	1.7	1.8
Other	1.2	0.1	—	—	—	1.3	3.7
Total	**$11.0**	**$43.8**	**$5.7**	**$0.5**	**$0.2**	**$61.2**	**1.8**

(a) The ratings scale is presented on an S&P equivalent basis.
(b) Weighted average expected life for each asset type is based upon the remaining term of each conduit transaction's committed liquidity plus either the expected weighted average life of the assets should the committed liquidity expire without renewal or the expected time to sell the underlying assets in the securitization market.

The assets held by the multi-seller conduits are structured so that if they were rated, the Firm believes the majority of them would receive an "A" rating or better by external rating agencies. However, it is unusual for the assets held by the conduits to be explicitly rated by an external rating agency. Instead, the Firm's Credit Risk group assigns each asset purchase liquidity facility an internal risk-rating based upon its assessment of the probability of default for the transaction. The ratings provided in the above table reflect the S&P-equivalent ratings of the internal rating grades assigned by the Firm.

The risk ratings are periodically reassessed as information becomes available. As of December 31, 2008 and 2007, 90% and 93%, respectively, of the assets in the conduits were risk-rated "A" or better.

Commercial paper issued by the multi-seller conduits

The weighted average life of commercial paper issued by the multi-seller conduits at December 31, 2008 and 2007, was 27 days and 26 days, respectively, and the average yield on the commercial paper at December 31, 2008 and 2007, was 0.6% and 5.7%, respectively.

In the normal course of business, JPMorgan Chase trades and invests in commercial paper, including paper issued by the Firm-administered conduits. The percentage of commercial paper purchased by the Firm across all Firm-administered conduits during the year ended December 31, 2008, ranged from less than 1% to approximately 20% on any given day. The largest daily amount of commercial paper outstanding held by the Firm in any one multi-seller conduit during the years ended December 31, 2008 and 2007, was approximately $2.7 billion, or 23%, for 2008, and $2.7 billion, or 16%, for 2007, of the conduit's commercial paper outstanding. On average, the Firm held approximately 3% of daily multi-seller conduit issued commercial paper outstanding during 2008. Total multi-seller conduit issued commercial paper held by the Firm at December 31, 2008 and 2007, was $360 million and $131 million, respectively.

The Firm is not obligated under any agreement (contractual or non-contractual) to purchase the commercial paper issued by JPMorgan Chase-administered conduits.

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Consolidation analysis
The multi-seller conduits administered by the Firm were not consolidated at December 31, 2008 and 2007, because each conduit had issued expected loss notes ("ELNs"), the holders of which are committed to absorbing the majority of the expected loss of each respective conduit.

Implied support
The Firm did not have and continues not to have any intent to protect any ELN holders from potential losses on any of the conduits' holdings and has no plans to remove any assets from any conduit unless required to do so in its role as administrator. Should such a transfer occur, the Firm would allocate losses on such assets between itself and the ELN holders in accordance with the terms of the applicable ELN.

Expected loss modeling
In determining the primary beneficiary of the conduits the Firm uses a Monte Carlo–based model to estimate the expected losses of each of the conduits and considers the relative rights and obligations of each of the variable interest holders. The Firm's expected loss modeling treats all variable interests, other than the ELNs, as its own to determine consolidation. The variability to be considered in the modeling of expected losses is based on the design of the entity. The Firm's traditional multi-seller conduits are designed to pass credit risk, not liquidity risk, to its variable interest holders, as the assets are intended to be held in the conduit for the longer term.

Under FIN 46(R), the Firm is required to run the Monte Carlo-based expected loss model each time a reconsideration event occurs. In applying this guidance to the conduits, the following events, are considered to be reconsideration events, as they could affect the determination of the primary beneficiary of the conduits:

- New deals, including the issuance of new or additional variable interests (credit support, liquidity facilities, etc);
- Changes in usage, including the change in the level of outstanding variable interests (credit support, liquidity facilities, etc);
- Modifications of asset purchase agreements; and
- Sales of interests held by the primary beneficiary.

From an operational perspective, the Firm does not run its Monte Carlo-based expected loss model every time there is a reconsideration event due to the frequency of their occurrence. Instead, the Firm runs its expected loss model each quarter and includes a growth assumption for each conduit to ensure that a sufficient amount of ELNs exists for each conduit at any point during the quarter.

As part of its normal quarterly modeling, the Firm updates, when applicable, the inputs and assumptions used in the expected loss model. Specifically, risk ratings and loss given default assumptions are continually updated. The total amount of expected loss notes outstanding at December 31, 2008 and 2007, were $136 million and $130 million, respectively. Management has concluded that the model assumptions used were reflective of market participants' assumptions and appropriately considered the probability of changes to risk ratings and loss given defaults.

Qualitative considerations
The multi-seller conduits are primarily designed to provide an efficient means for clients to access the commercial paper market. The Firm believes the conduits effectively disperse risk among all parties and that the preponderance of the economic risk in the Firm's multi-seller conduits is not held by JPMorgan Chase.

Consolidated sensitivity analysis on capital
The table below shows the impact on the Firm's reported assets, liabilities, Tier 1 capital ratio and Tier 1 leverage ratio if the Firm were required to consolidate all of the multi-seller conduits that it administers at their current carrying value.

December 31, 2008 (in billions, except ratios)	Reported	Pro forma(a)(b)
Assets	$2,175.1	$2,218.2
Liabilities	2,008.2	2,051.3
Tier 1 capital ratio	10.9%	10.9%
Tier 1 leverage ratio	6.9	6.8

(a) The table shows the impact of consolidating the assets and liabilities of the multi-seller conduits at their current carrying value; as such, there would be no income statement or capital impact at the date of consolidation. If the Firm were required to consolidate the assets and liabilities of the conduits at fair value, the Tier 1 capital ratio would be approximately 10.8%. The fair value of the assets is primarily based upon pricing for comparable transactions. The fair value of these assets could change significantly because the pricing of conduit transactions is renegotiated with the client, generally, on an annual basis and due to changes in current market conditions.
(b) Consolidation is assumed to occur on the first day of the quarter, at the quarter-end levels, in order to provide a meaningful adjustment to average assets in the denominator of the leverage ratio.

The Firm could fund purchases of assets from VIEs should it become necessary.

2007 activity
In July 2007, a reverse repurchase agreement collateralized by prime residential mortgages held by a Firm-administered multi-seller conduit was put to JPMorgan Chase under its deal-specific liquidity facility. The asset was transferred to and recorded by JPMorgan Chase at its par value based on the fair value of the collateral that supported the reverse repurchase agreement. During the fourth quarter of 2007, additional information regarding the value of the collateral, including performance statistics, resulted in the determination by the Firm that the fair value of the collateral was impaired. Impairment losses were allocated to the ELN holder (the party that absorbs the majority of the expected loss from the conduit) in accordance with the contractual provisions of the ELN note.

On October 29, 2007, certain structured CDO assets originated in the second quarter of 2007 and backed by subprime mortgages were transferred to the Firm from two Firm-administered multi-seller conduits. It became clear in October that commercial paper investors and rating agencies were becoming increasingly concerned about CDO assets backed by subprime mortgage exposures. Because of these concerns, and to ensure the continuing viability of the two conduits as financing vehicles for clients and as investment alternatives for commercial paper investors, the Firm, in its role as administrator, transferred the CDO assets out of the multi-seller conduits. The structured CDO assets were transferred to the Firm at their par value of $1.4 billion. As of December 31, 2008 and 2007, the CDO assets were valued on the Consolidated Balance Sheets at $5 million and $291 million, respectively.

There were no other structured CDO assets backed by subprime mortgages remaining in JPMorgan Chase-administered multi-seller conduits as of December 31, 2008 and 2007.

The Firm does not consider the October 2007 transfer of the structured CDO assets from the multi-seller conduits to JPMorgan Chase to be an indicator of JPMorgan Chase's intent to provide implicit support to the ELN holders. This transfer was a one-time, isolated event, limited to a specific type of asset that is not typically funded in the Firm's administered multi-seller conduits. In addition, the Firm has no plans to permit multi-seller conduits to purchase such assets in the future.

Investor intermediation
As a financial intermediary, the Firm creates certain types of VIEs and also structures transactions, typically derivative structures, with these VIEs to meet investor needs. The Firm may also provide liquidity and other support. The risks inherent in the derivative instruments or liquidity commitments are managed similarly to other credit, market or liquidity risks to which the Firm is exposed. The principal types of VIEs for which the Firm is engaged in these structuring activities are municipal bond vehicles, credit-linked note vehicles, asset swap vehicles and collateralized debt obligation vehicles.

Municipal bond vehicles
The Firm has created a series of secondary market trusts that provide short-term investors with qualifying tax-exempt investments, and that allow investors in tax-exempt securities to finance their investments at short-term tax-exempt rates. In a typical transaction, the vehicle purchases fixed-rate longer-term highly rated municipal bonds and funds the purchase by issuing two types of securities: (1) putable floating-rate certificates and (2) inverse floating-rate residual interests ("residual interests"). The maturity of each of the putable floating-rate certificates and the residual interests is equal to the life of the vehicle, while the maturity of the underlying municipal bonds is longer. Holders of the putable floating-rate certificates may "put," or tender, the certificates if the remarketing agent cannot successfully remarket the floating-rate certificates to another investor. A liquidity facility conditionally obligates the liquidity provider to fund the purchase of the tendered floating-rate certificates. Upon termination of the vehicle, if the proceeds from the sale of the underlying municipal bonds are not sufficient to repay the liquidity facility, the liquidity provider has recourse either to excess collateralization in the vehicle or the residual interest holders for reimbursement.

The third-party holders of the residual interests in these vehicles could experience losses if the face amount of the putable floating-rate certificates exceeds the market value of the municipal bonds upon termination of the vehicle. Certain vehicles require a smaller initial investment by the residual interest holders and thus do not result in excess collateralization. For these vehicles there exists a reimbursement obligation which requires the residual interest holders to post, during the life of the vehicle, additional collateral to the vehicle on a daily basis as the market value of the municipal bonds declines.

JPMorgan Chase often serves as the sole liquidity provider and remarketing agent of the putable floating-rate certificates. As the liquidity provider, the Firm has an obligation to fund the purchase of the putable floating-rate certificates; this obligation is triggered by the failure to remarket the putable floating-rate certificates. The liquidity provider's obligation to perform is conditional and is limited by certain termination events, which include bankruptcy or failure to pay by the municipal bond issuer or credit enhancement provider, and the immediate downgrade of the municipal bond to below investment grade. A downgrade of the JPMorgan Chase Bank, N.A.'s short-term rating does not affect the Firm's obligation under the liquidity facility. However, in the event of a downgrade in the Firm's credit ratings, holders of the putable floating-rate instruments supported by those liquidity facility commitments might choose to sell their instruments, which could increase the likelihood that the liquidity commitments could be drawn. In vehicles in which third-party investors own the residual interests, in addition to the termination events, the Firm's exposure as liquidity provider is further limited by the high credit quality of the underlying municipal bonds, and the excess collateralization in the vehicle or the reimbursement agreements with the residual interest holders. In the fourth quarter of 2008, a drawdown occurred on one liquidity facility as a result of a failure to remarket putable floating-rate certificates. The Firm was required to purchase $19 million of putable floating-rate certificates. Subsequently, the municipal bond vehicle was terminated and the proceeds from the sales of the municipal bonds, together with the collateral posted by the residual interest holder, were sufficient to repay the putable floating-rate certificates. In 2007, the Firm did not experience a drawdown on the liquidity facilities.

As remarketing agent, the Firm may hold the putable floating-rate certificates. At December 31, 2008 and 2007, respectively, the Firm held $293 million and $617 million of these certificates on its Consolidated Balance Sheets. The largest amount held by the Firm at any time during 2008 and 2007 was $2.2 billion and $1.0 billion, respectively, or 11% and 5%, respectively, of the municipal bond vehicles' outstanding putable floating-rate certificates. The Firm did not have and continues not to have any intent to protect any residual interest holder from potential losses on any of the municipal bond holdings.

The long-term credit ratings of the putable floating-rate certificates are directly related to the credit ratings of the underlying municipal bonds, and to the credit rating of any insurer of the underlying municipal bond. A downgrade of a bond insurer would result in a downgrade of the insured municipal bonds, which would affect the rating of the putable floating-rate certificates. This could cause demand for these certificates by investors to decline or disappear, as putable floating-rate certificate holders typically require an "AA-" bond rating. At December 31, 2008 and 2007, 97% and 99%, respectively, of the municipal bonds held by vehicles to which the Firm served as liquidity provider were rated "AA-" or better, based upon either the rating of the underlying municipal bond itself, or the rating including any credit enhancement. At December 31, 2008 and 2007, $2.6 billion and $12.0 billion, respectively, of the bonds were

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insured by monoline bond insurers. In addition, the municipal bond vehicles did not experience any bankruptcy or downgrade termination events during 2008 and 2007.

The Firm sometimes invests in the residual interests of municipal bond vehicles. For VIEs in which the Firm owns the residual interests, the Firm consolidates the VIEs.

The likelihood that the Firm would have to consolidate VIEs where the Firm does not own the residual interests and that are currently off-balance sheet is remote.

Exposure to nonconsolidated municipal bond VIEs at December 31, 2008 and 2007, including the ratings profile of the VIEs' assets, were as follows.

	2008				2007			
December 31, (in billions)	Fair value of assets held by VIEs	Liquidity facilities(d)	Excess/ (deficit)(e)	Maximum exposure	Fair value of assets held by VIEs	Liquidity facilities(d)	Excess/ (deficit)(e)	Maximum exposure
Nonconsolidated Municipal bond vehicles(a)(b)(c)	**$ 10.0**	**$ 6.9**	**$ 3.1**	**$ 6.9**	$ 19.2	$18.1	$ 1.1	$18.1

	Ratings profile of VIE assets(f)						
	Investment-grade				Noninvestment-grade		
December 31, (in billions)	AAA to AAA-	AA+ to AA-	A+ to A-	BBB to BBB-	BB+ and below	Fair value of assets held by VIEs	Wt. avg. expected life of assets (years)
Nonconsolidated municipal bond vehicles(a)							
2008	**$ 3.8**	**$ 5.9**	**$ 0.2**	**$ 0.1**	**$ —**	**$10.0**	**22.3**
2007	14.6	4.4	0.2	—	—	19.2	10.0

(a) Excluded $6.0 billion and $6.9 billion at December 31, 2008 and 2007, respectively, which were consolidated due to the Firm owning the residual interests.
(b) Certain of the municipal bond vehicles are structured to meet the definition of a QSPE (as discussed in Note 1 on page 122 of this Annual Report); accordingly, the assets and liabilities of QSPEs are not reflected in the Firm's Consolidated Balance Sheets (except for retained interests that are reported at fair value). Excluded nonconsolidated amounts of $603 million and $7.1 billion at December 31, 2008 and 2007, respectively, related to QSPE municipal bond vehicles in which the Firm owned the residual interests.
(c) The decline in balances at December 31, 2008, compared with December 31, 2007, was due to third-party residual interest holders exercising their right to terminate the municipal bond vehicles. The proceeds from the sales of municipal bonds were sufficient to repay the putable floating-rate certificates, and the Firm did not incur losses as a result of these terminations.
(d) The Firm may serve as credit enhancement provider in municipal bond vehicles in which it serves as liquidity provider. The Firm provided insurance on underlying municipal bonds in the form of letters of credit of $10 million and $103 million at December 31, 2008 and 2007, respectively.
(e) Represents the excess (deficit) of municipal bond asset fair value available to repay the liquidity facilities, if drawn.
(f) The ratings scale is based upon the Firm's internal risk ratings and presented on an S&P equivalent basis.

Credit-linked note vehicles

The Firm structures transactions with credit-linked note ("CLN") vehicles in which the VIE purchases highly rated assets, such as asset-backed securities, and enters into a credit derivative contract with the Firm to obtain exposure to a referenced credit which the VIE otherwise does not hold. The VIE then issues CLNs with maturities predominantly ranging from one to ten years in order to transfer the risk of the referenced credit to the VIE's investors. Clients and investors often prefer using a CLN vehicle since the CLNs issued by the VIE generally carry a higher credit rating than such notes would if issued directly by JPMorgan Chase. The Firm's exposure to the CLN vehicles is generally limited to its rights and obligations under the credit derivative contract with the VIE, as the Firm does not provide any additional contractual financial support to the VIE. In addition, the Firm has not historically provided any financial support to the CLN vehicles over and above its contractual obligations. Accordingly, the Firm typically does not consolidate the CLN vehicles. As a derivative counterparty in a credit-linked note structure, the Firm has a senior claim on the collateral of the VIE and reports such derivatives on its balance sheet at fair value. The collateral purchased by such VIEs is largely investment-grade, with a majority being rated "AAA". The Firm divides its credit-linked note structures broadly into two types: static and managed.

In a static credit-linked note structure, the CLNs and associated credit derivative contract either reference a single credit (e.g., a multinational corporation) or all or part of a fixed portfolio of credits. The Firm generally buys protection from the VIE under the credit derivative. As a net buyer of credit protection, the Firm pays a premium to the VIE in return for the receipt of a payment (up to the notional amount of the derivative) if one or more of the reference credits defaults, or if the losses resulting from the default of the reference credits exceed specified levels.

In a managed credit-linked note structure, the CLNs and associated credit derivative generally reference all or part of an actively managed portfolio of credits. An agreement exists between a portfolio manager and the VIE that gives the portfolio manager the ability to substitute each referenced credit in the portfolio for an alternative credit. By participating in a structure where a portfolio manager has the ability to substitute credits within pre-agreed terms, the investors who own the CLNs seek to reduce the risk that any single credit in the portfolio will default. The Firm does not act as portfolio manager; its involvement with the VIE is generally limited to being a derivative counterparty. As a net buyer of credit protection, the Firm pays a premium to the VIE in return for the receipt of a payment (up to the notional of the derivative) if one or more of the credits within the portfolio defaults, or if the losses resulting from the default of reference credits exceed specified levels.

Exposure to nonconsolidated credit-linked note VIEs at December 31, 2008 and 2007, was as follows.

December 31, (in billions)	**2008** Derivative receivables	Trading assets(c)	Total exposure(d)	Par value of collateral held by VIEs(e)	2007 Derivative receivables	Trading assets(c)	Total exposure(d)	Par value of collateral held by VIEs(e)
Credit-linked notes(a)								
Static structure	**$ 3.6**	**$ 0.7**	**$ 4.3**	**$ 14.5**	$ 0.8	$ 0.4	$ 1.2	$ 13.5
Managed structure(b)	**7.7**	**0.3**	**8.0**	**16.6**	4.5	0.9	5.4	12.8
Total	**$ 11.3**	**$ 1.0**	**$ 12.3**	**$ 31.1**	$ 5.3	$ 1.3	$ 6.6	$ 26.3

(a) Excluded fair value of collateral of $2.1 billion and $2.5 billion at December 31, 2008 and 2007, respectively, which was consolidated as the Firm, in its role as secondary market maker, held a majority of the issued CLNs of certain vehicles.
(b) Includes synthetic collateralized debt obligation vehicles, which have similar risk characteristics to managed credit-linked note vehicles. At December 31, 2008 and 2007, trading assets included $7 million and $291 million, respectively, of transactions with subprime collateral.
(c) Trading assets principally comprise notes issued by VIEs, which from time to time are held as part of the termination of a deal or to support limited market-making.
(d) On-balance sheet exposure that includes derivative receivables and trading assets.
(e) The Firm's maximum exposure arises through the derivatives executed with the VIEs; the exposure varies over time with changes in the fair value of the derivatives. The Firm relies upon the collateral held by the VIEs to pay any amounts due under the derivatives; the vehicles are structured at inception so that the par value of the collateral is expected to be sufficient to pay amounts due under the derivative contracts.

Asset Swap Vehicles
The Firm also structures and executes transactions with asset swap vehicles on behalf of investors. In such transactions, the VIE purchases a specific asset or assets and then enters into a derivative with the Firm in order to tailor the interest rate or currency risk, or both, of the assets according to investors' requirements. Generally, the assets are held by the VIE to maturity, and the tenor of the derivatives would match the maturity of the assets. Investors typically invest in the notes issued by such VIEs in order to obtain exposure to the credit risk of the specific assets as well as exposure to foreign exchange and interest rate risk that is tailored to their specific needs; for example, an interest rate derivative may add additional interest rate exposure into the VIE in order to increase the return on the issued notes; or to convert an interest bearing asset into a zero-coupon bond.

The Firm's exposure to the asset swap vehicles is generally limited to its rights and obligations under the interest rate and/or foreign exchange derivative contracts, as the Firm does not provide any contractual financial support to the VIE. In addition, the Firm historically has not provided any financial support to the asset swap vehicles over and above its contractual obligations. Accordingly, the Firm typically does not consolidate the asset swap vehicles. As a derivative counterparty, the Firm has a senior claim on the collateral of the VIE and reports such derivatives on its balance sheet at fair value. Substantially all of the assets purchased by such VIEs are investment-grade.

Notes to consolidated financial statements

Exposure to nonconsolidated asset swap VIEs at December 31, 2008 and 2007, was as follows.

	2008				2007			
December 31, (in billions)	Derivative receivables (payables)	Trading assets[a]	Total exposure[b]	Par value of collateral held by VIEs[c]	Derivative receivables (payables)	Trading assets[a]	Total exposure[b]	Par value of collateral held by VIEs[c]
Nonconsolidated Asset swap vehicles[d]	**$ (0.2)**	**$ —**	**$ (0.2)**	**$ 7.3**	$ 0.2	$ —	$ 0.2	$ 5.6

(a) Trading assets principally comprise notes issued by VIEs, which from time to time are held as part of the termination of a deal or to support limited market-making.
(b) On-balance sheet exposure that includes derivative receivables (payables) and trading assets.
(c) The Firm's maximum exposure arises through the derivatives executed with the VIEs; the exposure varies over time with changes in the fair value of the derivatives. The Firm relies upon the collateral held by the VIEs to pay any amounts due under the derivatives; the vehicles are structured at inception so that the par value of the collateral is expected to be sufficient to pay amounts due under the derivative contracts.
(d) Excluded fair value of collateral of $1.0 billion and $976 million at December 31, 2008 and 2007, respectively, which was consolidated as the Firm, in its role as secondary market maker, held a majority of the issued notes of certain vehicles.

Collateralized Debt Obligations vehicles
A CDO typically refers to a security that is collateralized by a pool of bonds, loans, equity, derivatives or other assets. The Firm's involvement with a particular CDO vehicle may take one or more of the following forms: arranger, warehouse funding provider, placement agent or underwriter, secondary market-maker for securities issued, or derivative counterparty.

Prior to the formal establishment of a CDO vehicle, there is a warehousing period where a VIE may be used to accumulate the assets which will be subsequently securitized and serve as the collateral for the securities to be issued to investors. During this warehousing period, the Firm may provide all or a portion of the financing to the VIE, for which the Firm earns interest on the amounts it finances. A third-party asset manager that will serve as the manager for the CDO vehicle uses the warehouse funding provided by the Firm to purchase the financial assets. The funding commitments generally are one year in duration. In the event that the securitization of assets does not occur within the committed financing period, the warehoused assets are generally liquidated.

Because of the varied levels of support provided by the Firm during the warehousing period, which typically averages six to nine months, each CDO warehouse VIE is assessed in accordance with FIN 46(R) to determine whether the Firm is considered the primary beneficiary that should consolidate the VIE. In general, the Firm would consolidate the warehouse VIE unless another third party, typically the asset manager, provides significant protection for potential declines in the value of the assets held by the VIE. In those cases, the third party that provides the protection to the warehouse VIE would consolidate the VIE.

Once the portfolio of warehoused assets is large enough, the VIE will issue securities where market conditions permit. The proceeds from the issuance of securities will be used to repay the warehouse financing obtained from the Firm and other counterparties. In connection with the establishment of the CDO vehicle, the Firm typically earns a fee for arranging the CDO vehicle and distributing the securities (as placement agent and/or underwriter) and does not typically own any equity tranches issued. Once the CDO vehicle closes and issues securities, the Firm has no further obligation to provide further support to the vehicle. At the time of closing, the Firm may hold unsold securities that the Firm was not able to place with third-party investors. The amount of unsold securities at December 31, 2008 and 2007, was insignificant. In addition, the Firm may on occasion hold some of the CDO vehicles' securities, including equity interests, as a secondary market-maker or as a principal investor, or it may be a derivative counterparty to the vehicles. At December 31, 2008 and 2007, these amounts were not significant. Exposures to CDO warehouse VIEs at December 31, 2008 and 2007, were as follows.

December 31, 2008 (in billions)	Funded loans	Unfunded commitments(a)	Maximum exposure(b)
CDO warehouse VIEs			
Consolidated	**$ 0.4**	**$ —**	**$ 0.4**
Nonconsolidated	**0.4**	**0.7**	**1.1**
Total	**$ 0.8**	**$ 0.7**	**$ 1.5**

December 31, 2007 (in billions)	Funded loans	Unfunded commitments(a)	Maximum exposure(b)
CDO warehouse VIEs			
Consolidated	$ 2.4	$ 1.9	$ 4.3
Nonconsolidated	2.7	3.4	6.1
Total	$ 5.1	$ 5.3	$ 10.4

	Ratings profile of VIE assets(c)					
	Investment-grade				Noninvestment-grade	
December 31, (in billions)	AAA to AAA-	AA+ to AA-	A+ to A-	BBB to BBB-	BB+ and below	Total exposure
Nonconsolidated CDO warehouse VIEs						
2008	**$ —**	**$ —**	**$ —**	**$ —**	**$ 0.4**	**$ 0.4**
2007	—	—	—	—	2.7	2.7

(a) Typically contingent upon certain asset-quality conditions being met by asset managers.
(b) The aggregate of the fair value of loan exposure and any unfunded, contractually committed financing.
(c) The ratings scale is based upon JPMorgan Chase's internal risk ratings and presented on an S&P equivalent basis.

VIEs sponsored by third parties

Investment in a third-party credit card securitization trust

The Firm holds a note in a third-party-sponsored VIE, which is a credit card securitization trust (the "Trust"), that owns credit card receivables issued by a national retailer. The note is structured so that the principal amount can float up to 47% of the principal amount of the receivables held by the Trust not to exceed $4.2 billion. The Firm is not the primary beneficiary of the Trust and accounts for its investment as an AFS security, which is recorded at fair value. At December 31, 2008, the amortized cost of the note was $3.6 billion and the fair value was $2.6 billion. For more information on accounting for AFS securities, see Note 12 on pages 158–162 of this Annual Report.

VIE used in FRBNY transaction

In conjunction with the Bear Stearns merger, in June 2008, the FRBNY took control, through an LLC formed for this purpose, of a portfolio of $30.0 billion in assets, based upon the value of the portfolio as of March 14, 2008. The assets of the LLC were funded by a $28.85 billion term loan from the FRBNY, and a $1.15 billion subordinated loan from JPMorgan Chase. The JPMorgan Chase loan is subordinated to the FRBNY loan and will bear the first $1.15 billion of any losses of the portfolio. Any remaining assets in the portfolio after repayment of the FRBNY loan, the JPMorgan Chase loan and the expense of the LLC, will be for the account of the FRBNY.

Other VIEs sponsored by third parties

The Firm enters into transactions with VIEs structured by other parties. These transactions include, for example, acting as a derivative counterparty, liquidity provider, investor, underwriter, placement agent, trustee or custodian. These transactions are conducted at arm's length, and individual credit decisions are based upon the analysis of the specific VIE, taking into consideration the quality of the underlying assets. Where these activities do not cause JPMorgan Chase to absorb a majority of the expected losses of the VIEs or to receive a majority of the residual returns of the VIEs, JPMorgan Chase records and reports these positions on its Consolidated Balance Sheets similar to the way it would record and report positions from any other third-party transaction. These transactions are not considered significant for disclosure purposes under FIN 46(R).

Notes to consolidated financial statements

Consolidated VIE assets and liabilities

The following table presents information on assets, liabilities and commitments related to VIEs that are consolidated by the Firm.

December 31, 2008 (in billions)	Consolidated VIEs Assets Trading debt and equity	Loans	Other (b)	Total assets (c)
VIE program type				
Municipal bond vehicles	$ 5.9	$ —	$ 0.1	$ 6.0
Credit-linked notes	1.9	—	0.2	2.1
CDO warehouses(a)	0.2	—	0.1	0.3
Student loans	—	4.0	0.1	4.1
Employee funds	—	—	0.5	0.5
Energy investments	—	—	0.4	0.4
Other	2.8	1.3	1.1	5.2
Total	$ 10.8	$ 5.3	$ 2.5	$ 18.6

December 31, 2007 (in billions)	Consolidated VIEs Assets Trading debt and equity	Loans	Other(b)	Total assets(c)
VIE program type				
Municipal bond vehicles	$ 6.8	$ —	$ 0.1	$ 6.9
Credit-linked notes	2.3	—	0.2	2.5
CDO warehouses(a)	2.2	0.3	0.1	2.6
Student loans	—	4.1	—	4.1
Employee funds	—	—	—	—
Energy investments	—	—	—	—
Other	3.0	—	0.5	3.5
Total	$ 14.3	$ 4.4	$ 0.9	$ 19.6

December 31, 2008 (in billions)	Liabilities Beneficial interests in VIE Assets(d)	Other(e)	Total liabilities
VIE program type			
Municipal bond vehicles	$ 5.5	$ 0.4	$ 5.9
Credit-linked notes	1.3	0.6	1.9
CDO warehouses	—	—	—
Student loans	2.8	1.1	3.9
Employee funds	0.1	—	0.1
Energy investments	0.2	—	0.2
Other	0.7	1.8	2.5
Total	$ 10.6	$ 3.9	$ 14.5

December 31, 2007 (in billions)	Liabilities Beneficial interests in VIE Assets(d)	Other(e)	Total liabilities
VIE program type			
Municipal bond vehicles	$ 6.2	$ 0.6	$ 6.8
Credit-linked notes	2.3	0.5	2.8
CDO warehouses	—	—	—
Student loans	4.1	—	4.1
Employee funds	—	—	—
Energy investments	—	—	—
Other	1.4	0.5	1.9
Total	$ 14.0	$ 1.6	$ 15.6

(a) Excluded from total assets was $1.9 billion of unfunded commitments at December 31, 2007. There were no unfunded commitments at December 31, 2008.
(b) Included assets classified as resale agreements and other assets within the Consolidated Balance Sheets.
(c) Assets of each consolidated VIE included in the program types above are generally used to satisfy the liabilities to third parties. The difference between total assets and total liabilities recognized for consolidated VIEs represents the Firm's interest in the consolidated VIEs for each program type.
(d) The interest-bearing beneficial interest liabilities issued by consolidated VIEs are classified in the line item titled, "Beneficial interests issued by consolidated variable interest entities" on the Consolidated Balance Sheets. The holders of these beneficial interests do not have recourse to the general credit of JPMorgan Chase. Included in beneficial interests in VIE assets are long-term beneficial interests of $5.0 billion and $7.2 billion at December 31, 2008 and 2007, respectively. See Note 23 on page 191 of this Annual Report for the maturity profile of FIN 46 long-term beneficial interests.
(e) Included liabilities classified as other borrowed funds, long-term debt and other liabilities in the Consolidated Balance Sheets.

Note 18 – Goodwill and other intangible assets

Goodwill is not amortized. Instead, it is tested for impairment in accordance with SFAS 142 at the reporting-unit segment, which is generally one level below the six major reportable business segments (as described in Note 37 on pages 214–215 of this Annual Report); plus Private Equity (which is included in Corporate). Goodwill is tested annually (during the fourth quarter) or more often if events or circumstances, such as adverse changes in the business climate, indicate there may be impairment. Management applies significant judgment when determining the fair value of its reporting units. Imprecision in estimating the future earnings potential of the Firm's reporting units can affect their estimated fair value. In addition, if the current period of weak economic market conditions persists, then this could adversely impact the estimates management used to determine the fair value of its reporting units. Intangible assets determined to have indefinite lives are not amortized but are tested for impairment at least annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test compares the fair value of the indefinite-lived intangible asset to its carrying amount. Other acquired intangible assets determined to have finite lives, such as core deposits and credit card relationships, are amortized over their estimated useful lives in a manner that best reflects the economic benefits of the intangible asset; impairment testing is performed periodically on these amortizing intangible assets.

Goodwill and other intangible assets consist of the following.

December 31, (in millions)	2008	2007
Goodwill	**$48,027**	$45,270
Mortgage servicing rights	**9,403**	8,632
Purchased credit card relationships	**1,649**	2,303
All other intangibles:		
Other credit card–related intangibles	**$ 743**	$ 346
Core deposit intangibles	**1,597**	2,067
Other intangibles	**1,592**	1,383
Total all other intangible assets	**$ 3,932**	$ 3,796

Goodwill

The $2.8 billion increase in goodwill from the prior year primarily resulted from the dissolution of the Chase Paymentech Solutions joint venture, the merger with Bear Stearns, the purchase of an additional equity interest in Highbridge and the tax-related purchase accounting adjustments associated with the Bank One merger, which increased goodwill attributed to IB. The decrease in goodwill attributed to TSS predominantly resulted from the sale of a previously consolidated subsidiary. For additional information see Note 2 on pages 123–128 of this Annual Report.

Goodwill was not impaired at December 31, 2008, or 2007, nor was any goodwill written off due to impairment during 2008 and 2007.

Goodwill attributed to the business segments was as follows.

December 31, (in millions)	2008	2007
Investment Bank	**$ 4,765**	$ 3,578
Retail Financial Services	**16,840**	16,848
Card Services	**13,977**	12,810
Commercial Banking	**2,870**	2,873
Treasury & Securities Services	**1,633**	1,660
Asset Management	**7,565**	7,124
Corporate/Private Equity	**377**	377
Total goodwill	**$48,027**	$45,270

Mortgage servicing rights

JPMorgan Chase recognizes as intangible assets mortgage servicing rights, which represent the right to perform specified mortgage servicing activities (predominantly with respect to residential mortgages) for others. MSRs are either purchased from third parties or retained upon sale or securitization of mortgage loans. Servicing activities include collecting principal, interest, and escrow payments from borrowers; making tax and insurance payments on behalf of borrowers; monitoring delinquencies and executing foreclosure proceedings; and accounting for and remitting principal and interest payments to the investors of the mortgage-backed securities.

As permitted by SFAS 156, the Firm elected to fair value MSRs as one class of servicing assets. The Firm defined MSRs as one class based on the availability of market inputs to measure MSR fair value and its treatment of MSRs as one aggregate pool for risk management purposes.

The Firm initially capitalizes MSRs based on the estimated fair value at the time of initial recognition. The Firm estimates the fair value of MSRs for initial capitalization and ongoing valuation using an option-adjusted spread model, which projects MSR cash flows over multiple interest rate scenarios in conjunction with the Firm's proprietary prepayment model and then discounts these cash flows at risk-adjusted rates. The model considers portfolio characteristics, contractually specified servicing fees, prepayment assumptions, delinquency rates, late charges, other ancillary revenue and costs to service, and other economic factors. The Firm reassesses and periodically adjusts the underlying inputs and assumptions used in the OAS model to reflect market conditions and assumptions that a market participant would consider in valuing the MSR asset. During 2007 and 2008, the Firm continued to refine its proprietary payment model based upon a number of market-related factors, including a downward trend in home prices, general tightening of credit underwriting standards and the associated impact on refinancing activity. The Firm compares fair value estimates and assumptions to observable market data where available and to recent market activity and actual portfolio experience.

The fair value of MSRs is sensitive to changes in interest rates, including their effect on prepayment speeds. JPMorgan Chase uses or has used combinations of derivatives and trading instruments to manage changes in the fair value of MSRs. The intent is to offset any changes in the fair value of MSRs with changes in the fair value of the related risk management instruments. MSRs decrease in value when interest rates decline. Conversely, securities (such as mortgage-backed securities), principal-only certificates and certain derivatives (when the Firm receives fixed-rate interest payments) increase in value when interest rates decline.

Notes to consolidated financial statements

The following table summarizes MSR activity for the years ended December 31, 2008, 2007 and 2006.

Year ended December 31, (in millions, except where otherwise noted)	2008	2007	2006
Balance at beginning of period after valuation allowance	**$ 8,632**	$ 7,546	$ 6,452
Cumulative effect of change in accounting principle	**—**	—	230
Fair value at beginning of period	**8,632**	7,546	6,682
MSR activity			
Originations of MSRs	**3,061**	2,335	1,512
Purchase of MSRs	**6,755**(c)	798	627
Total additions	**9,816**	3,133	2,139
Change in valuation due to inputs and assumptions(a)	**(6,933)**	(516)	165
Other changes in fair value(b)	**(2,112)**	(1,531)	(1,440)
Total change in fair value of MSRs	**(9,045)**(d)	(2,047)	(1,275)
Fair value at December 31	**$ 9,403**	$ 8,632	$ 7,546
Change in unrealized gains (losses) included in income related to MSRs held at December 31	**$ (6,933)**	$ (516)	NA
Contractual service fees, late fees and other ancillary fees included in income	**$ 3,353**	$ 2,429	$ 2,038
Third-party mortgage loans serviced at December 31, (in billions)	**$1,185.0**	$ 614.7	$ 526.7

(a) Represents MSR asset fair value adjustments due to changes in inputs, such as interest rates and volatility, as well as updates to assumptions used in the valuation model. This caption also represents total realized and unrealized gains (losses) included in net income per the SFAS 157 disclosure for fair value measurement using significant unobservable inputs (level 3).
(b) Includes changes in the MSR value due to modeled servicing portfolio runoff (or time decay). This caption represents the impact of cash settlements per the SFAS 157 disclosure for fair value measurement using significant unobservable inputs (level 3).
(c) Includes MSRs acquired as a result of the Washington Mutual transaction (of which, $59 million related to commercial real estate) and the Bear Stearns merger. For further discussion, see Note 2 on pages 123–128 of this Annual Report.
(d) Includes $4 million related to commercial real estate.

The table below outlines the key economic assumptions used to determine the fair value of the Firm's MSRs at December 31, 2008 and 2007, respectively; and it outlines the sensitivities of those fair values to immediate 10% and 20% adverse changes in those assumptions.

Year ended December 31 (in millions, except rates)	2008	2007
Weighted-average prepayment speed assumption (CPR)	**35.21%**	12.49%
Impact on fair value of 10% adverse change	**$(1,039)**	$ (481)
Impact on fair value of 20% adverse change	**(1,970)**	(926)
Weighted-average option adjusted spread	**3.80%**	3.00%
Impact on fair value of 100 basis points adverse change	**$ (311)**	$ (311)
Impact on fair value of 200 basis points adverse change	**(606)**	(599)

CPR: Constant prepayment rate.

The sensitivity analysis in the preceding table is hypothetical and should be used with caution. Changes in fair value based upon a 10% and 20% variation in assumptions generally cannot be easily extrapolated because the relationship of the change in the assumptions to the change in fair value may not be linear. Also, in this table, the effect that a change in a particular assumption may have on the fair value is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities.

Purchased credit card relationships and all other intangible assets
During 2008, purchased credit card relationships, other credit card-related intangibles and core deposit intangibles decreased $727 million, primarily as a result of amortization expense, partially offset by an increase in intangibles recognized related to the dissolution of the Chase Paymentech Solutions joint venture. Other intangibles (net of amortization) increased $209 million primarily as a result of the purchase of an additional equity interest in Highbridge as well as the acquisition of an institutional global custody portfolio.

Except for $517 million of indefinite-lived intangibles related to asset management advisory contracts, which are not amortized but are tested for impairment at least annually, the remainder of the Firm's other acquired intangible assets are subject to amortization.

The components of credit card relationships, core deposits and other intangible assets were as follows.

December 31, (in millions)	2008 Gross amount	2008 Accumulated amortization	2008 Net carrying value	2007 Gross amount	2007 Accumulated amortization	2007 Net carrying value
Purchased credit card relationships	**$ 5,765**	**$ 4,116**	**$ 1,649**	$ 5,794	$ 3,491	$ 2,303
All other intangibles:						
Other credit card-related intangibles	**$ 852**	**$ 109**	**$ 743**	$ 422	$ 76	$ 346
Core deposit intangibles	**4,280**	**2,683**	**1,597**	4,281	2,214	2,067
Other intangibles	**2,376**	**784**(a)	**1,592**	2,026	643(a)	1,383

(a) Includes amortization expense related to servicing assets on securitized automobile loans, which is recorded in lending & deposit-related fees, of $5 million and $9 million for the years ended December 31, 2008 and 2007, respectively.

Amortization expense

The following table presents amortization expense related to credit card relationships, core deposits and all other intangible assets.

Year ended December 31, (in millions)	**2008**	2007	2006
Purchased credit card relationships	**$ 625**	$ 710	$ 731
All other intangibles:			
Other credit card-related intangibles	**33**	11	6
Core deposit intangibles	**469**	554	568
Other intangibles	**136**	119	123(a)
Total amortization expense	**$ 1,263**	$ 1,394	$ 1,428

(a) Amortization expense related to the aforementioned selected corporate trust businesses were reported in income from discontinued operations for 2006.

Future amortization expense

The following table presents estimated future amortization expense related to credit card relationships, core deposits and all other intangible assets at December 31, 2008.

Year ended December 31, (in millions)	Purchased credit card relationships	Other credit card-related intangibles	Core deposit intangibles	All other intangible assets	**Total**
2009	$419	$93	$390	$123	$1,025
2010	350	98	329	106	883
2011	287	97	285	96	765
2012	249	98	239	93	679
2013	210	97	196	90	593

Note 19 – Premises and equipment

Premises and equipment, including leasehold improvements, are carried at cost less accumulated depreciation and amortization. JPMorgan Chase computes depreciation using the straight-line method over the estimated useful life of an asset. For leasehold improvements, the Firm uses the straight-line method computed over the lesser of the remaining term of the leased facility or the estimated useful life of the leased asset. JPMorgan Chase has recorded immaterial asset retirement obligations related to asbestos remediation under SFAS 143 and FIN 47 in those cases where it has sufficient information to estimate the obligations' fair value.

JPMorgan Chase capitalizes certain costs associated with the acquisition or development of internal-use software under SOP 98-1. Once the software is ready for its intended use, these costs are amortized on a straight-line basis over the software's expected useful life and reviewed for impairment on an ongoing basis.

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Note 20 – Deposits

At December 31, 2008 and 2007, noninterest-bearing and interest-bearing deposits were as follows.

December 31, (in millions)	2008	2007
U.S. offices:		
Noninterest-bearing	$ 210,899	$129,406
Interest-bearing (included $1,849 and $1,909 at fair value at December 31, 2008 and 2007, respectively)	511,077	376,194
Non-U.S. offices:		
Noninterest-bearing	7,697	6,342
Interest-bearing (included $3,756 and $4,480 at fair value at December 31, 2008 and 2007, respectively)	279,604	228,786
Total	**$1,009,277**	$740,728

At December 31, 2008 and 2007, time deposits in denominations of $100,000 or more were as follows.

December 31, (in millions)	2008	2007
U.S.	$147,493	$134,529
Non-U.S.	58,247	69,171
Total	**$205,740**	$203,700

At December 31, 2008, the maturities of time deposits were as follows.

December 31, 2008 (in millions)	U.S.	Non-U.S.	**Total**
2009	$ 200,586	$ 77,934	$ 278,520
2010	5,388	916	6,304
2011	4,299	811	5,110
2012	4,418	429	4,847
2013	2,767	525	3,292
After 5 years	802	226	1,028
Total	$ 218,260	$ 80,841	$ 299,101

On October 3, 2008, the Emergency Economic Stabilization Act of 2008 was signed into law. The Act increased FDIC deposit insurance from $100,000 to $250,000 per depositor through December 31, 2009. In addition, on November 21, 2008, the FDIC released the Final Rule for the FDIC Temporary Liquidity Guarantee Program ("TLG Program"), which provides unlimited deposit insurance through December 31, 2009, for noninterest-bearing transaction deposit accounts at FDIC-insured participating institutions. The Firm elected to continue to participate in the TLG Program and, as a result, will be required to pay additional insurance premiums to the FDIC in an amount equal to an annualized 10-basis points on balances in noninterest-bearing transaction accounts that exceed the $250,000 FDIC deposit insurance limits, as determined on a quarterly basis.

Note 21 – Other borrowed funds

The following table details the components of other borrowed funds.

December 31, (in millions)	2008	2007
Advances from Federal Home Loan Banks(a)	$ 70,187	$ 450
Nonrecourse advances – FRBB(b)	11,192	—
Other	51,021(c)	28,385
Total	**$132,400**	$28,835

(a) Maturities of advances from the Federal Home Loan Banks were $47.4 billion, $18.5 billion, $2.6 billion, and $714 million in each of the 12-month periods ending December 31, 2009, 2010, 2011, and 2013, respectively, and $1.0 billion maturing after December 31, 2013. Maturities for the 12-month period ending December 31, 2012 were not material.

(b) On September 19, 2008, the Federal Reserve Board established a temporary lending facility, the AML Facility, to provide liquidity to eligible U.S. money market mutual funds ("MMMFs"). Under the AML Facility, banking organizations must use the loan proceeds to finance their purchases of eligible high-quality asset-backed commercial paper ("ABCP") investments from MMMFs, which are pledged to secure nonrecourse advances from the Federal Reserve Bank of Boston ("FRBB"). Participating banking organizations do not bear any credit or market risk related to the ABCP investments they hold under this facility; therefore, the ABCP investments held are not assessed any regulatory capital. The AML Facility will be in effect until October 30, 2009. The nonrecourse advances from the FRBB were elected under the fair value option and recorded in other borrowed funds; the corresponding ABCP investments were also elected under the fair value option and recorded in other assets.

(c) Includes $30.0 billion of advances from the Federal Reserve under the Federal Reserve's Term Auction Facility ("TAF"), pursuant to which the Federal Reserve auctions term funds to depository institutions that are eligible to borrow under the primary credit program. The TAF allows all eligible depository institutions to place a bid for an advance from its local Federal Reserve Bank at an interest rate set by an auction. All advances are required to be fully collateralized. The TAF is designed to improve liquidity by making it easier for sound institutions to borrow when the markets are not operating efficiently. The TAF does not have a fixed expiration date.

Note 22 – Accounts payable and other liabilities

The following table details the components of accounts payable and other liabilities at each of the dates indicated.

December 31, (in millions)	2008	2007
Accounts payable and other liabilities:		
Accounts payable	$ 48,019	$39,785
Brokerage payables(a)	88,585	14,612
Other liabilities	51,374	40,079
Total	**$187,978**	$94,476

(a) Includes payables to customers, brokers, dealers and clearing organizations, and securities fails.

Note 23 – Long-term debt

JPMorgan Chase issues long-term debt denominated in various currencies, although predominantly U.S. dollars, with both fixed and variable interest rates. The following table is a summary of long-term debt carrying values (including unamortized original issue discount, SFAS 133 valuation adjustments and fair value adjustments, where applicable) by contractual maturity as of December 31, 2008.

By remaining maturity at **December 31,** (in millions, except rates)		2008 Under 1 year	2008 1 – 5 years	2008 After 5 years	2008 **Total**	2007 Total
Parent company						
Senior debt:[a]	Fixed rate	**$ 5,030**	**$ 47,606**[f]	**$ 27,272**	**$ 79,908**	$ 29,386
	Variable rate	**16,999**	**39,050**[g]	**9,185**	**65,234**	47,546
	Interest rates[b]	**0.20–7.63%**	**0.42–7.00%**	**1.40–7.50%**	**0.20–7.63%**	0.75–7.43%
Subordinated debt:	Fixed rate	**$ 3,732**	**$ 8,296**	**$ 16,938**	**$ 28,966**	$ 27,761
	Variable rate	**–**	**37**	**1,749**	**1,786**	1,888
	Interest rates[b]	**6.00–9.88%**	**5.25–10.00%**	**1.92–9.88%**	**1.92–10.00%**	1.92–10.00%
	Subtotal	**$ 25,761**	**$ 94,989**	**$ 55,144**	**$ 175,894**	$ 106,581
Subsidiaries						
Senior debt:[a]	Fixed rate	**$ 1,052**	**$ 4,433**	**$ 2,885**	**$ 8,370**	$ 6,406
	Variable rate[c]	**9,213**	**30,050**	**18,717**	**57,980**	60,556
	Interest rates[b]	**0.03–4.45%**	**0.05–5.75%**	**0.44–14.21%**	**0.03–14.21%**	3.70–14.21%
Subordinated debt:	Fixed rate	**$ –**	**$ 2**	**$ 8,698**	**$ 8,700**	$ 9,169
	Variable rate	**–**	**–**	**1,150**	**1,150**	1,150
	Interest rates[b]	**–**	**6.25%**	**2.33–8.25%**	**2.33–8.25%**	4.38–8.25%
	Subtotal	**$ 10,265**	**$ 34,485**	**$ 31,450**	**$ 76,200**	$ 77,281
Total long-term debt[d]		**$ 36,026**	**$ 129,474**	**$ 86,594**	**$ 252,094**[h][i][j]	$ 183,862[j]
FIN 46R long-term beneficial interests:						
	Fixed rate	**$ 16**	**$ 486**	**$ 69**	**$ 571**	$ 701
	Variable rate	**51**	**1,002**	**3,381**	**4,434**	6,508
	Interest rates	**3.51–7.75%**	**3.05–8.75%**	**3.40–9.16%**	**3.05–9.16%**	1.73–12.79%
Total FIN 46R long-term beneficial interests[e]		**$ 67**	**$ 1,488**	**$ 3,450**	**$ 5,005**	$ 7,209

(a) Included are various equity-linked or other indexed instruments. Embedded derivatives, separated from hybrid securities in accordance with SFAS 133, are reported at fair value and shown net with the host contract on the Consolidated Balance Sheets. Changes in fair value of separated derivatives are recorded in principal transactions revenue. Hybrid securities which the Firm has elected to measure at fair value are classified in the line item of the host contract on the Consolidated Balance Sheets; changes in fair value are recorded in principal transactions revenue in the Consolidated Statements of Income.

(b) The interest rates shown are the range of contractual rates in effect at year-end, including non U.S. dollar fixed- and variable-rate issuances, which excludes the effects of the associated derivative instruments used in SFAS 133 hedge accounting relationships, if applicable. The use of these derivative instruments modifies the Firm's exposure to the contractual interest rates disclosed in the table above. Including the effects of the SFAS 133 hedge accounting derivatives, the range of modified rates in effect at December 31, 2008, for total long-term debt was 0.18% to 14.21%, versus the contractual range of 0.03% to 14.21% presented in the table above. The interest rate ranges shown exclude structured notes accounted for at fair value under SFAS 155 or SFAS 159.

(c) Included $7.8 billion principal amount of U.S. dollar-denominated floating-rate mortgage bonds issued to an unaffiliated statutory trust, which in turn issued €6.0 billion in covered bonds secured by mortgage loans at December 31, 2008.

(d) Included $58.2 billion and $70.5 billion of outstanding structured notes accounted for at fair value at December 31, 2008 and 2007, respectively.

(e) Included on the Consolidated Balance Sheets in beneficial interests issued by consolidated VIEs. Also included $1.7 billion and $3.0 billion of outstanding structured notes accounted for at fair value at December 31, 2008 and 2007, respectively.

(f) Included $14.1 billion as of December 31, 2008, guaranteed under the TLG Program whereby newly issued senior, unsecured debt is guaranteed by the FDIC, which is discussed below.

(g) Included $6.9 billion as of December 31, 2008, guaranteed by the FDIC under the TLG Program, which is discussed below.

(h) At December 31, 2008, long-term debt aggregating $7.4 billion was redeemable at the option of JPMorgan Chase, in whole or in part, prior to maturity, based upon the terms specified in the respective notes.

(i) The aggregate principal amount of debt that matures in each of the five years subsequent to 2008 is $36.0 billion in 2009, $38.5 billion in 2010, $39.7 billion in 2011, $32.7 billion in 2012 and $18.6 billion in 2013.

(j) Included $3.4 billion and $4.6 billion of outstanding zero-coupon notes at December 31, 2008 and 2007, respectively. The aggregate principal amount of these notes at their respective maturities was $7.1 billion and $7.7 billion, respectively.

The weighted-average contractual interest rate for total long-term debt was 4.06% and 5.20% as of December 31, 2008 and 2007, respectively. In order to modify exposure to interest rate and currency exchange rate movements, JPMorgan Chase utilizes derivative instruments, primarily interest rate and cross-currency interest rate swaps, in conjunction with some of its debt issues. The use of these instruments modifies the Firm's interest expense on the associated debt. The modified weighted-average interest rate for total long-term debt, including the effects of related derivative instruments, was 3.53% and 5.13% as of December 31, 2008 and 2007, respectively.

JPMorgan Chase has elected to continue to participate in the TLG Program, which is available to, among others, all U.S. depository institutions insured by the FDIC and all U.S. bank holding companies, unless they have opted out of the TLG Program or the FDIC has terminated their participation. Under the TLG Program, the FDIC guarantees certain senior unsecured debt of JPMorgan Chase through the earlier of maturity and June 30, 2012, and in return for the guarantees, the FDIC is paid a fee based on the amount and maturity of the debt. Under the TLG Program, the FDIC will pay the unpaid principal and interest on an FDIC-guaranteed

Notes to consolidated financial statements

debt instrument upon the uncured failure of the participating entity to make a timely payment of principal or interest in accordance with the terms of the instrument. The guarantee of new obligations under the TLG Program is scheduled to expire in October 2009.

JPMorgan Chase & Co. (Parent Company) has guaranteed certain debt of its subsidiaries, including both long-term debt and structured notes sold as part of the Firm's market-making activities. These guarantees rank on a parity with all of the Firm's other unsecured and unsubordinated indebtedness. Guaranteed liabilities totaled $4.8 billion and $4.7 billion at December 31, 2008 and 2007, respectively. For additional information, see Note 2 on pages 123–128 of this Annual Report.

Junior subordinated deferrable interest debentures held by trusts that issued guaranteed capital debt securities
At December 31, 2008, the Firm had established 24 wholly-owned Delaware statutory business trusts ("issuer trusts") that had issued guaranteed capital debt securities.

The junior subordinated deferrable interest debentures issued by the Firm to the issuer trusts, totaling $18.6 billion and $15.1 billion at December 31, 2008 and 2007, respectively, were reflected in the Firm's Consolidated Balance Sheets in the liabilities section under the caption "Junior subordinated deferrable interest debentures held by trusts that issued guaranteed capital debt securities" (i.e., trust preferred capital debt securities). The Firm also records the common capital securities issued by the issuer trusts in other assets in its Consolidated Balance Sheets at December 31, 2008 and 2007.

The debentures issued to the issuer trusts by the Firm, less the common capital securities of the issuer trusts, qualify as Tier 1 capital. The following is a summary of the outstanding trust preferred capital debt securities, including unamortized original issue discount, issued by each trust, and the junior subordinated deferrable interest debenture issued to each trust as of December 31, 2008.

December 31, 2008 (in millions)	Amount of capital debt securities issued by trust[(a)]	Principal amount of debenture issued to trust[(b)]	Issue date	Stated maturity of capital securities and debentures	Earliest redemption date	Interest rate of capital securities and debentures	Interest payment/ distribution dates
Bank One Capital III	$ 474	$ 764	2000	2030	Any time[(c)]	8.75%	Semiannually
Bank One Capital VI	525	554	2001	2031	Any time[(c)]	7.20%	Quarterly
Bear Stearns Capital Trust III	263	262	2001	2031	Any time[(c)]	7.80%	Quarterly
Chase Capital II	496	511	1997	2027	Any time[(c)]	LIBOR + 0.50%	Quarterly
Chase Capital III	297	306	1997	2027	Any time[(c)]	LIBOR + 0.55%	Quarterly
Chase Capital VI	249	256	1998	2028	Any time[(c)]	LIBOR + 0.625%	Quarterly
First Chicago NBD Capital I	248	256	1997	2027	Any time[(c)]	LIBOR + 0.55%	Quarterly
J.P. Morgan Chase Capital X	1,000	1,014	2002	2032	Any time[(c)]	7.00%	Quarterly
J.P. Morgan Chase Capital XI	1,075	995	2003	2033	Any time[(c)]	5.88%	Quarterly
J.P. Morgan Chase Capital XII	400	388	2003	2033	Any time[(c)]	6.25%	Quarterly
JPMorgan Chase Capital XIII	472	487	2004	2034	2014	LIBOR + 0.95%	Quarterly
JPMorgan Chase Capital XIV	600	583	2004	2034	2009	6.20%	Quarterly
JPMorgan Chase Capital XV	995	1,370	2005	2035	Any time[(c)]	5.88%	Semiannually
JPMorgan Chase Capital XVI	500	490	2005	2035	2010	6.35%	Quarterly
JPMorgan Chase Capital XVII	496	696	2005	2035	Any time[(c)]	5.85%	Semiannually
JPMorgan Chase Capital XVIII	748	749	2006	2036	Any time[(c)]	6.95%	Semiannually
JPMorgan Chase Capital XIX	562	564	2006	2036	2011	6.63%	Quarterly
JPMorgan Chase Capital XX	995	996	2006	2036	Any time[(c)]	6.55%	Semiannually
JPMorgan Chase Capital XXI	845	846	2007	2037	2012	LIBOR + 0.95%	Quarterly
JPMorgan Chase Capital XXII	996	997	2007	2037	Any time[(c)]	6.45%	Semiannually
JPMorgan Chase Capital XXIII	746	746	2007	2047	2012	LIBOR + 1.00%	Quarterly
JPMorgan Chase Capital XXIV	700	700	2007	2047	2012	6.88%	Quarterly
JPMorgan Chase Capital XXV	1,492	2,244	2007	2037	2037	6.80%	Semiannually
JPMorgan Chase Capital XXVI	1,815	1,815	2008	2048	2013	8.00%	Quarterly
Total	$16,989	$18,589					

(a) Represents the amount of capital securities issued to the public by each trust, including unamortized original issue discount.
(b) Represents the principal amount of JPMorgan Chase debentures issued to each trust, including unamortized original issue discount. The principal amount of debentures issued to the trusts includes the impact of hedging and purchase accounting fair value adjustments that were recorded on the Firm's Consolidated Financial Statements.
(c) Subject to Series K Preferred Stock restrictions, which are discussed in Note 24 below.

Note 24 – Preferred stock

JPMorgan Chase is authorized to issue 200 million shares of preferred stock, in one or more series, with a par value of $1 per share.

On April 23, 2008, the Firm issued 600,000 shares of Fixed to Floating Rate Noncumulative Perpetual Preferred Stock, Series I (“Series I”).

On July 15, 2008, each series of Bear Stearns preferred stock then issued and outstanding was exchanged into a series of JPMorgan Chase preferred stock (Cumulative Preferred Stock, Series E, Series F and Series G) having substantially identical terms. As a result of the exchange, these preferred shares rank equally with the other series of the Firm’s preferred stock.

On August 21, 2008, the Firm issued 180,000 shares of 8.625% Noncumulative Perpetual Preferred Stock, Series J (“Series J”).

On October 28, 2008, pursuant to the U.S. Department of the Treasury’s (the “U.S. Treasury”) Capital Purchase Program (the “Capital Purchase Program”), the Firm issued to the U.S. Treasury, in exchange for total proceeds of $25.0 billion, (i) 2.5 million shares of the Firm’s Fixed Rate Cumulative Perpetual Preferred Stock, Series K, par value $1 per share and liquidation preference $10,000 per share (the “Series K Preferred Stock”), and (ii) a warrant to purchase 88,401,697 shares of the Firm’s common stock at an exercise price of $42.42 per share (the “Warrant”). The $25.0 billion proceeds were allocated to the Series K Preferred Stock and the Warrant based on the relative fair value of the instruments. The difference between the initial carrying value of $23.7 billion that was allocated to the Series K Preferred Stock and its redemption value of $25.0 billion will be charged to retained earnings (with a corresponding increase in the carrying value of the Series K Preferred Stock) over the first five years of the contract as an adjustment to the dividend yield using the effective yield method. The Series K Preferred Stock is non-voting, qualifies as Tier 1 capital and ranks equally with the Firm’s other series of preferred stock.

In the event of a liquidation or dissolution of the Firm, JPMorgan Chase’s preferred stock then outstanding takes precedence over the Firm’s common stock for the payment of dividends and the distribution of assets.

Generally, dividends on shares of outstanding series of preferred stock are payable quarterly. Dividends on the shares of Series I preferred stock are payable semiannually at a fixed annual dividend rate of 7.90% through April 2018, and then become payable quarterly at an annual dividend rate of three-month LIBOR plus 3.47%. Dividends are payable quarterly on the Series K Preferred Stock at a fixed annual dividend rate of 5% for the first five years, and a fixed annual dividend rate of 9% thereafter. The effective dividend yield of Series K Preferred stock is 6.16%.

The following is a summary of JPMorgan Chase preferred stock outstanding as of December 31, 2008. There was no preferred stock outstanding at December 31, 2007.

	Share value and redemption price per share(b)	Shares	Outstanding at December 31, 2008 (in millions)	Earliest redemption date	Contractual rate in effect at December 31, 2008
Cumulative Preferred Stock, Series E(a)	$ 200	818,113	$ 164	Any time(d)	6.15%
Cumulative Preferred Stock, Series F(a)	200	428,825	86	Any time(d)	5.72
Cumulative Preferred Stock, Series G(a)	200	511,169	102	Any time(d)	5.49
Fixed to Floating Rate Noncumulative Perpetual Preferred Stock, Series I(a)	10,000	600,000	6,000	4/30/2018	7.90
Noncumulative Perpetual Preferred Stock, Series J(a)	10,000	180,000	1,800	9/1/2013	8.63
Fixed Rate Cumulative Perpetual Preferred Stock, Series K	10,000	2,500,000	23,787(c)	12/1/2011(e)	5.00
Total preferred stock		5,038,107	$31,939		

(a) Represented by depositary shares.
(b) Redemption price includes amount shown in the table plus any accrued but unpaid dividends.
(c) Represents the carrying value as of December 31, 2008. The redemption value is $25.0 billion.
(d) Subject to Series K Preferred Stock restrictions, which are discussed below.
(e) Generally, the Firm may not redeem Series K Preferred Stock prior to the first dividend payment date falling on or after October 28, 2011. However, prior to this date, the Firm may redeem the securities up to the amount of the aggregate gross proceeds from a “qualified equity offering” if it has received aggregate gross proceeds from such offerings above an amount agreed with the U.S. Treasury and received approval from the applicable federal banking agencies.

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Series K Preferred Stock

Dividend restrictions

For as long as any shares of Series K Preferred Stock are outstanding, no dividends may be declared or paid on stock ranking junior or equally with the Series K Preferred Stock, unless all accrued and unpaid dividends for all past dividend periods on the Series K Preferred Stock are fully paid. Pursuant to the Capital Purchase Program, until October 28, 2011, the U.S. Treasury's consent is required for any increase in dividends on the Firm's common stock from the amount of the last quarterly stock dividend declared by the Firm prior to October 14, 2008, unless the Series K Preferred Stock is redeemed in whole before then, or the U.S. Treasury has transferred all of the Series K Preferred Stock it owns to third parties.

Stock repurchase restrictions

The Firm may not repurchase or redeem any common stock or other equity securities of the Firm, or any trust preferred capital debt securities issued by the Firm or any of its affiliates, without the prior consent of the U.S. Treasury (other than (i) repurchases of the Series K Preferred Stock and (ii) repurchases of junior preferred shares or common stock in connection with any employee benefit plan in the ordinary course of business consistent with past practice) until October 28, 2011, unless the Series K Preferred Stock is redeemed in whole before then, or the U.S. Treasury has transferred all of the Series K Preferred Stock it owns to third parties.

Note 25 – Common stock

At December 31, 2008, JPMorgan Chase was authorized to issue 9.0 billion shares of common stock with a $1 par value per share.

On September 30, 2008, the Firm issued $11.5 billion of new shares of common stock at $40.50 per share, representing 284 million shares.

On April 8, 2008, pursuant to the Share Exchange Agreement dated March 24, 2008, between JPMorgan Chase and Bear Stearns, 20.7 million newly issued shares of JPMorgan Chase common stock were issued to Bear Stearns in a transaction that was exempt from registration under the Securities Act of 1933, pursuant to Section 4(2) thereof, in exchange for 95.0 million newly issued shares of Bear Stearns common stock (or 39.5% of Bear Stearns common stock after giving effect to the issuance). Upon the consummation of the Bear Stearns merger, on May 30, 2008, the 20.7 million shares of JPMorgan Chase common stock and 95 million shares of Bear Stearns common stock were cancelled. For a further discussion of this transaction, see Note 2 on pages 123–128 of this Annual Report.

Common shares issued (newly issued or distributed from treasury) by JPMorgan Chase during 2008, 2007 and 2006 were as follows.

December 31, (in millions)	2008	2007	2006
Issued – balance at January 1	**3,657.7**	3,657.8	3,618.2
Newly issued:			
Common stock:			
Open market issuance	**283.9**	—	—
Bear Stearns Share Exchange Agreement	**20.7**	—	—
Employee benefits and compensation plans	**—**	—	39.3
Employee stock purchase plans	**—**	—	0.6
Total newly issued	**304.6**	—	39.9
Canceled shares	**(20.7)**	(0.1)	(0.3)
Total issued – balance at December 31	**3,941.6**	3,657.7	3,657.8
Treasury – balance at January 1	**(290.3)**	(196.1)	(131.5)
Purchases of treasury stock	**—**	(168.2)	(90.7)
Share repurchases related to employee stock-based awards[(a)]	**(0.5)**	(2.7)	(8.8)
Issued from treasury:			
Change from the Bear Stearns merger as a result of the reissuance of Treasury stock and the Share Exchange Agreement	**26.5**	—	—
Employee benefits and compensation plans	**54.4**	75.7	34.4
Employee stock purchase plans	**1.1**	1.0	0.5
Total issued from treasury	**82.0**	76.7	34.9
Total treasury – balance at December 31	**(208.8)**	(290.3)	(196.1)
Outstanding	**3,732.8**	3,367.4	3,461.7

(a) Participants in the Firm's stock-based incentive plans may have shares withheld to cover income taxes. The shares withheld amounted to 0.5 million, 2.7 million and 8.1 million for 2008, 2007 and 2006, respectively.

Pursuant to the Capital Purchase Program, the Firm issued to the U.S. Treasury a Warrant to purchase up to 88,401,697 shares of the Firm's common stock at an exercise price of $42.42 per share. Based upon its fair value relative to the Series K Preferred Stock as discussed in Note 24 on pages 193–194 of this Annual Report, the Warrant was recorded in capital surplus at a value of $1.3 billion and is accounted for as equity. The Warrant is exercisable, in whole or in part, at any time and from time to time until the tenth anniversary of the issue date.

During the year ended December 31, 2008, the Firm did not repurchase any shares of common stock. During 2007 and 2006, the Firm repurchased 168 million shares and 91 million shares, respectively, of common stock under stock repurchase programs approved by the Board of Directors.

The Board of Directors approved in April 2007, a stock repurchase program that authorizes the repurchase of up to $10.0 billion of the Firm's common shares, which superseded an $8.0 billion stock repurchase program approved in 2006. The $10.0 billion authorization includes shares to be repurchased to offset issuances under the Firm's employee stock-based plans. The actual number of shares that may be repurchased is subject to various factors, including market conditions; legal considerations affecting the amount and timing of repurchase activity; the Firm's capital position (taking into account goodwill and intangibles); internal capital generation; and alternative potential investment opportunities. The repurchase program does not include specific price targets or timetables; may be executed through open market purchases or privately negotiated transactions, or utilizing Rule 10b5-1 programs; and may be suspended at any time. A Rule 10b5-1 repurchase plan allows the Firm to repurchase shares during periods when it would not otherwise be repurchasing common stock – for example, during internal trading "black-out periods." All purchases under a Rule 10b5-1 plan must be made according to a predefined plan that is established when the Firm is not aware of material nonpublic information.

For a discussion of restrictions on the Firm's ability to repurchase the Firm's common stock, see Note 24 above.

As of December 31, 2008, approximately 524 million unissued shares of common stock were reserved for issuance under various employee incentive, compensation, option and stock purchase plans, director compensation plans and the Warrant issued to the U.S. Treasury under the Capital Purchase Program as discussed above.

Note 26 – Earnings per share

SFAS 128 requires the presentation of basic and diluted earnings per share ("EPS") in the Consolidated Statements of Income. Basic EPS is computed by dividing net income applicable to common stock by the weighted-average number of common shares outstanding for the period. Diluted EPS is computed using the same method for the numerator as basic EPS but, in the denominator, the number of common shares reflect, in addition to outstanding shares, the potential dilution that could occur if convertible securities or other contracts to issue common stock were converted or exercised into common stock. Net income available for common stock is the same for basic EPS and diluted EPS, as JPMorgan Chase had no convertible securities, and therefore, no adjustments to net income applicable to common stock were necessary. The following table presents the calculation of basic and diluted EPS for 2008, 2007 and 2006.

Year ended December 31, (in millions, except per share amounts)	**2008**	2007	2006
Basic earnings per share			
Income from continuing operations	**$3,699**	$15,365	$13,649
Income from discontinued operations	**—**	—	795
Income before extraordinary gain	**$3,699**	$15,365	$14,444
Extraordinary gain	**1,906**	—	—
Net income	**5,605**	15,365	14,444
Less: preferred stock dividends	**674**	—	4
Net income applicable to common stock	**$4,931**	$15,365	$14,440
Weighted-average basic shares outstanding	**3,501**	3,404	3,470
Income from continuing operations per share	**$ 0.86**	$ 4.51	$ 3.93
Discontinued operations per share	**—**	—	0.23
Extraordinary gain per share	**0.55**	—	—
Net income per share	**$ 1.41**	$ 4.51	$ 4.16

Year ended December 31, (in millions, except per share amounts)	**2008**	2007	2006
Diluted earnings per share			
Net income applicable to common stock	**$4,931**	$15,365	$14,440
Weighted-average basic shares outstanding	**3,501**	3,404	3,470
Add: Employee restricted stock, RSUs, stock options and SARs	**104**	104	104
Weighted-average diluted shares outstanding(a)	**3,605**	3,508	3,574
Income from continuing operations per share	**$ 0.84**	$ 4.38	$ 3.82
Discontinued operations per share	**—**	—	0.22
Extraordinary gain per share	**0.53**	—	—
Net income per share	**$ 1.37**	$ 4.38	$ 4.04

(a) Options issued under employee benefit plans and, in 2008, the warrant issued under the U.S. Treasury's Capital Purchase Program to purchase an aggregate 209 million, 129 million and 150 million shares of common stock were outstanding for the years ended December 31, 2008, 2007 and 2006, respectively, but were not included in the computation of diluted EPS, because the options and warrant were antidilutive.

Notes to consolidated financial statements

Note 27 – Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) includes the after-tax change in unrealized gains and losses on AFS securities, SFAS 52 foreign currency translation adjustments (including the impact of related derivatives), SFAS 133 cash flow hedging activities and SFAS 158 net loss and prior service cost (credit) related to the Firm's defined benefit pension and OPEB plans.

(in millions)	Unrealized gains (losses) on AFS securities[(a)]	Translation adjustments, net of hedges	Cash flow hedges	Net loss and prior service costs (credit) of defined benefit pension and OPEB plans[(e)]	Accumulated other comprehensive income (loss)
Balance at December 31, 2005	$ (224)	$ (8)	$(394)	$ —	$ (626)
Net change	253[(b)]	13	(95)	—	171
Adjustment to initially apply SFAS 158, net of taxes	—	—	—	(1,102)	(1,102)
Balance at December 31, 2006	29	5	(489)	(1,102)	(1,557)
Cumulative effect of changes in accounting principles (SFAS 159)	(1)	—	—	—	(1)
Balance at January 1, 2007, adjusted	28	5	(489)	(1,102)	(1,558)
Net change	352[(c)]	3	(313)	599	641
Balance at December 31, 2007	380	8	(802)	(503)	(917)
Net change	**(2,481)**[(d)]	**(606)**	**600**	**(2,283)**	**(4,770)**
Balance at December 31, 2008	**$(2,101)**	**$(598)**	**$(202)**	**$(2,786)**	**$(5,687)**

(a) Represents the after-tax difference between the fair value and amortized cost of the AFS securities portfolio and retained interests in securitizations recorded in other assets.
(b) The net change during 2006 was due primarily to the reversal of unrealized losses from securities sales.
(c) The net change during 2007 was due primarily to a decline in interest rates.
(d) The net change during 2008 was due primarily to spread widening in credit card asset-backed securities, non-agency mortgage-backed securities and collateralized loan obligations.
(e) For further discussion of SFAS 158, see Note 9 on pages 149–155 of this Annual Report.

The following table presents the after-tax changes in net unrealized gains (losses); and reclassification adjustments for realized (gains) losses on AFS securities and cash flow hedges; changes resulting from foreign currency translation adjustments (including the impact of related derivatives); net gains (losses) and prior service costs from pension and OPEB plans; and amortization of pension and OPEB amounts into net income. The table also reflects the adjustment to accumulated other comprehensive income (loss) resulting from the initial application of SFAS 158 to the Firm's defined benefit pension and OPEB plans. Reclassification adjustments include amounts recognized in net income that had been recorded previously in other comprehensive income (loss).

Year ended December 31, (in millions)	2008 Before tax	2008 Tax effect	2008 After tax	2007 Before tax	2007 Tax effect	2007 After tax	2006 Before tax	2006 Tax effect	2006 After tax
Unrealized gains (losses) on AFS securities:									
Net unrealized gains (losses) arising during the period	**$(3,071)**	**$1,171**	**$(1,900)**	$ 759	$(310)	$ 449	$ (403)	$ 144	$ (259)
Reclassification adjustment for realized (gains) losses included in net income	**(965)**	**384**	**(581)**	(164)	67	(97)	797	(285)	512
Net change	**(4,036)**	**1,555**	**(2,481)**	595	(243)	352	394	(141)	253
Translation adjustments:									
Translation	**(1,781)**	**682**	**(1,099)**	754	(281)	473	590	(236)	354
Hedges	**820**	**(327)**	**493**	(780)	310	(470)	(563)	222	(341)
Net change	**(961)**	**355**	**(606)**	(26)	29	3	27	(14)	13
Cash flow hedges:									
Net unrealized gains (losses) arising during the period	**584**	**(226)**	**358**	(737)	294	(443)	(250)	98	(152)
Reclassification adjustment for realized (gains) losses included in net income	**402**	**(160)**	**242**	217	(87)	130	93	(36)	57
Net change	**986**	**(386)**	**600**	(520)	207	(313)	(157)	62	(95)
Net loss and prior service cost (credit) of defined benefit pension and OPEB plans:[(a)]									
Net gains (losses) and prior service credits arising during the period	**(3,579)**	**1,289**	**(2,290)**	934	(372)	562	NA	NA	NA
Reclassification adjustment for net loss and prior service credit included in net income	**14**	**(7)**	**7**	59	(22)	37	NA	NA	NA
Net change	**(3,565)**	**1,282**	**(2,283)**	993	(394)	599	NA	NA	NA
Total other comprehensive income (loss)	**$(7,576)**	**$2,806**	**$(4,770)**	$1,042	$(401)	$ 641	$ 264	$ (93)	$ 171
Net loss and prior service cost (credit) of defined benefit pension and OPEB plans:									
Adjustments to initially apply SFAS 158[(a)]	**NA**	**NA**	**NA**	NA	NA	NA	$(1,746)	$ 644	$(1,102)

(a) For further discussion of SFAS 158 and details of changes to accumulated other comprehensive income (loss), see Note 9 on pages 149–155 of this Annual Report.

Note 28 – Income taxes

JPMorgan Chase and eligible subsidiaries file a consolidated U.S. federal income tax return. JPMorgan Chase uses the asset-and-liability method required by SFAS 109 as amended by FIN 48 to provide income taxes on all transactions recorded in the consolidated financial statements. This method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets or liabilities for book and tax purposes. Accordingly, a deferred tax liability or asset for each temporary difference is determined based upon the tax rates that the Firm expects to be in effect when the underlying items of income and expense are realized. JPMorgan Chase's expense for income taxes includes the current and deferred portions of that expense. A valuation allowance is established to reduce deferred tax assets to the amount the Firm expects to realize.

Due to the inherent complexities arising from the nature of the Firm's businesses, and from conducting business and being taxed in a substantial number of jurisdictions, significant judgments and estimates are required to be made. Agreement of tax liabilities between JPMorgan Chase and the many tax jurisdictions in which the Firm files tax returns may not be finalized for several years. Thus, the Firm's final tax-related assets and liabilities may ultimately be different than those currently reported.

The components of income tax expense (benefit) included in the Consolidated Statements of Income were as follows.

Year ended December 31, (in millions)	2008	2007	2006
Current income tax expense			
U.S. federal	**$ 395**	$2,805	$ 5,512
Non-U.S.	**1,009**	2,985	1,656
U.S. state and local	**307**	343	879
Total current income tax expense	**1,711**	6,133	8,047
Deferred income tax expense (benefit)			
U.S. federal	**(3,015)**	1,122	(1,628)
Non-U.S.	**1**	(185)	194
U.S. state and local	**377**	370	(376)
Total deferred income tax expense (benefit)	**(2,637)**	1,307	(1,810)
Total income tax expense (benefit) from continuing operations	**(926)**	7,440	6,237
Total income tax expense from discontinued operations	**—**	—	572
Total income tax expense (benefit)	**$ (926)**	$7,440	$ 6,809

Total income tax expense includes $55 million, $74 million, and $367 million of tax benefits recorded in 2008, 2007 and 2006, respectively, as a result of tax audit resolutions.

Notes to consolidated financial statements

The preceding table does not reflect the tax effect of certain items that are recorded each period directly in stockholders' equity and certain tax benefits associated with the Firm's employee stock-based compensation plans. The table does not reflect the cumulative tax effects of initially implementing new accounting pronouncements in 2007 and 2006. The tax effect of all items recorded directly to stockholders' equity was an increase in stockholders' equity of $3.0 billion, $159 million and $885 million in 2008, 2007 and 2006, respectively.

U.S. federal income taxes have not been provided on the undistributed earnings of certain non-U.S. subsidiaries, to the extent that such earnings have been reinvested abroad for an indefinite period of time. During 2008, as part of JPMorgan Chase's periodic review of the business requirements and capital needs of its non-U.S. subsidiaries, combined with the formation of specific strategies and steps taken to fulfill these requirements and needs, the Firm determined that the undistributed earnings of certain of its subsidiaries, for which U.S. federal income taxes had been provided, will remain indefinitely reinvested to fund the current and future growth of the related businesses. As management does not intend to use the earnings of these subsidiaries as a source of funding for its U.S. operations, such earnings will not be distributed to the U.S. in the foreseeable future. This determination resulted in the release of deferred tax liabilities and the recognition of an income tax benefit of $1.1 billion associated with these undistributed earnings. For 2008, pretax earnings of approximately $2.5 billion were generated that will remain indefinitely invested in these subsidiaries. At December 31, 2008, the cumulative amount of undistributed pretax earnings in these subsidiaries approximated $12.9 billion. If the Firm were to record a deferred tax liability associated with these undistributed earnings, the amount would be $2.9 billion at December 31, 2008.

The tax expense (benefit) applicable to securities gains and losses for the years 2008, 2007 and 2006 was $608 million, $60 million and $(219) million, respectively.

A reconciliation of the applicable statutory U.S. income tax rate to the effective tax rate for continuing operations for the past three years is shown in the following table.

Year ended December 31,	**2008**	2007	2006
Statutory U.S. federal tax rate	**35.0%**	35.0%	35.0%
Increase (decrease) in tax rate resulting from:			
U.S. state and local income taxes, net of federal income tax benefit	**16.0**	2.0	2.1
Tax-exempt income	**(14.8)**	(2.4)	(2.2)
Non-U.S. subsidiary earnings	**(53.6)**	(1.1)	(0.5)
Business tax credits	**(24.5)**	(2.5)	(2.5)
Bear Stearns equity losses	**5.7**	—	—
Other, net	**2.8**	1.6	(0.5)
Effective tax rate	**(33.4)%**	32.6%	31.4%

Deferred income tax expense (benefit) results from differences between assets and liabilities measured for financial reporting and for income-tax return purposes. The significant components of deferred tax assets and liabilities are reflected in the following table.

December 31, (in millions)	**2008**	2007
Deferred tax assets		
Allowance for loan losses	**$ 8,029**	$ 3,800
Employee benefits	**4,841**	3,391
Allowance for other than loan losses	**3,686**	3,635
Fair value adjustments	**2,565**	—
Non-U.S. operations	**2,504**	285
Tax attribute carryforwards	**1,383**	—
Gross deferred tax assets	**$23,008**	$11,111
Deferred tax liabilities		
Depreciation and amortization	**$ 4,681**	$ 2,966
Leasing transactions	**1,895**	2,304
Fee income	**1,015**	548
Non-U.S. operations	**946**	1,790
Fair value adjustments	**—**	570
Other, net	**202**	207
Gross deferred tax liabilities	**$ 8,739**	$ 8,385
Valuation allowance	**1,266**	220
Net deferred tax asset	**$13,003**	$ 2,506

JPMorgan Chase has recorded deferred tax assets of $1.4 billion in connection with net operating loss and business tax credit carry forwards. The U.S. federal net operating loss carryforward of approximately $1.3 billion, the state and local net operating loss carryforwards of approximately $7.2 billion, and the business tax credit carryforward of approximately $300 million are subject to annual limitations on utilization. If not utilized, the net operating losses would expire in 2026, 2027 and 2028, and the business tax credits would expire in 2028. In addition, an alternative minimum tax credit carry-forward has been recorded for approximately $200 million and has an indefinite carryforward period.

A valuation allowance has been recorded relating to state and local net operating losses, losses associated with non-U.S. subsidiaries and losses associated with certain portfolio investments. The increase in the valuation allowance from the prior year to 2008 is largely related to Bear Stearns.

The Firm adopted and applied FIN 48, which addresses the recognition and measurement of tax positions taken or expected to be taken, and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure, to all of its income tax positions at the required effective date of January 1, 2007, resulting in a $436 million cumulative effect increase to retained earnings, a reduction in goodwill of $113 million and a $549 million decrease in the liability for income taxes.

At December 31, 2008 and 2007, JPMorgan Chase's unrecognized tax benefits, excluding related interest expense and penalties, were $5.9 billion and $4.8 billion, respectively, of which $2.9 billion and $1.3 billion, if recognized, would reduce the annual effective tax rate. As JPMorgan Chase is presently under audit by a number of tax authorities, it is reasonably possible that unrecognized tax benefits could significantly change over the next 12 months, which could also significantly impact JPMorgan Chase's quarterly and annual effective tax rates.

The following table presents a reconciliation of the beginning and ending amount of unrecognized tax benefits for the years 2008 and 2007.

Unrecognized tax benefits **Year ended December 31,** (in millions)	**2008**	2007
Balance at January 1,	**$ 4,811**	$ 4,677
Increases based on tax positions related to the current period	**890**	434
Decreases based on tax positions related to the current period	**(109)**	(241)
Increases associated with the Bear Stearns merger	**1,387**	—
Increases based on tax positions related to prior periods	**501**	903
Decreases based on tax positions related to prior periods	**(1,386)**	(791)
Decreases related to settlements with taxing authorities	**(181)**	(158)
Decreases related to a lapse of applicable statute of limitations	**(19)**	(13)
Balance at December 31,	**$ 5,894**	$ 4,811

Pretax interest expense and penalties related to income tax liabilities recognized in income tax expense were $571 million ($346 million after-tax) in 2008 and $516 million ($314 million after-tax) in 2007. Included in accounts payable and other liabilities at December 31, 2008 and 2007, in addition to the Firm's liability for unrecognized tax benefits, was $2.3 billion and $1.6 billion, respectively, for income tax-related interest and penalties, of which the penalty component was insignificant.

JPMorgan Chase is subject to ongoing tax examinations by the tax authorities of the various jurisdictions in which it operates, including U.S. federal and state and non-U.S. jurisdictions. The Firm's consolidated federal income tax returns are presently under examination by the Internal Revenue Service ("IRS") for the years 2003, 2004 and 2005. The consolidated federal income tax returns of Bank One Corporation, which merged with and into JPMorgan Chase on July 1, 2004, are under examination for the years 2000 through 2003, and for the period January 1, 2004, through July 1, 2004. The consolidated federal income tax returns of Bear Stearns for the years ended November 30, 2003, 2004 and 2005, are also under examination. All three examinations are expected to conclude in 2009. The IRS audits of the consolidated federal income tax returns of JPMorgan Chase for the years 2006 and 2007, and for Bear Stearns for the years ended November 30, 2006 and 2007, are expected to commence in 2009. Administrative appeals are pending with the IRS relating to prior examination periods. For 2002 and prior years, refund claims relating to income and credit adjustments, and to tax attribute carrybacks, for JPMorgan Chase and its predecessor entities, including Bank One, have been filed. Amended returns to reflect refund claims primarily attributable to net operating losses and tax credit carrybacks will be filed for the final Bear Stearns federal consolidated tax return for the period December 1, 2007, through May 30, 2008, and for prior years.

The following table presents the U.S. and non-U.S. components of income from continuing operations before income tax expense (benefit).

Year ended December 31, (in millions)	**2008**	2007	2006
U.S.	**$(2,094)**	$13,720	$12,934
Non-U.S.[(a)]	**4,867**	9,085	6,952
Income from continuing operations before income tax expense (benefit)	**$ 2,773**	$22,805	$19,886

(a) For purposes of this table, non-U.S. income is defined as income generated from operations located outside the U.S.

Note 29 – Restrictions on cash and intercompany funds transfers

The business of JPMorgan Chase Bank, National Association ("JPMorgan Chase Bank, N.A.") is subject to examination and regulation by the Office of the Comptroller of the Currency ("OCC"). The Bank is a member of the U.S. Federal Reserve System, and its deposits are insured by the FDIC as discussed in Note 20 on page 190 of this Annual Report.

The Board of Governors of the Federal Reserve System (the "Federal Reserve") requires depository institutions to maintain cash reserves with a Federal Reserve Bank. The average amount of reserve balances deposited by the Firm's bank subsidiaries with various Federal Reserve Banks was approximately $1.6 billion in 2008 and 2007.

Restrictions imposed by U.S. federal law prohibit JPMorgan Chase and certain of its affiliates from borrowing from banking subsidiaries unless the loans are secured in specified amounts. Such secured loans to the Firm or to other affiliates are generally limited to 10% of the banking subsidiary's total capital, as determined by the risk-based capital guidelines; the aggregate amount of all such loans is limited to 20% of the banking subsidiary's total capital.

The principal sources of JPMorgan Chase's income (on a parent company–only basis) are dividends and interest from JPMorgan Chase Bank, N.A., and the other banking and nonbanking subsidiaries of JPMorgan Chase. In addition to dividend restrictions set forth in statutes and regulations, the Federal Reserve, the OCC and the FDIC have authority under the Financial Institutions Supervisory Act to prohibit or to limit the payment of dividends by the banking organizations they supervise, including JPMorgan Chase and its subsidiaries that are banks or bank holding companies, if, in the banking regulator's opinion, payment of a dividend would constitute an unsafe or unsound practice in light of the financial condition of the banking organization.

At January 1, 2009 and 2008, JPMorgan Chase's banking subsidiaries could pay, in the aggregate, $17.0 billion and $16.2 billion, respectively, in dividends to their respective bank holding companies without the prior approval of their relevant banking regulators. The capacity to pay dividends in 2009 will be supplemented by the banking subsidiaries' earnings during the year.

In compliance with rules and regulations established by U.S. and non-U.S. regulators, as of December 31, 2008 and 2007, cash in the amount of $20.8 billion and $16.0 billion, respectively, and securities with a fair value of $12.1 billion and $3.4 billion, respectively, were segregated in special bank accounts for the benefit of securities and futures brokerage customers.

Notes to consolidated financial statements

Note 30 – Capital

The Federal Reserve establishes capital requirements, including well-capitalized standards for the consolidated financial holding company. The OCC establishes similar capital requirements and standards for the Firm’s national banks, including JPMorgan Chase Bank, N.A., and Chase Bank USA, N.A.

There are two categories of risk-based capital: Tier 1 capital and Tier 2 capital. Tier 1 capital includes common stockholders’ equity, qualifying preferred stock and minority interest less goodwill and other adjustments. Tier 2 capital consists of preferred stock not qualifying as Tier 1, subordinated long-term debt and other instruments qualifying as Tier 2, and the aggregate allowance for credit losses up to a certain percentage of risk-weighted assets. Total regulatory capital is subject to deductions for investments in certain subsidiaries. Under the risk-based capital guidelines of the Federal Reserve, JPMorgan Chase is required to maintain minimum ratios of Tier 1 and Total (Tier 1 plus Tier 2) capital to risk-weighted assets, as well as minimum leverage ratios (which are defined as Tier 1 capital to average adjusted on-balance sheet assets). Failure to meet these minimum requirements could cause the Federal Reserve to take action. Banking subsidiaries also are subject to these capital requirements by their respective primary regulators. As of December 31, 2008 and 2007, JPMorgan Chase and all of its banking subsidiaries were well-capitalized and met all capital requirements to which each was subject.

The Federal Reserve granted the Firm, for a period of 18 months following the Bear Stearns merger, relief up to a certain specified amount and subject to certain conditions from the Federal Reserve’s risk-based capital and leverage requirements with respect to Bear Stearns’ risk-weighted assets and other exposures acquired. The amount of such relief is subject to reduction by one-sixth each quarter subsequent to the merger and expires on October 1, 2009. The OCC granted JPMorgan Chase Bank, N.A. similar relief from its risk-based capital and leverage requirements.

The following table presents the risk-based capital ratios for JPMorgan Chase and its significant banking subsidiaries at December 31, 2008 and 2007.

(in millions, except ratios)	Tier 1 capital	Total capital	Risk-weighted assets[c]	Adjusted average assets[d]	Tier 1 capital ratio	Total capital ratio	Tier 1 leverage ratio
December 31, 2008[a]							
JPMorgan Chase & Co.	**$ 136,104**	**$ 184,720**	**$ 1,244,659**	**$ 1,966,895**	**10.9%**	**14.8%**	**6.9%**
JPMorgan Chase Bank, N.A.	**100,594**	**143,854**	**1,153,039**	**1,705,750**	**8.7**	**12.5**	**5.9**
Chase Bank USA, N.A.	**11,190**	**12,901**	**101,472**	**87,286**	**11.0**	**12.7**	**12.8**
December 31, 2007[a]							
JPMorgan Chase & Co.	$ 88,746	$ 132,242	$ 1,051,879	$ 1,473,541	8.4%	12.6%	6.0%
JPMorgan Chase Bank, N.A.	78,453	112,253	950,001	1,268,304	8.3	11.8	6.2
Chase Bank USA, N.A.	9,407	10,720	73,169	60,905	12.9	14.7	15.5
Well-capitalized ratios[b]					6.0%	10.0%	5.0%[e]
Minimum capital ratios[b]					4.0	8.0	3.0[f]

(a) Asset and capital amounts for JPMorgan Chase’s banking subsidiaries reflect intercompany transactions, whereas the respective amounts for JPMorgan Chase reflect the elimination of intercompany transactions.

(b) As defined by the regulations issued by the Federal Reserve, OCC and FDIC.

(c) Includes off-balance sheet risk-weighted assets in the amounts of $357.5 billion, $332.2 billion and $18.6 billion, respectively, at December 31, 2008, and $352.7 billion, $336.8 billion and $13.4 billion, respectively, at December 31, 2007, for JPMorgan Chase, JPMorgan Bank, N.A. and Chase Bank USA, N.A.

(d) Adjusted average assets, for purposes of calculating the leverage ratio, include total average assets adjusted for unrealized gains/losses on securities, less deductions for disallowed goodwill and other intangible assets, investments in certain subsidiaries and the total adjusted carrying value of nonfinancial equity investments that are subject to deductions from Tier 1 capital.

(e) Represents requirements for banking subsidiaries pursuant to regulations issued under the Federal Deposit Insurance Corporation Improvement Act. There is no Tier 1 leverage component in the definition of a well-capitalized bank holding company.

(f) The minimum Tier 1 leverage ratio for bank holding companies and banks is 3% or 4% depending on factors specified in regulations issued by the Federal Reserve and OCC.

Note: Rating agencies allow measures of capital to be adjusted upward for deferred tax liabilities which have resulted from both nontaxable business combinations and from tax-deductible goodwill. The Firm had deferred tax liabilities resulting from nontaxable business combinations totaling $1.1 billion at December 31, 2008, and $2.0 billion at December 31, 2007. Additionally, the Firm had deferred tax liabilities resulting from tax-deductible goodwill of $1.6 billion at December 31, 2008, and $939 million at December 31, 2007.

The following table shows the components of the Firm's Tier 1 and Total capital.

December 31, (in millions)	2008	2007
Tier 1 capital		
Total stockholders' equity	**$166,884**	$123,221
Effect of certain items in accumulated other comprehensive income (loss) excluded from Tier 1 capital	**5,084**	925
Adjusted stockholders' equity	**171,968**	124,146
Minority interest(a)	**17,257**	15,005
Less: Goodwill	**48,027**	45,270
SFAS 157 DVA	**2,358**	882
Investments in certain subsidiaries	**679**	782
Nonqualifying intangible assets	**2,057**	3,471
Tier 1 capital	**136,104**	88,746
Tier 2 capital		
Long-term debt and other instruments qualifying as Tier 2	**31,659**	32,817
Qualifying allowance for credit losses	**17,187**	10,084
Adjustment for investments in certain subsidiaries and other	**(230)**	595
Tier 2 capital	**48,616**	43,496
Total qualifying capital	**$184,720**	$132,242

(a) Primarily includes trust preferred capital debt securities of certain business trusts.

Note 31 – Commitments and contingencies

At December 31, 2008, JPMorgan Chase and its subsidiaries were obligated under a number of noncancelable operating leases for premises and equipment used primarily for banking purposes, and for energy-related tolling service agreements. Certain leases contain renewal options or escalation clauses providing for increased rental payments based upon maintenance, utility and tax increases or require the Firm to perform restoration work on leased premises. No lease agreement imposes restrictions on the Firm's ability to pay dividends, engage in debt or equity financing transactions or enter into further lease agreements.

The following table presents required future minimum rental payments under operating leases with noncancelable lease terms that expire after December 31, 2008.

Year ended December 31, (in millions)	
2009	$ 1,676
2010	1,672
2011	1,543
2012	1,456
2013	1,387
After 2013	9,134
Total minimum payments required(a)	16,868
Less: Sublease rentals under noncancelable subleases	(2,266)
Net minimum payment required	$14,602

(a) Lease restoration obligations are accrued in accordance with SFAS 13, and are not reported as a required minimum lease payment.

Total rental expense was as follows.

Year ended December 31, (in millions)	2008	2007	2006
Gross rental expense	**$1,917**	$1,380	$1,266
Sublease rental income	**(415)**	(175)	(194)
Net rental expense	**$1,502**	$1,205	$1,072

At December 31, 2008, assets were pledged to secure public deposits and for other purposes. The significant components of the assets pledged were as follows.

December 31, (in billions)	2008	2007
Reverse repurchase/securities borrowing agreements	**$456.6**	$333.7
Securities	**31.0**	4.5
Loans	**342.3**	160.4
Trading assets and other	**98.0**	102.2
Total assets pledged(a)	**$927.9**	$600.8

(a) Total assets pledged do not include assets of consolidated VIEs. These assets are generally used to satisfy liabilities to third parties. See Note 17 on pages 177–186 of this Annual Report for additional information on assets and liabilities of consolidated VIEs.

The Firm has resolved with the IRS issues related to compliance with reporting and withholding requirements for certain accounts transferred to The Bank of New York Mellon Corporation ("BNYM") in connection with the Firm's sale to BNYM of its corporate trust business. The resolution of these issues did not have a material effect on the Firm.

Note 32 – Accounting for derivative instruments and hedging activities

Derivative instruments enable end-users to increase, reduce or alter exposure to credit or market risks. The value of a derivative is derived from its reference to an underlying variable or combination of variables such as equity, foreign exchange, credit, commodity or interest rate prices or indices. JPMorgan Chase makes markets in derivatives for customers and also is an end-user of derivatives in order to hedge or manage risks of market exposures, modify the interest rate characteristics of related balance sheet instruments or meet longer-term investment objectives. The majority of the Firm's derivatives are entered into for market-making purposes. SFAS 133, as amended by SFAS 138, SFAS 149, SFAS 155 and FSP FAS 133-1, establishes accounting and reporting standards for derivative instruments, including those used for trading and hedging activities and derivative instruments embedded in other contracts. All free-standing derivatives are required to be recorded on the Consolidated Balance Sheets at fair value. The accounting for changes in value of a derivative depends on whether or not the contract has been designated and qualifies for hedge accounting. Derivative receivables and payables, whether designated for hedging relationships or not, are recorded in trading assets and trading liabilities as set forth in Note 6 on page 147 of this Annual Report.

Derivatives used for trading purposes
The Firm makes markets in derivatives for customers seeking to modify, or reduce interest rate, credit, foreign exchange, equity and commodity and other market risks or for risk-taking purposes. The Firm typically manages its exposure from such derivatives by entering into derivatives or other financial instruments that partially or fully offset the exposure from the client transaction. The Firm actively manages any residual exposure and seeks to earn a spread between the client derivatives and offsetting positions. For the Firm's own account, the Firm uses derivatives to take risk positions or to benefit from differences in prices between derivative markets and markets for other financial instruments.

Derivatives used for risk management purposes
Interest rate contracts, which are generally interest rate swaps, forwards and futures are utilized in the Firm's risk management activities to minimize fluctuations in earnings caused by interest rate volatility. As a result of interest rate fluctuations, fixed-rate assets and liabilities appreciate or depreciate in market value. Gains or losses on the derivative instruments that are linked to fixed-rate assets and liabilities and forecasted transactions are expected to offset substantially this unrealized appreciation or depreciation. Interest income and interest expense on variable-rate assets and liabilities and on forecasted transactions increase or decrease as a result of interest rate fluctuations. Gains and losses on the derivative instruments that are linked to assets and liabilities and forecasted transactions are expected to offset substantially this variability in earnings. Interest rate swaps involve the exchange of fixed-rate and variable-rate interest payments based on the contracted notional amount. Forward contracts used for the Firm's interest rate risk management activities are primarily arrangements to exchange cash in the future based on price movements of specified financial instruments. Futures contracts used are primarily index futures which provide for cash payments based upon the movements of an underlying rate index.

The Firm uses foreign currency contracts to manage the foreign exchange risk associated with certain foreign currency-denominated (i.e., non-U.S.) assets and liabilities and forecasted transactions denominated in a foreign currency, as well as the Firm's equity investments in foreign subsidiaries. As a result of foreign currency fluctuations, the U.S. dollar equivalent values of the foreign currency-denominated assets and liabilities or forecasted transactions change. Gains or losses on the derivative instruments that are linked to the foreign currency denominated assets or liabilities or forecasted transactions are expected to offset substantially this variability. Foreign exchange forward contracts represent agreements to exchange the currency of one country for the currency of another country at an agreed-upon price on an agreed-upon settlement date.

The Firm uses forward contracts to manage the overall price risk associated with the gold inventory in its commodities portfolio. As a result of gold price fluctuations, the fair value of the gold inventory changes. Gains or losses on the derivative instruments that are linked to gold inventory are expected to substantially offset this unrealized appreciation or depreciation. Forward contracts used for the Firm's gold inventory risk management activities are arrangements to deliver gold in the future.

The Firm uses credit derivatives to manage the credit risk associated with loans, lending-related commitments and derivative receivables, as well as exposure to residential and commercial mortgages. Credit derivatives compensate the purchaser when the entity referenced in the contract experiences a credit event such as bankruptcy or a failure to pay an obligation when due. For a further discussion of credit derivatives, see the discussion below.

In order to qualify for hedge accounting, a derivative must be considered highly effective at reducing the risk associated with the exposure being hedged. In order for a derivative to be designated as a hedge, there must be documentation of the risk management objective and strategy, including identification of the hedging instrument, the hedged item and the risk exposure, and how effectiveness is to be assessed prospectively and retrospectively. To assess effectiveness, the Firm uses statistical methods such as regression analysis, as well as nonstatistical methods including dollar value comparisons of the change in the fair value of the derivative to the change in the fair value or cash flows of the hedged item. The extent to which a hedging instrument has been and is expected to continue to be effective at achieving offsetting changes in fair value or cash flows must be assessed and documented at least quarterly. Any ineffectiveness must be reported in current-period earnings. If it is determined that a derivative is not highly effective at hedging the designated exposure, hedge accounting is discontinued.

For qualifying fair value hedges, all changes in the fair value of the derivative and in the fair value of the hedged item for the risk being hedged are recognized in earnings. If the hedge relationship is terminated, then the fair value adjustment to the hedged item continues to be reported as part of the basis of the item and continues to be amortized to earnings as a yield adjustment. For qualifying cash flow hedges, the effective portion of the change in the fair value of the derivative is recorded in other comprehensive income (loss) and recognized in the Consolidated Statements of Income when the hedged cash flows affect earnings. The ineffective portions of cash flow hedges are immediately recognized in earnings. If the hedge relationship is terminated, then the change in fair value of the derivative recorded in accumulated other comprehensive income (loss) is recognized when the cash flows that were hedged occur, consistent with the original hedge strategy. For hedge relationships that are discontinued because the forecasted transaction is not expected to occur according to the original strategy, any related derivative amounts recorded in accumulated other comprehensive income (loss) are immediately recognized in earnings. For qualifying net investment hedges, changes in the fair value of the derivative or the revaluation of the foreign currency–denominated debt instrument are recorded in the translation adjustments account within accumulated other comprehensive income (loss).

JPMorgan Chase's fair value hedges primarily include hedges of the interest rate risk inherent in fixed-rate long-term debt, warehouse loans, AFS securities, and the overall price of gold inventory. All changes in the hedging derivative's fair value are included in earnings consistent with the classification of the hedged item, primarily net interest income for long-term debt and AFS securities; other income for warehouse loans; and principal transactions revenue for gold inventory. The Firm did not recognize any gains or losses during 2008, 2007 or 2006 on firm commitments that no longer qualified as fair value hedges.

JPMorgan Chase also enters into derivative contracts to hedge exposure to variability in cash flows from floating-rate financial instruments and forecasted transactions, primarily the rollover of short-term assets and liabilities, and foreign currency–denominated revenue and expense. All hedging derivative amounts affecting earnings are recognized consistent with the classification of the hedged item, primarily net interest income.

The Firm uses forward foreign exchange contracts and foreign currency–denominated debt instruments to protect the value of net investments in subsidiaries whose functional currency is not the U.S. dollar. The portion of the hedging derivative excluded from the assessment of hedge effectiveness (i.e., forward points) is recorded in net interest income.

JPMorgan Chase does not seek to apply hedge accounting to all of the Firm's economic hedges. For example, the Firm does not apply hedge accounting to purchased credit default swaps used to manage the credit risk of loans and commitments because of the difficulties in qualifying such contracts as hedges under SFAS 133. Similarly, the Firm does not apply hedge accounting to certain interest rate derivatives used as economic hedges.

The following table presents derivative instrument hedging-related activities for the periods indicated.

Year ended December 31, (in millions)	**2008**	2007	2006
Fair value hedge ineffective net gains(a)	**$ 434**	$ 111	$ 51
Cash flow hedge ineffective net gains(a)	**18**	29	2
Cash flow hedging net gains on forecasted transactions that failed to occur	**—**	15(b)	—

(a) Includes ineffectiveness and the components of hedging instruments that have been excluded from the assessment of hedge effectiveness.
(b) During the second half of 2007, the Firm did not issue short-term fixed rate Canadian dollar denominated notes due to the weak credit market for Canadian short-term debt.

Over the next 12 months, it is expected that $348 million (after-tax) of net losses recorded in accumulated other comprehensive income (loss) at December 31, 2008, will be recognized in earnings. The maximum length of time over which forecasted transactions are hedged is ten years, and such transactions primarily relate to core lending and borrowing activities.

Credit derivatives

Credit derivatives are financial instruments whose value is derived from the credit risk associated with the debt of a third party issuer (the reference entity) and which allow one party (the protection purchaser) to transfer that risk to another party (the protection seller). Credit derivatives expose the protection purchaser to the creditworthiness of the protection seller, as the protection seller is required to make payments under the contract when the reference entity experiences a credit event, such as a bankruptcy, failure to pay its obligation, or a restructuring. The seller of credit protection receives a premium for providing protection, but has the risk that the underlying instrument referenced in the contract will be subjected to a credit event.

The Firm is both a purchaser and seller of credit protection in the credit derivatives market and uses credit derivatives for two primary purposes. First, in its capacity as a market-maker in the dealer/client business, the Firm actively risk manages a portfolio of credit derivatives by purchasing and selling credit protection, predominantly on corporate debt obligations, to meet the needs of customers. As a seller of protection, the Firm's exposure to a given reference entity may be offset partially, or entirely, with a contract to purchase protection from another counterparty on the same or similar reference entity. Second, the Firm uses credit derivatives in order to mitigate the Firm's credit risk associated with the overall derivative receivables and traditional commercial credit lending exposures (loans and unfunded commitments) as well as to manage its exposure to residential and commercial mortgages. See Note 4 on pages 129–143 of this Annual Report for further information on the Firm's mortgage-related exposures. In accomplishing the above, the Firm uses different types of credit derivatives. Following is a summary of various types of credit derivatives.

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Credit default swaps
Credit derivatives may reference the credit of either a single reference entity (“single-name”) or a broad-based index, as described further below. The Firm purchases and sells protection on both single-name and index-reference obligations. Single-name credit default swaps (“CDS”) and index CDS contracts are both OTC derivative contracts. Single-name CDS are used to manage the default risk of a single reference entity, while CDS index are used to manage credit risk associated with the broader credit markets or credit market segments. Like the S&P 500 and other market indices, a CDS index is comprised of a portfolio of CDS across many reference entities. New series of CDS indices are established approximately every six months with a new underlying portfolio of reference entities to reflect changes in the credit markets. If one of the reference entities in the index experiences a credit event, then the reference entity that defaulted is removed from the index and is replaced with another reference entity. CDS can also be referenced against specific portfolios of reference names or against customized exposure levels based on specific client demands: for example, to provide protection against the first $1 million of realized credit losses in a $10 million portfolio of exposure. Such structures are commonly known as tranche CDS.

For both single-name CDS contracts and index CDS, upon the occurrence of a credit event, under the terms of a CDS contract neither party to the CDS contract has recourse to the reference entity. The protection purchaser has recourse to the protection seller for the difference between the face value of the CDS contract and the fair value of the reference obligation at the time of settling the credit derivative contract, also known as the recovery value. The protection purchaser does not need to hold the debt instrument of the underlying reference entity in order to receive amounts due under the CDS contract when a credit event occurs.

Credit-linked notes
A credit linked note (“CLN”) is a funded credit derivative where the issuer of the CLN purchases credit protection on a referenced entity from the note investor. Under the contract, the investor pays the issuer par value of the note at the inception of the transaction, and in return, the issuer pays periodic payments to the investor, based on the credit risk of the referenced entity. The issuer also repays the investor the par value of the note at maturity unless the reference entity experiences a specified credit event. In that event, the issuer is not obligated to repay the par value of the note, but rather, the issuer pays the investor the difference between the par value of the note and the fair value of the defaulted reference obligation at the time of settlement. Neither party to the CLN has recourse to the defaulting reference entity. For a further discussion of CLNs, see Note 17 on pages 182–183 of this Annual Report.

The following table presents a summary of the notional amounts of credit derivatives and credit-linked notes the Firm sold and purchased, and the net position as of December 31, 2008. Upon a credit event, the Firm as seller of protection would typically pay out only a percentage of the full notional of net protection sold; as the amount that is actually required to be paid on the contracts take into account the recovery value of the reference obligation at the time of settlement. The Firm manages the credit risk on contracts to sell protection by purchasing protection with identical or similar underlying reference entities; as such other protection purchased referenced in the following table includes credit derivatives bought on related, but not identical reference positions, including indices, portfolio coverage and other reference points, which further mitigates the risk associated with the net protection sold.

Total credit derivatives and credit-linked notes

December 31, 2008 (in millions)	Maximum payout/Notional amount			
	Protection sold	Protection purchased with identical underlyings[b]	Net protection (sold)/purchased[c]	Other protection purchased[d]
Credit derivatives				
Credit default swaps	$(4,194,707)	$3,876,890	$(317,817)	$302,160
Other credit derivatives[a]	(4,026)	—	(4,026)	10,096
Total credit derivatives	(4,198,733)	3,876,890	(321,843)	312,256
Credit-linked notes	(1,263)	141	(1,122)	1,792
Total	$(4,199,996)	$3,877,031	$(322,965)	$314,048

(a) Primarily consists of total return swaps and options to enter into credit default swap contracts.
(b) Represents the notional amount of purchased credit derivatives where the underlying reference instrument is identical to the reference instrument on which the Firm has sold credit protection.
(c) Does not take into account the fair value of the reference obligation at the time of settlement, which would generally reduce the amount the seller of protection pays to the buyer of protection in determining settlement value.
(d) Represents single-name and index CDS protection the Firm purchased primarily to risk manage the net protection sold.

The following table summarizes the notional and fair value amounts of credit derivatives and credit-linked notes as of December 31, 2008, where JPMorgan Chase is the seller of protection. The maturity profile presents the years to maturity based upon the remaining contractual maturity of the credit derivative contracts. The ratings profile is based on the rating of the reference entity on which the credit derivative contract is based. The ratings and maturity profile of protection purchased is comparable to the profile reflected below.

Protection sold – credit derivatives and credit-linked notes ratings/maturity profile[a]

December 31, 2008 (in millions)	< 1 year	1-5 years	> 5 years	Total notional amount	Fair value[c]
Risk rating of reference entity					
Investment grade (AAA to BBB-)[b]	$ (177,404)	$ (1,767,004)	$ (713,555)	$ (2,657,963)	$ (215,217)
Noninvestment grade (BB+ and below)[b]	(121,040)	(992,098)	(428,895)	(1,542,033)	(244,975)
Total	$ (298,444)	$ (2,759,102)	$ (1,142,450)	$ (4,199,996)	$ (460,192)

(a) The contractual maturity for single-name CDS contract generally ranges from three months to ten years and the contractual maturity for index CDS is generally five years. The contractual maturity for CLNs typically ranges from three to five years.
(b) Ratings scale is based upon the Firm’s internal ratings, which generally correspond to ratings defined by S&P and Moody’s.
(c) Amounts are shown on a gross basis, before the benefit of legally enforceable master netting agreements and cash collateral held by the Firm.

Notes to consolidated financial statements

Note 33 – Off-balance sheet lending-related financial instruments and guarantees

JPMorgan Chase utilizes lending-related financial instruments (e.g., commitments and guarantees) to meet the financing needs of its customers. The contractual amount of these financial instruments represents the maximum possible credit risk should the counterparties draw down on these commitments or the Firm fulfills its obligation under these guarantees, and the counterparties subsequently fail to perform according to the terms of these contracts. Most of these commitments and guarantees expire without a default occurring or without being drawn. As a result, the total contractual amount of these instruments is not, in the Firm's view, representative of its actual future credit exposure or funding requirements. Further, certain commitments, predominantly related to consumer financings, are cancelable, upon notice, at the option of the Firm.

To provide for the risk of loss inherent in wholesale related contracts, an allowance for credit losses on lending-related commitments is maintained. See Note 15 on pages 166–168 of this Annual Report for further discussion of the allowance for credit losses on lending-related commitments.

The following table summarizes the contractual amounts of off-balance sheet lending-related financial instruments and guarantees and the related allowance for credit losses on lending-related commitments at December 31, 2008 and 2007.

Off-balance sheet lending-related financial instruments and guarantees

	Contractual amount		Allowance for lending-related commitments	
December 31, (in millions)	**2008**	2007	**2008**	2007
Lending-related				
Consumer(a)	**$ 741,507**	$ 815,936	**$ 25**	$ 15
Wholesale:				
Other unfunded commitments to extend credit(b)(c)(d)(e)	**225,863**	250,954	**349**	571
Asset purchase agreements(f)	**53,729**	90,105	**9**	9
Standby letters of credit and financial guarantees(c)(g)(h)	**95,352**	100,222	**274**	254
Other letters of credit(c)	**4,927**	5,371	**2**	1
Total wholesale	**379,871**	446,652	**634**	835
Total lending-related	**$ 1,121,378**	$ 1,262,588	**$ 659**	$ 850
Other guarantees				
Securities lending guarantees(i)	**$ 169,281**	$ 385,758	**NA**	NA
Residual value guarantees	**670**	NA	**NA**	NA
Derivatives qualifying as guarantees(j)	**83,835**	85,262	**NA**	NA

(a) Includes credit card and home equity lending-related commitments of $623.7 billion and $95.7 billion, respectively, at December 31, 2008; and $714.8 billion and $74.2 billion, respectively, at December 31, 2007. These amounts for credit card and home equity lending-related commitments represent the total available credit for these products. The Firm has not experienced, and does not anticipate, that all available lines of credit for these products will be utilized at the same time. The Firm can reduce or cancel these lines of credit by providing the borrower prior notice or, in some cases, without notice as permitted by law.
(b) Includes unused advised lines of credit totaling $36.3 billion and $38.4 billion at December 31, 2008 and 2007, respectively, which are not legally binding. In regulatory filings with the Federal Reserve, unused advised lines are not reportable.
(c) Represents contractual amount net of risk participations totaling $28.3 billion at both December 31, 2008 and 2007.
(d) Excludes unfunded commitments to third-party private equity funds of $1.4 billion and $881 million at December 31, 2008 and 2007, respectively. Also excludes unfunded commitments for other equity investments of $1.0 billion and $903 million at December 31, 2008 and 2007, respectively.
(e) Includes commitments to investment and noninvestment grade counterparties in connection with leveraged acquisitions of $3.6 billion and $8.2 billion at December 31, 2008 and 2007, respectively.
(f) Largely represents asset purchase agreements with the Firm's administered multi-seller, asset-backed commercial paper conduits. It also includes $96 million and $1.1 billion of asset purchase agreements to other third-party entities at December 31, 2008 and 2007, respectively.
(g) JPMorgan Chase held collateral relating to $31.0 billion and $31.5 billion of these arrangements at December 31, 2008 and 2007, respectively. Prior periods have been revised to conform to the current presentation.
(h) Includes unissued standby letters of credit commitments of $39.5 billion and $50.7 billion at December 31, 2008 and 2007, respectively.
(i) Collateral held by the Firm in support of securities lending indemnification agreements was $170.1 billion and $390.5 billion at December 31, 2008 and 2007, respectively. Securities lending collateral comprises primarily cash, securities issued by governments that are members of the Organisation for Economic Co-operation and Development and U.S. government agencies.
(j) Represents notional amounts of derivatives qualifying as guarantees.

Other unfunded commitments to extend credit
Unfunded commitments to extend credit are agreements to lend or to purchase securities only when a customer has complied with predetermined conditions, and they generally expire on fixed dates.

Other unfunded commitments to extend credit include commitments to U.S. domestic states and municipalities, hospitals and other not-for-profit entities to provide funding for periodic tenders of their variable-rate demand bond obligations or commercial paper. Performance by the Firm is required in the event that the variable-rate demand bonds or commercial paper cannot be remarketed to new investors. The performance required of the Firm under these agreements is conditional and limited by certain termination events, which include bankruptcy and the credit rating downgrade of the issuer of the variable-rate demand bonds or commercial paper to below certain predetermined thresholds. The commitment period is generally one to three years. The amount of commitments related to variable-rate demand bonds and commercial paper of U.S. domestic states and municipalities, hospitals and not-for-profit entities at December 31, 2008 and 2007, was $23.5 billion and $24.1 billion, respectively.

Included in other unfunded commitments to extend credit are commitments to investment and noninvestment grade counterparties in connection with leveraged acquisitions. These commitments are dependent on whether the acquisition by the borrower is successful, tend to be short-term in nature and, in most cases, are subject to certain conditions based on the borrower's financial condition or other factors. Additionally, the Firm often syndicates portions of the commitment to other investors, depending on market conditions. These commitments often contain flexible pricing features to adjust for changing market conditions prior to closing. Alternatively, the borrower may turn to the capital markets for required funding instead of drawing on the commitment provided by the Firm, and the commitment may expire unused. As such, these commitments may not necessarily be indicative of the Firm's actual risk, and the total commitment amount may not reflect actual future cash flow requirements. The amount of commitments related to leveraged acquisitions at December 31, 2008 and 2007, was $3.6 billion and $8.2 billion, respectively. For further information, see Note 4 and Note 5 on pages 129–143 and 144–146, respectively, of this Annual Report.

FIN 45 guarantees
FIN 45 establishes accounting and disclosure requirements for guarantees, requiring that a guarantor recognize, at the inception of a guarantee, a liability in an amount equal to the fair value of the obligation undertaken in issuing the guarantee. FIN 45 defines a guarantee as a contract that contingently requires the guarantor to pay a guaranteed party, based upon: (a) changes in an underlying asset, liability or equity security of the guaranteed party; or (b) a third party's failure to perform under a specified agreement. The Firm considers the following off-balance sheet lending-related arrangements to be guarantees under FIN 45: certain asset purchase agreements, standby letters of credit and financial guarantees, securities lending indemnifications, certain indemnification agreements included within third-party contractual arrangements and certain derivative contracts. These guarantees are described in further detail below.

The fair value at inception of the obligation undertaken when issuing the guarantees and commitments that qualify under FIN 45 is typically equal to the net present value of the future amount of premium receivable under the contract. The Firm has recorded this amount in other liabilities with an offsetting entry recorded in other assets. As cash is received under the contract, it is applied to the premium receivable recorded in other assets, and the fair value of the liability recorded at inception is amortized into income as lending & deposit-related fees over the life of the guarantee contract. The amount of the liability related to FIN 45 guarantees recorded at December 31, 2008 and 2007, excluding the allowance for lending-related commitments and derivative contracts discussed below, was approximately $535 million and $335 million, respectively.

Asset purchase agreements
The majority of the Firm's unfunded commitments are not guarantees as defined in FIN 45, except for certain asset purchase agreements that are principally used as a mechanism to provide liquidity to SPEs, predominantly multi-seller conduits, as described in Note 17 on pages 177–181 of this Annual Report. The conduit's administrative agent can require the liquidity provider to perform under their asset purchase agreement with the conduit at any time. These agreements may cause the Firm to purchase an asset from the SPE at an amount above the asset's then fair value, in effect providing a guarantee of the initial value of the reference asset as of the date of the agreement. In most instances, third-party credit enhancements of the SPE mitigate the Firm's potential losses on these agreements.

The carrying value of asset purchase agreements of $147 million at December 31, 2008, classified in accounts payable and other liabilities on the Consolidated Balance Sheets, includes $9 million for the allowance for lending-related commitments and $138 million for the FIN 45 guarantee liability.

Standby letters of credit
Standby letters of credit ("SBLC") and financial guarantees are conditional lending commitments issued by the Firm to guarantee the performance of a customer to a third party under certain arrangements, such as commercial paper facilities, bond financings, acquisition financings, trade and similar transactions. The majority of SBLCs mature in 5 years or less; as of December 31, 2008 and 2007, 64% and 52%, respectively, of these arrangements mature within three years. The Firm has recourse to recover from the customer any amounts paid under these guarantees; in addition, the Firm may hold cash or other highly liquid collateral to support these guarantees. The carrying value of standby letters of credit of $673 million and $590 million at December 31, 2008 and 2007, respectively, which is classified in accounts payable and other liabilities in the Consolidated Balance Sheets, includes $276 million and $255 million at December 31, 2008 and 2007, respectively for the allowance for lending-related commitments, and $397 million and $335 million at December 31, 2008 and 2007, respectively for the FIN 45 guarantee.

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The following table summarizes the type of facilities under which standby letters of credit and other letters of credit arrangements are outstanding by the ratings profiles of the Firm's customers as of December 31, 2008 and 2007. The ratings scale is representative of the payment or performance risk to the Firm under the guarantee and is based upon the Firm's internal risk ratings, which generally correspond to ratings defined by S&P and Moody's.

	2008		2007	
December 31, (in millions)	Standby letters of credit and other financial guarantees	Other letters of credit	Standby letters of credit and other financial guarantees	Other letters of credit
Investment-grade[(a)]	$73,394	$4,165	$ 71,904	$4,153
Noninvestment-grade[(a)]	21,958	762	28,318	1,218
Total contractual amount	$95,352[(b)]	$4,927	$100,222[(b)]	$5,371
Allowance for lending-related commitments	$ 274	$ 2	$ 254	$ 1
Commitments with collateral	30,972	1,000	31,502	809

(a) Ratings scale is based upon the Firm's internal ratings which generally correspond to ratings defined by S&P and Moody's.
(b) Represents contractual amount net of risk participations totaling $28.3 billion at both December 31, 2008 and 2007.

Derivatives qualifying as guarantees
In addition to the contracts described above, the Firm transacts certain derivative contracts that meet the characteristics of a guarantee under FIN 45. These contracts include written put options that require the Firm to purchase assets upon exercise by the option holder at a specified price by a specified date in the future. The Firm may enter into written put option contracts in order to meet client needs, or for trading purposes. The terms of written put options are typically five years or less. Derivative guarantees also include contracts such as stable value derivatives that require the Firm to make a payment of the difference between the market value and the book value of a counterparty's reference portfolio of assets in the event that market value is less than book value and certain other conditions have been met. Stable value derivatives, commonly referred to as "stable value wraps", are transacted in order to allow investors to realize investment returns with less volatility than an unprotected portfolio, and typically have a longer-term maturity or allow either party to terminate the contract subject to contractually specified terms.

Derivative guarantees are recorded on the Consolidated Balance Sheets at fair value in trading assets and trading liabilities. The total notional value of the derivatives that the Firm deems to be guarantees was $83.8 billion and $85.3 billion at December 31, 2008 and 2007, respectively. The notional value generally represents the Firm's maximum exposure to derivatives qualifying as guarantees, although exposure to certain stable value derivatives is contractually limited to a substantially lower percentage of the notional value. The fair value of the contracts reflects the probability of whether the Firm will be required to perform under the contract. The fair value related to derivative guarantees was a derivative receivable of $184 million and $213 million and a derivative payable of $5.6 billion and $2.5 billion at December 31, 2008 and 2007, respectively. The Firm reduces exposures to these contracts by entering into offsetting transactions, or by entering into contracts that hedge the market risk related to the derivative guarantees.

In addition to derivative contracts that meet the characteristics of a guarantee under FIN 45, the Firm is both a purchaser and seller of credit protection in the credit derivatives market. For a further discussion of credit derivatives, see Note 32 on pages 202-205 of this Annual Report.

Securities lending indemnification
Through the Firm’s securities lending program, customers’ securities, via custodial and non-custodial arrangements, may be lent to third parties. As part of this program, the Firm provides an indemnification in the lending agreements which protects the lender against the failure of the third-party borrower to return the lent securities in the event the Firm did not obtain sufficient collateral. To minimize its liability under these indemnification agreements, the Firm obtains cash or other highly liquid collateral with a market value exceeding 100% of the value of the securities on loan from the borrower. Collateral is marked to market daily to help assure that collateralization is adequate. Additional collateral is called from the borrower if a shortfall exists, or collateral may be released to the borrower in the event of overcollateralization. If a borrower defaults, the Firm would use the collateral held to purchase replacement securities in the market or to credit the lending customer with the cash equivalent thereof.

Also, as part of this program, the Firm invests cash collateral received from the borrower in accordance with approved guidelines.

Based upon historical experience, management believes that risk of loss under its indemnification obligations is remote.

Indemnification agreements – general
In connection with issuing securities to investors, the Firm may enter into contractual arrangements with third parties that may require the Firm to make a payment to them in the event of a change in tax law or an adverse interpretation of tax law. In certain cases, the contract also may include a termination clause, which would allow the Firm to settle the contract at its fair value in lieu of making a payment under the indemnification clause. The Firm may also enter into indemnification clauses in connection with the licensing of software to clients (“software licensees”) or when it sells a business or assets to a third party (“third-party purchasers”), pursuant to which it indemnifies software licensees for claims of liability or damages that may occur subsequent to the licensing of the software, or third-party purchasers for losses they may incur due to actions taken by the Firm prior to the sale of the business or assets. It is difficult to estimate the Firm’s maximum exposure under these indemnification arrangements, since this would require an assessment of future changes in tax law and future claims that may be made against the Firm that have not yet occurred. However, based upon historical experience, management expects the risk of loss to be remote.

Loan sale and securitization-related indemnifications
Indemnifications for breaches of representations and warranties
As part of the Firm’s loan sale and securitization activities, as described in Note 14 and Note 16 on pages 163–166 and 168–176, respectively, of this Annual Report, the Firm generally makes representations and warranties in its loan sale and securitization agreements that the loans sold meet certain requirements. These agreements may require the Firm (including in its roles as a servicer) to repurchase the loans and/or indemnify the purchaser of the loans against losses due to any breaches of such representations or warranties. Generally, the maximum amount of future payments the Firm would be required to make for breaches under these representations and warranties would be equal to the current amount of assets held by such securitization-related SPEs plus, in certain circumstances, accrued and unpaid interest on such loans and certain expense.

At December 31, 2008 and 2007, the Firm had recorded a repurchase liability of $1.1 billion and $15 million, respectively.

Loans sold with recourse
The Firm provides servicing for mortgages and certain commercial lending products on both a recourse and nonrecourse basis. In nonrecourse servicing, the principal credit risk to the Firm is the cost of temporary servicing advances of funds (i.e., normal servicing advances). In recourse servicing, the servicer agrees to share credit risk with the owner of the mortgage loans, such as the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation or a private investor, insurer or guarantor. Losses on recourse servicing predominantly occur when foreclosure sales proceeds of the property underlying a defaulted loan are less than the sum of the outstanding principal balance, plus accrued interest on the loan and the cost of holding and disposing of the underlying property. The Firm’s loan sale transactions have primarily been executed on a nonrecourse basis, thereby effectively transferring the risk of future credit losses to the purchaser of the mortgage-backed securities issued by the trust. At December 31, 2008 and 2007, the unpaid principal balance of loans sold with recourse totaled $15.0 billion and $557 million, respectively. The increase in loans sold with recourse between December 31, 2008 and 2007, was driven by the Washington Mutual transaction. The carrying value of the related liability that the Firm had recorded, which is representative of the Firm’s view of the likelihood it will have to perform under this guarantee, was $241 million and zero at December 31, 2008 and 2007, respectively.

Credit card charge-backs
Prior to November 1, 2008, the Firm was a partner with one of the leading companies in electronic payment services in a joint venture operating under the name of Chase Paymentech Solutions, LLC (the “joint venture”). The joint venture was formed in October 2005, as a result of an agreement by the Firm and First Data Corporation, its joint venture partner, to integrate the companies’ jointly-owned Chase Merchant Services and Paymentech merchant businesses. The joint venture provided merchant processing services in the United States and

Notes to consolidated financial statements

Canada. The dissolution of the joint venture was completed on November 1, 2008, and JPMorgan Chase retained approximately 51% of the business under the Chase Paymentech Solutions name.

Under the rules of Visa USA, Inc., and MasterCard International, JPMorgan Chase Bank, N.A., is liable primarily for the amount of each processed credit card sales transaction that is the subject of a dispute between a cardmember and a merchant. If a dispute is resolved in the cardmember's favor, Chase Paymentech Solutions will (through the cardmember's issuing bank) credit or refund the amount to the cardmember and will charge back the transaction to the merchant. If Chase Paymentech Solutions is unable to collect the amount from the merchant, Chase Paymentech Solutions will bear the loss for the amount credited or refunded to the cardmember. Chase Paymentech Solutions mitigates this risk by withholding future settlements, retaining cash reserve accounts or by obtaining other security. However, in the unlikely event that: (1) a merchant ceases operations and is unable to deliver products, services or a refund; (2) Chase Paymentech Solutions does not have sufficient collateral from the merchant to provide customer refunds; and (3) Chase Paymentech Solutions does not have sufficient financial resources to provide customer refunds, JPMorgan Chase Bank, N.A., would be liable for the amount of the transaction. For the year ended December 31, 2008, Chase Paymentech Solutions incurred aggregate credit losses of $13 million on $713.9 billion of aggregate volume processed, and at December 31, 2008, it held $222 million of collateral. For the year ended December 31, 2007, the joint venture incurred aggregate credit losses of $10 million on $719.1 billion of aggregate volume processed, and at December 31, 2007, the joint venture held $779 million of collateral. The Firm believes that, based upon historical experience and the collateral held by Chase Paymentech Solutions, the amount of the Firm's charge back-related obligations, which is representative of the payment or performance risk to the Firm, is immaterial.

Credit card association, exchange and clearinghouse guarantees
The Firm holds an equity interest in VISA Inc. During October 2007, certain VISA-related entities completed a series of restructuring transactions to combine their operations, including VISA USA, under one holding company, VISA Inc. Upon the restructuring, the Firm's membership interest in VISA USA was converted into an equity interest in VISA Inc. VISA Inc. sold shares via an initial public offering and used a portion of the proceeds from the offering to redeem a portion of the Firm's equity interest in Visa Inc. Prior to the restructuring, VISA USA's by-laws obligated the Firm upon demand by VISA USA to indemnify VISA USA for, among other things, litigation obligations of Visa USA. The accounting for that guarantee was not subject to fair value accounting under FIN 45, because the guarantee was in effect prior to the effective date of FIN 45. Upon the restructuring event, the Firm's obligation to indemnify Visa Inc. was limited to certain identified litigations. Such a limitation is deemed a modification of the indemnity by-law and, accordingly, is now subject to the provisions of FIN 45. The value of the litigation guarantee has been recorded in the Firm's financial statements based on its fair value; the net amount recorded (within other liabilities) did not have a material adverse effect on the Firm's financial statements.

In addition to Visa, the Firm is a member of other associations, including several securities and futures exchanges and clearinghouses, both in the United States and other countries. Membership in some of these organizations requires the Firm to pay a pro rata share of the losses incurred by the organization as a result of the default of another member. Such obligations vary with different organizations. These obligations may be limited to members who dealt with the defaulting member or to the amount (or a multiple of the amount) of the Firm's contribution to a member's guarantee fund, or, in a few cases, the obligation may be unlimited. It is difficult to estimate the Firm's maximum exposure under these membership agreements, since this would require an assessment of future claims that may be made against the Firm that have not yet occurred. However, based upon historical experience, management expects the risk of loss to be remote.

Residual value guarantee
In connection with the Bear Stearns merger, the Firm succeeded to an operating lease arrangement for the building located at 383 Madison Avenue in New York City (the "Synthetic Lease"). Under the terms of the Synthetic Lease, the Firm is obligated to make periodic payments based on the lessor's underlying interest costs. The Synthetic Lease expires on November 1, 2010. Under the terms of the Synthetic Lease, the Firm has the right to purchase the building for the amount of the then outstanding indebtedness of the lessor, or to arrange for the sale of the building, with the proceeds of the sale to be used to satisfy the lessor's debt obligation. If the sale does not generate sufficient proceeds to satisfy the lessor's debt obligation, the Firm is required to fund the shortfall up to a maximum residual value guarantee. As of December 31, 2008, there was no expected shortfall, and the maximum residual value guarantee was approximately $670 million. Under a separate ground lease, the land on which the building is built was leased to an affiliate of Bear Stearns which, as part of the Synthetic Lease, assigned this position to the Synthetic Lease lessor. The owner of the land sued the Firm, alleging that certain provisions of the merger agreement violated a "right of first offer" provision of the ground lease. The Firm's motion to dismiss the lawsuit was granted, and a judgment of dismissal was entered on January 12, 2009. The owner has filed a notice of appeal.

Note 34 – Credit risk concentrations

Concentrations of credit risk arise when a number of customers are engaged in similar business activities or activities in the same geographic region, or when they have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic conditions.

JPMorgan Chase regularly monitors various segments of its credit portfolio to assess potential concentration risks and to obtain collateral when deemed necessary. Senior management is significantly involved in the credit approval and review process, and risk levels are adjusted as needed to reflect management's risk tolerance.

In the Firm's wholesale portfolio, risk concentrations are evaluated primarily by industry and geographic region, and monitored regularly on both an aggregate portfolio level and on an individual customer basis. Management of the Firm's wholesale exposure is accomplished through loan syndication and participation, loan sales, securitizations, credit derivatives, use of master netting agreements, and collateral and other risk-reduction techniques. In the consumer portfolio, concentrations are evaluated primarily by product and by U.S. geographic region, with a key focus on trends and concentrations at the portfolio level, where potential risk concentrations can be remedied through changes in underwriting policies and portfolio guidelines.

The Firm does not believe exposure to any one loan product with varying terms (e.g., interest-only payments for an introductory period, option ARMs) or exposure to loans with high loan-to-value ratios would result in a significant concentration of credit risk. Terms of loan products and collateral coverage are included in the Firm's assessment when extending credit and establishing its allowance for loan losses.

For further information regarding on-balance sheet credit concentrations by major product and geography, see Note 14 on pages 163–166 and Note 15 on pages 166–168 of this Annual Report. For information regarding concentrations of off-balance sheet lending-related financial instruments by major product, see Note 33 on pages 206–210 of this Annual Report.

The table below presents both on- and off-balance sheet wholesale- and consumer-related credit exposure as of December 31, 2008 and 2007.

	2008				2007			
		On-balance sheet				On-balance sheet		
December 31, (in millions)	Credit exposure	Loans	Derivatives	Off-balance sheet[c]	Credit exposure	Loans	Derivatives	Off-balance sheet[c]
Wholesale-related:								
Real estate	**$ 83,799**	**$ 66,881**	**$ 2,289**	**$ 14,629**	$ 38,295	$ 20,274	$ 893	$ 17,128
Banks and finance companies	**75,577**	**19,055**	**33,457**	**23,065**	65,288	16,776	12,502	36,010
Asset managers	**49,256**	**9,640**	**18,806**	**20,810**	38,554	8,534	7,763	22,257
Healthcare	**38,032**	**7,004**	**3,723**	**27,305**	30,746	5,644	885	24,217
State & municipal governments	**35,954**	**5,873**	**9,427**	**20,654**	31,425	5,699	3,205	22,521
Utilities	**34,246**	**9,184**	**4,664**	**20,398**	28,679	5,840	1,870	20,969
Retail & consumer services	**32,714**	**8,433**	**3,079**	**21,202**	23,969	6,665	517	16,787
Consumer products	**29,766**	**10,081**	**2,225**	**17,460**	29,941	8,915	1,084	19,942
Securities firms & exchanges	**25,590**	**6,360**	**14,111**	**5,119**	23,274	5,120	11,022	7,132
Oil & gas	**24,746**	**8,796**	**2,220**	**13,730**	26,082	10,348	1,570	14,164
Insurance	**17,744**	**1,942**	**5,494**	**10,308**	16,782	1,067	2,442	13,273
Technology	**17,555**	**5,028**	**1,361**	**11,166**	18,335	4,674	1,309	12,352
Media	**17,254**	**7,535**	**1,248**	**8,471**	16,253	4,909	1,268	10,076
Central government	**15,259**	**555**	**10,537**	**4,167**	9,075	583	3,989	4,503
Metals/mining	**14,980**	**6,470**	**1,991**	**6,519**	17,714	7,282	2,673	7,759
All other wholesale	**278,114**	**75,252**	**47,994**	**154,868**	298,803	77,097	24,144	197,562
Loans held-for-sale and loans at fair value	**13,955**	**13,955**	**—**	**—**	23,649	23,649	—	—
Receivables from customers[a]	**16,141**	**—**	**—**	**—**	—	—	—	—
Total wholesale-related	**820,682**	**262,044**	**162,626**	**379,871**	736,864	213,076	77,136	446,652
Consumer-related:								
Home equity	**238,633**	**142,890**	**—**	**95,743**	169,023	94,832	—	74,191
Prime mortgage	**99,200**	**94,121**	**—**	**5,079**	47,382	39,988	—	7,394
Subprime mortgage	**22,090**	**22,090**	**—**	**—**	15,489	15,473	—	16
Option ARMs	**40,661**	**40,661**	**—**	**—**	—	—	—	—
Auto loans	**47,329**	**42,603**	**—**	**4,726**	50,408	42,350	—	8,058
Credit card[b]	**728,448**	**104,746**	**—**	**623,702**	799,200	84,352	—	714,848
All other loans	**45,972**	**33,715**	**—**	**12,257**	36,743	25,314	—	11,429
Loans held-for-sale	**2,028**	**2,028**	**—**	**—**	3,989	3,989	—	—
Total consumer-related	**1,224,361**	**482,854**	**—**	**741,507**	1,122,234	306,298	—	815,936
Total exposure	**$ 2,045,043**	**$ 744,898**	**$ 162,626**	**$ 1,121,378**	$ 1,859,098	$ 519,374	$ 77,136	$ 1,262,588

(a) Primarily represents margin loans to prime and retail brokerage customers which are included in accrued interest and accounts receivable on the Consolidated Balance Sheets.
(b) Excludes $85.6 billion and $72.7 billion of securitized credit card receivables at December 31, 2008 and 2007, respectively.
(c) Represents lending-related financial instruments.

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Note 35 – International operations

The following table presents income statement information of JPMorgan Chase by major international geographic area. The Firm defines international activities as business transactions that involve customers residing outside of the U.S., and the information presented below is based primarily upon the domicile of the customer or the location from which the customer relationship is managed. However, many of the Firm's U.S. operations serve international businesses.

As the Firm's operations are highly integrated, estimates and subjective assumptions have been made to apportion revenue and expense between U.S. and international operations. These estimates and assumptions are consistent with the allocations used for the Firm's segment reporting as set forth in Note 37 on pages 214–215 of this Annual Report.

The Firm's long-lived assets for the periods presented are not considered by management to be significant in relation to total assets. The majority of the Firm's long-lived assets are located in the United States.

Year ended December 31, (in millions)	Revenue(a)	Expense(b)	Income (loss) from continuing operations before income tax expense (benefit)	Net income
2008				
Europe/Middle East and Africa	**$ 11,449**	**$ 8,403**	**$ 3,046**	**$ 2,483**
Asia and Pacific	**4,097**	**3,580**	**517**	**672**
Latin America and the Caribbean	**1,353**	**903**	**450**	**274**
Other	**499**	**410**	**89**	**21**
Total international	**17,398**	**13,296**	**4,102**	**3,450**
Total U.S.	**49,854**	**51,183**	**(1,329)**	**2,155**
Total	**$ 67,252**	**$ 64,479**	**$ 2,773**	**$ 5,605**
2007				
Europe/Middle East and Africa	$ 12,070	$ 8,445	$ 3,625	$ 2,585
Asia and Pacific	4,730	3,117	1,613	945
Latin America and the Caribbean	2,028	975	1,053	630
Other	407	289	118	79
Total international	19,235	12,826	6,409	4,239
Total U.S.	52,137	35,741	16,396	11,126
Total	$ 71,372	$ 48,567	$ 22,805	$ 15,365
2006				
Europe/Middle East and Africa	$ 11,342	$ 7,471	$ 3,871	$ 2,774
Asia and Pacific	3,227	2,649	578	400
Latin America and the Caribbean	1,342	820	522	333
Other	381	240	141	90
Total international	16,292	11,180	5,112	3,597
Total U.S.	45,707	30,933	14,774	10,847
Total	$ 61,999	$ 42,113	$ 19,886	$ 14,444

(a) Revenue is composed of net interest income and noninterest revenue.
(b) Expense is composed of noninterest expense and provision for credit losses.

Note 36 – Parent company

Parent company – statements of income

Year ended December 31, (in millions)	2008	2007	2006
Income			
Dividends from bank and bank holding company subsidiaries	**$ 3,085**	$ 5,834	$ 2,935
Dividends from nonbank subsidiaries[(a)]	**1,687**	2,463	1,999
Interest income from subsidiaries	**4,539**	5,082	3,612
Other interest income	**212**	263	273
Other income from subsidiaries, primarily fees:			
Bank and bank holding company	**244**	182	220
Nonbank	**95**	960	739
Other income (loss)	**(1,038)**	(131)	(206)
Total income	**8,824**	14,653	9,572
Expense			
Interest expense to subsidiaries[(a)]	**1,302**	1,239	1,025
Other interest expense	**6,879**	6,427	4,536
Compensation expense	**43**	125	519
Other noninterest expense[(b)]	**732**	329	295
Total expense	**8,956**	8,120	6,375
Income (loss) before income tax benefit and undistributed net income of subsidiaries	**(132)**	6,533	3,197
Income tax benefit[(b)]	**2,582**	589	982
Equity in undistributed net income of subsidiaries[(b)]	**3,155**	8,243	10,265
Net income	**$ 5,605**	$15,365	$14,444

Parent company – balance sheets

December 31, (in millions)	2008	2007
Assets		
Cash and due from banks	**$ 35**	$ 110
Deposits with banking subsidiaries	**60,551**	52,972
Trading assets	**12,487**	9,563
Available-for-sale securities	**1,587**	43
Loans	**1,525**	1,423
Advances to, and receivables from, subsidiaries:		
Bank and bank holding company	**33,293**	28,705
Nonbank	**131,032**	52,895
Investments (at equity) in subsidiaries:		
Bank and bank holding company	**153,140**	128,711
Nonbank[(a)]	**27,968**	25,710
Goodwill and other intangibles	**1,616**	850
Other assets	**12,934**	13,241
Total assets	**$436,168**	$314,223
Liabilities and stockholders' equity		
Borrowings from, and payables to, subsidiaries[(a)]	**$ 44,467**	$ 23,938
Other borrowed funds, primarily commercial paper	**39,560**	52,440
Other liabilities	**9,363**	8,043
Long-term debt[(c)]	**175,894**	106,581
Total liabilities	**269,284**	191,002
Stockholders' equity	**166,884**	123,221
Total liabilities and stockholders' equity	**$436,168**	$314,223

Parent company – statements of cash flows

Year ended December 31, (in millions)	2008	2007	2006
Operating activities			
Net income	**$ 5,605**	$ 15,365	$ 14,444
Less: Net income of subsidiaries[(a)(b)]	**7,927**	16,540	15,199
Parent company net loss	**(2,322)**	(1,175)	(755)
Add: Cash dividends from subsidiaries[(a)]	**4,648**	8,061	4,934
Other, net	**1,920**	3,496	(185)
Net cash provided by operating activities	**4,246**	10,382	3,994
Investing activities			
Net change in:			
Deposits with banking subsidiaries	**(7,579)**	(34,213)	(9,307)
Securities purchased under resale agreements, primarily with nonbank subsidiaries	**—**	—	24
Loans	**(102)**	(452)	(633)
Advances to subsidiaries	**(82,725)**	(24,553)	(3,032)
Investments (at equity) in subsidiaries[(a)(b)]	**(26,212)**	(4,135)	579
Other, net	**—**	—	(1)
Available-for-sale securities:			
Purchases	**(1,475)**	(104)	—
Proceeds from sales and maturities	**—**	318	29
Net cash used in investing activities	**(118,093)**	(63,139)	(12,341)
Financing activities			
Net change in borrowings from subsidiaries[(a)]	**20,529**	4,755	2,672
Net change in other borrowed funds	**(12,880)**	31,429	5,336
Proceeds from the issuance of long-term debt [(d)]	**89,791**	38,986	18,153
Repayments of long-term debt	**(22,972)**	(11,662)	(10,557)
Excess tax benefits related to stock-based compensation	**148**	365	302
Proceeds from issuance of common stock	**11,969**	1,467	1,659
Proceeds from issuance of preferred stock and warrant to the U.S. Treasury	**25,000**	—	—
Proceeds from issuance of preferred stock [(e)]	**8,098**	—	—
Redemption of preferred stock	**—**	—	(139)
Repurchases of treasury stock	**—**	(8,178)	(3,938)
Cash dividends paid	**(5,911)**	(5,051)	(4,846)
Net cash provided by financing activities	**113,772**	52,111	8,642
Net (decrease) increase in cash and due from banks	**(75)**	(646)	295
Cash and due from banks at the beginning of the year, primarily with bank subsidiaries	**110**	756	461
Cash and due from banks at the end of the year, primarily with bank subsidiaries	**$ 35**	$ 110	$ 756
Cash interest paid	**$ 7,485**	$ 7,470	$ 5,485
Cash income taxes paid	**156**	5,074	3,599

(a) Subsidiaries include trusts that issued guaranteed capital debt securities ("issuer trusts"). As a result of FIN 46R, the Parent Company deconsolidated these trusts in 2003. The Parent Company received dividends of $15 million, $18 million and $23 million from the issuer trusts in 2008, 2007 and 2006, respectively. For further discussion on these issuer trusts, see Note 23 on page 191 of this Annual Report.
(b) Amounts for 2007 have been revised to reflect the pushdown of certain litigation expense, which had previously been recorded at the parent company level, to the bank subsidiary level. There was no change to net income as the increase in Parent Company profitability was offset by a decrease in the net income of subsidiaries.
(c) At December 31, 2008, debt that contractually matures in 2009 through 2013 totaled $25.8 billion, $28.6 billion, $29.3 billion, $25.3 billion and $11.8 billion, respectively.
(d) Includes $39.8 billion of Bear Stearns' long-term debt assumed by JPMorgan Chase & Co.
(e) Includes the conversion of Bear Stearns' preferred stock into JPMorgan Chase preferred stock.

Notes to consolidated financial statements

Note 37 – Business segments

JPMorgan Chase is organized into six major reportable business segments — Investment Bank, Retail Financial Services, Card Services, Commercial Banking, Treasury & Securities Services and Asset Management, as well as a Corporate/Private Equity segment. The segments are based upon the products and services provided or the type of customer served, and they reflect the manner in which financial information is currently evaluated by management. Results of these lines of business are presented on a managed basis. For a definition of managed basis, see Explanation and Reconciliation of the Firm's use of non-GAAP financial measures, on pages 38–39 of this Annual Report. For a further discussion concerning JPMorgan Chase's business segments, see Business segment results on pages 40–41 of this Annual Report.

Segment results

The following table provides a summary of the Firm's segment results for 2008, 2007 and 2006 on a managed basis. The impact of credit card securitizations and tax-equivalent adjustments have been included in Reconciling items so that the total Firm results are on a reported basis.

Segment results and reconciliation[a] (table continued on next page)

Year ended December 31, (in millions, except ratios)	Investment Bank			Retail Financial Services			Card Services			Commercial Banking		
	2008	2007	2006	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Noninterest revenue	**$ 1,930**	$ 14,094	$ 18,334	**$ 9,355**	$ 6,779	$ 4,660	**$ 2,719**	$ 3,046	$ 2,944	**$ 1,481**	$ 1,263	$ 1,073
Net interest income	**10,284**	4,076	499	**14,165**	10,526	10,165	**13,755**	12,189	11,801	**3,296**	2,840	2,727
Total net revenue	**12,214**	18,170	18,833	**23,520**	17,305	14,825	**16,474**	15,235	14,745	**4,777**	4,103	3,800
Provision for credit losses	**2,015**	654	191	**9,905**	2,610	561	**10,059**	5,711	4,598	**464**	279	160
Credit reimbursement (to)/from TSS[b]	**121**	121	121	**—**	—	—	**—**	—	—	**—**	—	—
Noninterest expense[c]	**13,844**	13,074	12,860	**12,077**	9,905	8,927	**5,140**	4,914	5,086	**1,946**	1,958	1,979
Income (loss) from continuing operations before income tax expense (benefit)	**(3,524)**	4,563	5,903	**1,538**	4,790	5,337	**`1,275**	4,610	5,061	**2,367**	1,866	1,661
Income tax expense (benefit)	**(2,349)**	1,424	2,229	**658**	1,865	2,124	**495**	1,691	1,855	**928**	732	651
Income (loss) from continuing operations	**(1,175)**	3,139	3,674	**880**	2,925	3,213	**780**	2,919	3,206	**1,439**	1,134	1,010
Income from discontinued operations	**—**	—	—	**—**	—	—	**—**	—	—	**—**	—	—
Income (loss) before extraordinary gain	**(1,175)**	3,139	3,674	**880**	2,925	3,213	**780**	2,919	3,206	**1,439**	1,134	1,010
Extraordinary gain[d]	**—**	—	—	**—**	—	—	**—**	—	—	**—**	—	—
Net income (loss)	**$ (1,175)**	$ 3,139	$ 3,674	**$ 880**	$ 2,925	$ 3,213	**$ 780**	$ 2,919	$ 3,206	**$ 1,439**	$ 1,134	$ 1,010
Average common equity	**$ 26,098**	$ 21,000	$ 20,753	**$ 19,011**	$ 16,000	$ 14,629	**$ 14,326**	$ 14,100	$ 14,100	**$ 7,251**	$ 6,502	$ 5,702
Average assets	**832,729**	700,565	647,569	**304,442**	241,112	231,566	**173,711**	155,957	148,153	**114,299**	87,140	57,754
Return on average common equity	**(5)%**	15%	18%	**5%**	18%	22%	**5%**	21%	23%	**20%**	17%	18%
Overhead ratio	**113**	72	68	**51**	57	60	**31**	32	34	**41**	48	52

(a) In addition to analyzing the Firm's results on a reported basis, management reviews the Firm's results and the results of the lines of business on a "managed basis," which is a non-GAAP financial measure. The Firm's definition of managed basis starts with the reported U.S. GAAP results and includes certain reclassifications that do not have any impact on net income as reported by the lines of business or by the Firm as a whole.
(b) TSS is charged a credit reimbursement related to certain exposures managed within IB credit portfolio on behalf of clients shared with TSS.
(c) Includes merger costs which are reported in the Corporate/Private Equity segment. Merger costs attributed to the business segments for 2008, 2007 and 2006 were as follows.

Year ended December 31, (in millions)	**2008**	2007	2006
Investment Bank	**$183**	$ (2)	$ 2
Retail Financial Services	**90**	14	24
Card Services	**20**	(1)	29
Commercial Banking	**4**	(1)	1
Treasury & Securities Services	**—**	121	117
Asset Management	**3**	20	23
Corporate/Private Equity	**132**	58	109

(d) On September 25, 2008, JPMorgan Chase acquired the banking operations of Washington Mutual from the FDIC for $1.9 billion. The fair value of the net assets acquired exceeded the purchase price, which resulted in negative goodwill. In accordance with SFAS 141, nonfinancial assets that are not held-for-sale, such as premises and equipment and other intangibles, acquired in the Washington Mutual transaction were written down against that negative goodwill. The negative goodwill that remained after writing down nonfinancial assets was recognized as an extraordinary gain.
(e) Included a $1.5 billion charge to conform Washington Mutual's loan loss reserve to JPMorgan Chase's allowance methodology.

Line of business equity increased during the second quarter of 2008 in IB and AM due to the Bear Stearns merger and, for AM, the purchase of the additional equity interest in Highbridge. At the end of the third quarter of 2008, equity was increased for each line of business with a view toward the future implementation of the new Basel II capital rules. In addition, equity allocated to RFS, CS and CB was increased as a result of the Washington Mutual transaction.

Discontinued operations

As a result of the transaction with The Bank of New York, selected corporate trust businesses have been transferred from TSS to the Corporate/Private Equity segment and reported in discontinued operations for all periods reported.

(table continued from previous page)

Treasury & Securities Services			Asset Management			Corporate/Private Equity			Reconciling items(g)(h)			**Total**		
2008	2007	2006	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006
$ 5,196	$ 4,681	$ 4,039	**$ 6,066**	$ 7,475	$ 5,816	**$ (278)**	$ 5,056	$ 1,058	**$ 2,004**	$ 2,572	$ 2,833	**$ 28,473**	$ 44,966	$ 40,757
2,938	2,264	2,070	**1,518**	1,160	971	**347**	(637)	(1,044)	**(7,524)**	(6,012)	(5,947)	**38,779**	26,406	21,242
8,134	6,945	6,109	**7,584**	8,635	6,787	**69**	4,419	14	**(5,520)**	(3,440)	(3,114)	**67,252**	71,372	61,999
82	19	(1)	**85**	(18)	(28)	**1,981**(e)(f)	(11)	(1)	**(3,612)**	(2,380)	(2,210)	**20,979**	6,864	3,270
(121)	(121)	(121)	**—**	—	—	**—**	—	—	**—**	—	—	**—**	—	—
5,223	4,580	4,266	**5,298**	5,515	4,578	**(28)**	1,757	1,147	**—**	—	—	**43,500**	41,703	38,843
2,708	2,225	1,723	**2,201**	3,138	2,237	**(1,884)**	2,673	(1,132)	**(1,908)**	(1,060)	(904)	**2,773**	22,805	19,886
941	828	633	**844**	1,172	828	**(535)**	788	(1,179)	**(1,908)**	(1,060)	(904)	**(926)**	7,440	6,237
1,767	1,397	1,090	**1,357**	1,966	1,409	**(1,349)**	1,885	47	**—**	—	—	**3,699**	15,365	13,649
—	—	—	**—**	—	—	**—**	—	795	**—**	—	—	**—**	—	795
1,767	1,397	1,090	**1,357**	1,966	1,409	**(1,349)**	1,885	842	**—**	—	—	**3,699**	15,365	14,444
—	—	—	**—**	—	—	**1,906**	—	—	**—**	—	—	**1,906**	—	—
$ 1,767	$ 1,397	$ 1,090	**$ 1,357**	$ 1,966	$ 1,409	**$ 557**	$ 1,885	$ 842	**$ —**	$ —	$ —	**$ 5,605**	$ 15,365	$ 14,444
$ 3,751	$ 3,000	$ 2,285	**$ 5,645**	$ 3,876	$ 3,500	**$ 53,034**	$ 54,245	$ 49,728	**$ —**	$ —	$ —	**$ 129,116**	$ 118,723	$ 110,697
54,563	53,350	31,760	**65,550**	51,882	43,635	**323,227**	231,818	218,623	**(76,904)**	(66,780)	(65,266)	**1,791,617**	1,455,044	1,313,794
47%	47%	48%	**24%**	51%	40%	**NM**	NM	NM	**NM**	NM	NM	**4**%(i)	13%	13%(i)
64	66	70	**70**	64	67	**NM**	NM	NM	**NM**	NM	NM	**65**	58	63

(f) In November 2008, the Firm transferred $5.8 billion of higher quality credit card loans from the legacy Chase portfolio to a securitization trust previously established by Washington Mutual ("the Trust"). As a result of converting higher credit quality Chase-originated on-book receivables to the Trust's seller's interest which has a higher overall loss rate reflective of the total assets within the Trust, approximately $400 million of incremental provision expense was recorded during the fourth quarter. This incremental provision expense was recorded in the Corporate segment as the action related to the acquisition of Washington Mutual's banking operations. For further discussion of credit card securitizations, see Note 16 on pages 169-170 of this Annual Report.

(g) Managed results for credit card exclude the impact of CS securitizations on total net revenue, provision for credit losses and average assets, as JPMorgan Chase treats the sold receivables as if they were still on the balance sheet in evaluating the credit performance of the entire managed credit card portfolio as operations are funded, and decisions are made about allocating resources such as employees and capital, based upon managed information. These adjustments are eliminated in reconciling items to arrive at the Firm's reported U.S. GAAP results. The related securitization adjustments were as follows.

Year ended December 31, (in millions)	**2008**	2007	2006
Noninterest revenue	**$ (3,333)**	$ (3,255)	$ (3,509)
Net interest income	**6,945**	5,635	5,719
Provision for credit losses	**3,612**	2,380	2,210
Average assets	**76,904**	66,780	65,266

(h) Segment managed results reflect revenue on a tax-equivalent basis with the corresponding income tax impact recorded within income tax expense (benefit). These adjustments are eliminated in reconciling items to arrive at the Firm's reported U.S. GAAP results. Tax-equivalent adjustments for the years ended December 31, 2008, 2007 and 2006 were as follows.

Year ended December 31, (in millions)	**2008**	2007	2006
Noninterest revenue	**$ 1,329**	$ 683	$ 676
Net interest income	**579**	377	228
Income tax expense	**1,908**	1,060	904

(i) Ratio is based upon net income.

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Supplementary information

Selected quarterly financial data (unaudited)

(in millions, except per share, ratio and headcount data)	2008(i)				2007			
As of or for the period ended	4th	3rd	2nd	1st	4th	3rd	2nd	1st
Selected income statement data								
Noninterest revenue(a)	**$ 3,394**	**$ 5,743**	**$ 10,105**	**$ 9,231**	$ 10,161	$ 9,199	$ 12,740	$ 12,866
Net interest income	**13,832**	**8,994**	**8,294**	**7,659**	7,223	6,913	6,168	6,102
Total net revenue	**17,226**	**14,737**	**18,399**	**16,890**	17,384	16,112	18,908	18,968
Provision for credit losses	**7,755**	**3,811**	**3,455**	**4,424**	2,542	1,785	1,529	1,008
Provision for credit losses – accounting conformity(b)	**(442)**	**1,976**	**—**	**—**	—	—	—	—
Total noninterest expense	**11,255**	**11,137**	**12,177**	**8,931**	10,720	9,327	11,028	10,628
Income (loss) before income tax expense (benefit) and extraordinary gain	**(1,342)**	**(2,187)**	**2,767**	**3,535**	4,122	5,000	6,351	7,332
Income tax expense (benefit)	**(719)**	**(2,133)**	**764**	**1,162**	1,151	1,627	2,117	2,545
Income (loss) before extraordinary gain	**(623)**	**(54)**	**2,003**	**2,373**	2,971	3,373	4,234	4,787
Extraordinary gain(c)	**1,325**	**581**	**—**	**—**	—	—	—	—
Net income	**$ 702**	**$ 527**	**$ 2,003**	**$ 2,373**	$ 2,971	$ 3,373	$ 4,234	$ 4,787
Per common share								
Basic earnings								
Income (loss) before extraordinary gain	**$ (0.28)**	**$ (0.06)**	**$ 0.56**	**$ 0.70**	$ 0.88	$ 1.00	$ 1.24	$ 1.38
Net income	**0.07**	**0.11**	**0.56**	**0.70**	0.88	1.00	1.24	1.38
Diluted earnings								
Income (loss) before extraordinary gain	**$ (0.28)**	**$ (0.06)**	**$ 0.54**	**$ 0.68**	$ 0.86	$ 0.97	$ 1.20	$ 1.34
Net income	**0.07**	**0.11**	**0.54**	**0.68**	0.86	0.97	1.20	1.34
Cash dividends declared per share	**0.38**	**0.38**	**0.38**	**0.38**	0.38	0.38	0.38	0.34
Book value per share	**36.15**	**36.95**	**37.02**	**36.94**	36.59	35.72	35.08	34.45
Common shares outstanding								
Average: Basic	**3,738**	**3,445**	**3,426**	**3,396**	3,367	3,376	3,415	3,456
Diluted	**3,738**(h)	**3,445**(h)	**3,531**	**3,495**	3,472	3,478	3,522	3,560
Common shares at period end	**3,733**	**3,727**	**3,436**	**3,401**	3,367	3,359	3,399	3,416
Share price(d)								
High	**$ 50.63**	**$ 49.00**	**$ 49.95**	**$ 49.29**	$ 48.02	$ 50.48	$ 53.25	$ 51.95
Low	**19.69**	**29.24**	**33.96**	**36.01**	40.15	42.16	47.70	45.91
Close	**31.53**	**46.70**	**34.31**	**42.95**	43.65	45.82	48.45	48.38
Market capitalization	**117,695**	**174,048**	**117,881**	**146,066**	146,986	153,901	164,659	165,280
Financial ratios								
Return on common equity:								
Income (loss) before extraordinary gain	**(3)%**	**(1)%**	**6%**	**8%**	10%	11%	14%	17%
Net income	**1**	**1**	**6**	**8**	10	11	14	17
Return on assets:								
Income (loss) before extraordinary gain	**(0.11)**	**(0.01)**	**0.48**	**0.61**	0.77	0.91	1.19	1.41
Net income	**0.13**	**0.12**	**0.48**	**0.61**	0.77	0.91	1.19	1.41
Tier 1 capital ratio	**10.9**	**8.9**	**9.2**	**8.3**	8.4	8.4	8.4	8.5
Total capital ratio	**14.8**	**12.6**	**13.4**	**12.5**	12.6	12.5	12.0	11.8
Tier 1 leverage ratio	**6.9**	**7.2**	**6.4**	**5.9**	6.0	6.0	6.2	6.2
Overhead ratio	**65**	**76**	**66**	**53**	62	58	58	56
Selected balance sheet data (period-end)								
Trading assets	**$ 509,983**	**$ 520,257**	**$ 531,997**	**$ 485,280**	$ 491,409	$ 453,711	$ 450,546	$ 423,331
Securities	**205,943**	**150,779**	**119,173**	**101,647**	85,450	97,706	95,984	97,029
Loans	**744,898**	**761,381**	**538,029**	**537,056**	519,374	486,320	465,037	449,765
Total assets	**2,175,052**	**2,251,469**	**1,775,670**	**1,642,862**	1,562,147	1,479,575	1,458,042	1,408,918
Deposits	**1,009,277**	**969,783**	**722,905**	**761,626**	740,728	678,091	651,370	626,428
Long-term debt	**252,094**	**238,034**	**260,192**	**189,995**	183,862	173,696	159,493	143,274
Common stockholders' equity	**134,945**	**137,691**	**127,176**	**125,627**	123,221	119,978	119,211	117,704
Total stockholders' equity	**166,884**	**145,843**	**133,176**	**125,627**	123,221	119,978	119,211	117,704
Headcount	**224,961**	**228,452**	**195,594**	**182,166**	180,667	179,847	179,664	176,314
Credit quality metrics								
Allowance for credit losses	**$ 23,823**	**$ 19,765**	**$ 13,932**	**$ 12,601**	$ 10,084	$ 8,971	$ 8,399	$ 7,853
Nonperforming assets(e)(f)	**12,714**	**9,520**	**6,233**	**5,143**	3,933	3,009	2,423	2,212
Allowance for loan losses to total loans(g)	**3.18%**	**2.56%**	**2.57%**	**2.29%**	1.88%	1.76%	1.71%	1.74%
Net charge-offs	**$ 3,315**	**$ 2,484**	**$ 2,130**	**$ 1,906**	$ 1,429	$ 1,221	$ 985	$ 903
Net charge-off rate(g)	**1.80%**	**1.91%**	**1.67%**	**1.53%**	1.19%	1.07%	0.90%	0.85%
Wholesale net charge-off (recovery) rate(g)	**0.33**	**0.10**	**0.08**	**0.18**	0.05	0.19	(0.07)	(0.02)
Consumer net charge-off rate(g)	**2.59**	**3.13**	**2.77**	**2.43**	1.93	1.62	1.50	1.37
Managed card net charge-off rate	**5.56**	**5.00**	**4.98**	**4.37**	3.89	3.64	3.62	3.57

(a) The Firm adopted SFAS 157 in the first quarter of 2007. See Note 4 on pages 129–143 of this Annual Report for additional information.
(b) For a discussion of accounting conformity, see provision for credit losses on page 35 and consumer credit portfolio discussion on page 91.
(c) For a discussion of the extraordinary gain, see Note 2 on pages 123–128.
(d) JPMorgan Chase's common stock is listed and traded on the New York Stock Exchange, the London Stock Exchange and the Tokyo Stock Exchange. The high, low and closing prices of JPMorgan Chase's common stock are from The New York Stock Exchange Composite Transaction Tape.
(e) Excludes purchased wholesale loans held-for-sale.
(f) During the second quarter of 2008, the policy for classifying subprime mortgage and home equity loans as nonperforming was changed to conform to all other home lending products. Amounts for 2007 have been revised to reflect this change.
(g) End-of-period and average loans held-for-sale and loans at fair value were excluded when calculating the allowance coverage ratios and net charge-off rates, respectively.
(h) Common equivalent shares have been excluded from the computation of diluted earnings per share for the third quarter of 2008, as the effect on income (loss) before extraordinary gain would be antidilutive.
(i) On September 25, 2008, JPMorgan Chase acquired the banking operations of Washington Mutual Bank. On May 30, 2008, the Bear Stearns merger was consummated. Each of these transactions was accounted for as a purchase and their respective results of operations are included in the Firm's results from each respective transaction date. For additional information on these transactions, see Note 2 on pages 123-128 of this Annual Report.

Supplementary information

Selected annual financial data (unaudited)

(in millions, except per share, headcount and ratio data) As of or for the year ended December 31,	2008(i)	2007	2006	2005	2004(j)
Selected income statement data					
Noninterest revenue(a)	**$ 28,473**	$ 44,966	$ 40,757	$ 34,693	$ 26,209
Net interest income	**38,779**	26,406	21,242	19,555	16,527
Total net revenue	**67,252**	71,372	61,999	54,248	42,736
Provision for credit losses	**19,445**	6,864	3,270	3,483	1,686
Provision for credit losses – accounting conformity(b)	**1,534**	—	—	—	858
Total noninterest expense	**43,500**	41,703	38,843	38,926	34,336
Income from continuing operations before income tax expense (benefit)	**2,773**	22,805	19,886	11,839	5,856
Income tax expense (benefit)	**(926)**	7,440	6,237	3,585	1,596
Income from continuing operations	**3,699**	15,365	13,649	8,254	4,260
Income from discontinued operations(c)	**—**	—	795	229	206
Income before extraordinary gain	**3,699**	15,365	14,444	8,483	4,466
Extraordinary gain(d)	**1,906**	—	—	—	—
Net income	**$ 5,605**	$ 15,365	$ 14,444	$ 8,483	$ 4,466
Per common share					
Basic earnings per share					
Income from continuing operations	**$ 0.86**	$ 4.51	$ 3.93	$ 2.36	$ 1.51
Net income	**1.41**	4.51	4.16	2.43	1.59
Diluted earnings per share					
Income from continuing operations	**$ 0.84**	$ 4.38	$ 3.82	$ 2.32	$ 1.48
Net income	**1.37**	4.38	4.04	2.38	1.55
Cash dividends declared per share	**1.52**	1.48	1.36	1.36	1.36
Book value per share	**36.15**	36.59	33.45	30.71	29.61
Common shares outstanding					
Average: Basic	**3,501**	3,404	3,470	3,492	2,780
Diluted	**3,605**	3,508	3,574	3,557	2,851
Common shares at period end	**3,733**	3,367	3,462	3,487	3,556
Share price(e)					
High	**$ 50.63**	$ 53.25	$ 49.00	$ 40.56	$ 43.84
Low	**19.69**	40.15	37.88	32.92	34.62
Close	**31.53**	43.65	48.30	39.69	39.01
Market capitalization	**117,695**	146,986	167,199	138,387	138,727
Financial ratios					
Return on common equity:					
Income from continuing operations	**2%**	13%	12%	8%	6%
Net income	**4**	13	13	8	6
Return on assets:					
Income from continuing operations	**0.21**	1.06	1.04	0.70	0.44
Net income	**0.31**	1.06	1.10	0.72	0.46
Tier 1 capital ratio	**10.9**	8.4	8.7	8.5	8.7
Total capital ratio	**14.8**	12.6	12.3	12.0	12.2
Tier 1 leverage ratio	**6.9**	6.0	6.2	6.3	6.2
Overhead ratio	**65**	58	63	72	80
Selected balance sheet data (period-end)					
Trading assets	**$ 509,983**	$ 491,409	$ 365,738	$ 298,377	$ 288,814
Securities	**205,943**	85,450	91,975	47,600	94,512
Loans	**744,898**	519,374	483,127	419,148	402,114
Total assets	**2,175,052**	1,562,147	1,351,520	1,198,942	1,157,248
Deposits	**1,009,277**	740,728	638,788	554,991	521,456
Long-term debt	**252,094**	183,862	133,421	108,357	95,422
Common stockholders' equity	**134,945**	123,221	115,790	107,072	105,314
Total stockholders' equity	**166,884**	123,221	115,790	107,211	105,653
Headcount	**224,961**	180,667	174,360	168,847	160,968
Credit quality metrics					
Allowance for credit losses	**$ 23,823**	$ 10,084	$ 7,803	$ 7,490	$ 7,812
Nonperforming assets(f)(g)	**12,714**	3,933	2,341	2,590	3,231
Allowance for loan losses to total loans(h)	**3.18%**	1.88%	1.70%	1.84%	1.94%
Net charge-offs	**$ 9,835**	$ 4,538	$ 3,042	$ 3,819	$ 3,099
Net charge-off rate(h)	**1.73%**	1.00%	0.73%	1.00%	1.08%
Wholesale net charge-off (recovery) rate(h)	**0.18**	0.04	(0.01)	(0.06)	0.18
Consumer net charge-off rate(h)	**2.71**	1.61	1.17	1.56	1.56
Managed card net charge-off rate	**5.01**	3.68	3.33	5.21	5.27

(a) The Firm adopted SFAS 157 in the first quarter of 2007. See Note 4 on pages 129–143 of this Annual Report for additional information.
(b) For a discussion of accounting conformity, see provision for credit losses on page 35 and consumer credit portfolio discussion on page 91.
(c) On October 1, 2006, JPMorgan Chase & Co. completed the exchange of selected corporate trust businesses for the consumer, business banking and middle-market banking businesses of The Bank of New York Company Inc. The results of operations of these corporate trust businesses are reported as discontinued operations for each period prior to 2007.
(d) For a discussion of the extraordinary gain, see Note 2 on pages 123–128.
(e) JPMorgan Chase's common stock is listed and traded on the New York Stock Exchange, the London Stock Exchange and the Tokyo Stock Exchange. The high, low and closing prices of JPMorgan Chase's common stock are from The New York Stock Exchange Composite Transaction Tape.
(f) Excludes purchased wholesale loans held-for-sale.
(g) During the second quarter of 2008, the policy for classifying subprime mortgage and home equity loans as nonperforming was changed to conform to all other home lending products. Amounts for 2007 have been revised to reflect this change. Periods prior to 2007 have not been revised as the impact was not material.
(h) End-of-period and average loans held-for-sale and loans at fair value were excluded when calculating the allowance coverage ratios and net charge-off rates, respectively.
(i) On September 25, 2008, JPMorgan Chase acquired the banking operations of Washington Mutual Bank. On May 30, 2008, the Bear Stearns merger was consummated. Each of these transactions was accounted for as a purchase and their respective results of operations are included in the Firm's results from each respective transaction date. For additional information on these transactions, see Note 2 on pages 123-128 of this Annual Report.
(j) On July 1, 2004, Bank One Corporation merged with and into JPMorgan Chase. Accordingly, 2004 results include six months of the combined Firm's results and six months of heritage JPMorgan Chase results.

Glossary of terms

ACH: Automated Clearing House.

Advised lines of credit: An authorization which specifies the maximum amount of a credit facility the Firm has made available to an obligor on a revolving but non-binding basis. The borrower receives written or oral advice of this facility. The Firm may cancel this facility at any time.

AICPA: American Institute of Certified Public Accountants.

AICPA Statement of Position ("SOP") 03-3: "Accounting for Certain Loans or Debt Securities Acquired in a Transfer."

AICPA SOP 07-1: "Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies."

AICPA SOP 98-1: "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use."

Alternative assets: The following types of assets constitute alternative investments – hedge funds, currency, real estate and private equity.

APB 18: Accounting Principles Board Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock."

APB 25: Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees."

Assets under management: Represent assets actively managed by Asset Management on behalf of Institutional, Retail, Private Banking, Private Wealth Management and Bear Stearns Brokerage clients. Excludes assets managed by American Century Companies, Inc., in which the Firm has a 43% ownership interest as of December 31, 2008.

Assets under supervision: Represent assets under management as well as custody, brokerage, administration and deposit accounts.

Average managed assets: Refers to total assets on the Firm's Consolidated Balance Sheets plus credit card receivables that have been securitized.

Beneficial interest issued by consolidated VIEs: Represents the interest of third-party holders of debt/equity securities, or other obligations, issued by VIEs that JPMorgan Chase consolidates under FIN 46R. The underlying obligations of the VIEs consist of short-term borrowings, commercial paper and long-term debt. The related assets consist of trading assets, available-for-sale securities, loans and other assets.

Benefit obligation: Refers to the projected benefit obligation for pension plans and the accumulated postretirement benefit obligation for OPEB plans.

Combined effective loan-to-value ratio: For residential real estate loans, an indicator of how much equity a borrower has in a secured borrowing based on current estimates of the value of the collateral and considering all lien positions related to the property.

Contractual credit card charge-off: In accordance with the Federal Financial Institutions Examination Council policy, credit card loans are charged off by the end of the month in which the account becomes 180 days past due or within 60 days from receiving notification of the filing of bankruptcy, whichever is earlier.

Credit card securitizations: Card Services' managed results excludes the impact of credit card securitizations on total net revenue, the provision for credit losses, net charge-offs and loan receivables. Through securitization, the Firm transforms a portion of its credit card receivables into securities, which are sold to investors. The credit card receivables are removed from the Consolidated Balance Sheets through the transfer of the receivables to a trust, and through the sale of undivided interests to investors that entitle the investors to specific cash flows generated from the credit card receivables. The Firm retains the remaining undivided interests as seller's interests, which are recorded in loans on the Consolidated Balance Sheets. A gain or loss on the sale of credit card receivables to investors is recorded in other income. Securitization also affects the Firm's Consolidated Statements of Income, as the aggregate amount of interest income, certain fee revenue and recoveries that is in excess of the aggregate amount of interest paid to investors, gross credit losses and other trust expense related to the securitized receivables are reclassified into credit card income in the Consolidated Statements of Income.

Credit derivatives: Contractual agreements that provide protection against a credit event on one or more referenced credits. The nature of a credit event is established by the protection buyer and protection seller at the inception of a transaction, and such events include bankruptcy, insolvency or failure to meet payment obligations when due. The buyer of the credit derivative pays a periodic fee in return for a payment by the protection seller upon the occurrence, if any, of a credit event.

Credit cycle: A period of time over which credit quality improves, deteriorates and then improves again. The duration of a credit cycle can vary from a couple of years to several years.

Deposit margin: Represents net interest income on deposits expressed as a percentage of average deposits.

Discontinued operations: A component of an entity that is classified as held-for-sale or that has been disposed of from ongoing operations in its entirety or piecemeal, and for which the entity will not have any significant, continuing involvement. A discontinued operation may be a separate major business segment, a component of a major business segment or a geographical area of operations of the entity that can be separately distinguished operationally and for financial reporting purposes.

EITF: Emerging Issues Task Force.

EITF Issue 06-11: "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards."

EITF Issue 02-3: "Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities."

Glossary of terms

EITF Issue 99-20: "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets."

FASB: Financial Accounting Standards Board.

FICO: Fair Isaac Corporation.

FIN 39: FASB Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts – an interpretation of APB Opinion No. 10 and FASB Statement No. 105."

FIN 41: FASB Interpretation No. 41, "Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements – an interpretation of APB Opinion No. 10 and a Modification of FASB Interpretation No. 39."

FIN 45: FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others – an interpretation of FASB Statements No. 5, 57 and 107 and a rescission of FASB Interpretation No. 34."

FIN 46R: FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities – an interpretation of ARB No. 51."

FIN 47: FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations – an interpretation of FASB Statement No. 143."

FIN 48: FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109."

Forward points: Represents the interest rate differential between two currencies, which is either added to or subtracted from the current exchange rate (i.e., "spot rate") to determine the forward exchange rate.

FSP: FASB Staff Position.

FSP FAS 123(R)-3: "Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards."

FSP FAS 132(R)-1: "Employers' Disclosures about Postretirement Benefit Plan Assets."

FSP FAS 133-1 and FIN 45-4: "Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161."

FSP FAS 140-4 and FIN 46(R)-8: "Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities."

FSP EITF 03-6-1: "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities."

FSP FAS 140-3: "Accounting for Transfers of Financial Assets and Repurchase Financing Transactions."

FSP FIN 39-1: "Amendment of FASB Interpretation No. 39."

FSP FIN 46(R)-7: "Application of FASB Interpretation No. 46(R) to Investment Companies."

Interchange income: A fee that is paid to a credit card issuer in the clearing and settlement of a sales or cash advance transaction.

Interests in purchased receivables: Represent an ownership interest in cash flows of an underlying pool of receivables transferred by a third-party seller into a bankruptcy-remote entity, generally a trust.

Investment-grade: An indication of credit quality based upon JPMorgan Chase's internal risk assessment system. "Investment-grade" generally represents a risk profile similar to a rating of a "BBB-"/"Baa3" or better, as defined by independent rating agencies.

Managed basis: A non-GAAP presentation of financial results that includes reclassifications related to credit card securitizations and to present revenue on a fully taxable-equivalent basis. Management uses this non-GAAP financial measure at the segment level, because it believes this provides information to enable investors to understand the underlying operational performance and trends of the particular business segment and facilitates a comparison of the business segment with the performance of competitors.

Managed credit card receivables: Refers to credit card receivables on the Firm's Consolidated Balance Sheets plus credit card receivables that have been securitized.

Mark-to-market exposure: A measure, at a point in time, of the value of a derivative or foreign exchange contract in the open market. When the mark-to-market value is positive, it indicates the counterparty owes JPMorgan Chase and, therefore, creates a repayment risk for the Firm. When the mark-to-market value is negative, JPMorgan Chase owes the counterparty; in this situation, the Firm does not have repayment risk.

Master netting agreement: An agreement between two counterparties that have multiple derivative contracts with each other that provides for the net settlement of all contracts through a single payment, in a single currency, in the event of default on or termination of any one contract. See FIN 39.

Mortgage product types:

Alt-A
Alt-A loans are generally higher in credit quality than subprime loans but have characteristics that would disqualify the borrower from a traditional prime loan. Alt-A lending characteristics may include one or more of the following: (i) limited documentation; (ii) high combined-loan-to-value ("CLTV") ratio; (iii) loans secured by non-owner occupied properties; or (iv) debt-to-income ratio above normal limits. Perhaps the most important characteristic is limited documentation. A substantial proportion of traditional Alt-A loans are those where a borrower does not provide complete documentation of his or her assets or the amount or source of his or her income.

Option ARMs
The option ARM home loan product is an adjustable-rate mortgage loan that provides the borrower with the option each month to make

Glossary of terms

a fully amortizing, interest-only, or minimum payment. The minimum payment on an option ARM loan is based upon the interest rate charged during the introductory period. This introductory rate has usually been significantly below the fully indexed rate. The fully indexed rate is calculated using an index rate plus a margin. Once the introductory period ends, the contractual interest rate charged on the loan increases to the fully indexed rate and adjusts monthly to reflect movements in the index. The minimum payment is typically insufficient to cover interest accrued in the prior month, and any unpaid interest is deferred and added to the principal balance of the loan.

Prime
Prime mortgage loans generally have low default risk and are made to borrowers with good credit records and a monthly income that is at least three to four times greater than their monthly housing expense (mortgage payments plus taxes and other debt payments). These borrowers provide full documentation and generally have reliable payment histories.

Subprime
Subprime loans are designed for customers with one or more high risk characteristics, including but not limited to: (i) unreliable or poor payment histories; (ii) high loan-to-value ("LTV") ratio of greater than 80% (without borrower-paid mortgage insurance); (iii) high debt-to-income ratio; (iv) the occupancy type for the loan is other than the borrower's primary residence; or (v) a history of delinquencies or late payments on the loan.

MSR risk management revenue: Includes changes in MSR asset fair value due to inputs or assumptions in model and derivative valuation adjustments.

Material legal proceedings: Refers to certain specific litigation originally discussed in the section "Legal Proceedings" in the Firm's Annual Report on Form 10-K for the year ended December 31, 2002. Of such legal proceedings, some lawsuits related to Enron and the IPO allocation allegations remain outstanding as of the date of this Annual Report, as discussed in Part I, Item 3, legal proceedings in the Firm's Annual Report on Form 10-K for the year ended December 31, 2008, to which reference is hereby made; other such legal proceedings have been resolved.

NA: Data is not applicable or available for the period presented.

Net yield on interest-earning assets: The average rate for interest-earning assets less the average rate paid for all sources of funds.

NM: Not meaningful.

Nonconforming mortgage loans: Mortgage loans that do not meet the requirements for sale to U.S. government agencies and U.S. government sponsored enterprises. These requirements include limits on loan-to-value ratios, loan terms, loan amounts, down payments, borrower creditworthiness and other requirements.

OPEB: Other postretirement employee benefits.

Overhead ratio: Noninterest expense as a percentage of total net revenue.

Personal bankers: Retail branch office personnel who acquire, retain and expand new and existing customer relationships by assessing customer needs and recommending and selling appropriate banking products and services.

Portfolio activity: Describes changes to the risk profile of existing lending-related exposures and their impact on the allowance for credit losses from changes in customer profiles and inputs used to estimate the allowances.

Principal transactions: Realized and unrealized gains and losses from trading activities (including physical commodities inventories that are accounted for at the lower of cost or fair value) and changes in fair value associated with financial instruments held by the Investment Bank for which the SFAS 159 fair value option was elected. Principal transactions revenue also include private equity gains and losses.

Purchased credit-impaired loans: Acquired loans deemed to be credit-impaired under SOP 03-3. SOP 03-3 allows purchasers to aggregate credit-impaired loans acquired in the same fiscal quarter into one or more pools, provided that the loans have common risk characteristics (e.g., FICO score, geographic location). A pool is then accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. Wholesale loans were determined to be credit-impaired if they met the definition of an impaired loan under SFAS 114 at the acquisition date. Consumer loans are determined to be purchased credit-impaired based upon specific risk characteristics of the loan, including product type, loan-to-value ratios, FICO scores, and past due status.

Receivables from customers: Primarily represents margin loans to prime and retail brokerage customers which are included in accrued interest and accounts receivable on the Consolidated Balance Sheets for the wholesale lines of business.

REMIC: Investment vehicles that hold commercial and residential mortgages in trust and issues securities representing an undivided interest in these mortgages. A REMIC, which can be a corporation, trust, association, or partnership, assembles mortgages into pools and issues pass-through certificates, multiclass bonds similar to a collateralized mortgage obligation ("CMO") or other securities to investors in the secondary mortgage market.

Reported basis: Financial statements prepared under accounting principles generally accepted in the United States of America ("U.S. GAAP"). The reported basis includes the impact of credit card securitizations but excludes the impact of taxable-equivalent adjustments.

Return on common equity less goodwill: Represents net income applicable to common stock divided by total average common equity (net of goodwill). The Firm uses return on common equity less goodwill, a non-GAAP financial measure, to evaluate the operating performance of the Firm. The Firm also utilizes this measure to facilitate operating comparisons to other competitors.

Risk layered loans: Loans with multiple high risk elements.

SAB: Staff Accounting Bulletin.

SAB 105: "Application of Accounting Principles to Loan Commitments."

SAB 109: "Written Loan Commitments Recorded at Fair Value Through Earnings."

Sales specialists: Retail branch office personnel who specialize in the marketing of a single product, including mortgages, investments, and business banking, by partnering with the personal bankers.

SFAS: Statement of Financial Accounting Standards.

SFAS 5: "Accounting for Contingencies."

SFAS 13: "Accounting for Leases."

SFAS 52: "Foreign Currency Translation."

SFAS 87: "Employers' Accounting for Pensions."

SFAS 88: "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits."

SFAS 106: "Employers' Accounting for Postretirement Benefits Other Than Pensions."

SFAS 107: "Disclosures about Fair Value of Financial Instruments."

SFAS 109: "Accounting for Income Taxes."

SFAS 114: "Accounting by Creditors for Impairment of a Loan – an amendment of FASB Statements No. 5 and 15."

SFAS 115: "Accounting for Certain Investments in Debt and Equity Securities."

SFAS 123: "Accounting for Stock-Based Compensation."

SFAS 123R: "Share-Based Payment."

SFAS 128: "Earnings per Share."

SFAS 133: "Accounting for Derivative Instruments and Hedging Activities."

SFAS 138: "Accounting for Certain Derivative Instruments and Certain Hedging Activities – an amendment of FASB Statement No. 133."

SFAS 140: "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities – a replacement of FASB Statement No. 125."

SFAS 141: "Business Combinations."

SFAS 141R: "Business Combinations."

SFAS 142: "Goodwill and Other Intangible Assets."

SFAS 143: "Accounting for Asset Retirement Obligations."

SFAS 149: "Amendment of Statement No. 133 on Derivative Instruments and Hedging Activities."

SFAS 155: "Accounting for Certain Hybrid Financial Instruments – an amendment of FASB Statements No. 133 and 140."

SFAS 156: "Accounting for Servicing of Financial Assets – an amendment of FASB Statement No. 140."

SFAS 157: "Fair Value Measurements."

SFAS 158: "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)."

SFAS 159: "The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115."

SFAS 160: "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51."

SFAS 161: "Disclosures About Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133."

Stress testing: A scenario that measures market risk under unlikely but plausible events in abnormal markets.

Unaudited: Financial statements and information that have not been subjected to auditing procedures sufficient to permit an independent certified public accountant to express an opinion.

U.S. GAAP: Accounting principles generally accepted in the United States of America.

U.S. government and federal agency obligations: Obligations of the U.S. government or an instrumentality of the U.S. government whose obligations are fully and explicitly guaranteed as to the timely payment of principal and interest by the full faith and credit of the U.S. government.

U.S. government-sponsored enterprise obligations: Obligations of agencies originally established or chartered by the U.S. government to serve public purposes as specified by the U.S. Congress; these obligations are not explicitly guaranteed as to the timely payment of principal and interest by the full faith and credit of the U.S. government.

Value-at-risk ("VaR"): A measure of the dollar amount of potential loss from adverse market moves in an ordinary market environment.

Distribution of assets, liabilities and stockholders' equity; interest rates and interest differentials

Consolidated average balance sheet, interest and rates
Provided below is a summary of JPMorgan Chase's consolidated average balances, interest rates and interest differentials on a taxable-equivalent basis for the years 2006 through 2008. Income computed on a taxable-equivalent basis is the income reported in the Consolidated Statements of Income, adjusted to make income and earnings yields on assets exempt from income taxes (primarily federal taxes) comparable with other taxable income. The incremental tax rate used for calculating the taxable-equivalent adjustment was

(Table continued on next page)

Year ended December 31, (Taxable-equivalent interest and rates; in millions, except rates)	2008[d] Average balance	Interest	Average rate
Assets			
Deposits with banks	**$ 54,666**	**$ 1,916**	**3.51%**
Federal funds sold and securities purchased under resale agreements	**170,006**	**5,983**	**3.52**
Securities borrowed	**110,598**	**2,297**	**2.08**
Trading assets – debt instruments	**298,266**	**17,556**	**5.89**
Securities	**123,551**	**6,447**	**5.22**(g)
Interests in purchased receivables	**—**	**—**	**—**
Loans	**588,801**	**38,503**(f)	**6.54**
Other assets[a]	**27,404**	**895**	**3.27**
Total interest-earning assets	**1,373,292**	**73,597**	**5.36**
Allowance for loan losses	**(13,477)**		
Cash and due from banks	**30,323**		
Trading assets – equity instruments	**85,836**		
Trading assets – derivative receivables	**121,417**		
Goodwill	**46,068**		
Other intangible assets			
Mortgage servicing rights	**11,229**		
Purchased credit card relationships	**1,976**		
All other intangibles	**3,803**		
All other assets	**131,150**		
Assets of discontinued operations held-for-sale[b]	**—**		
Total assets	**$ 1,791,617**		
Liabilities			
Interest-bearing deposits	**$ 645,058**	**$ 14,546**	**2.26%**
Federal funds purchased and securities loaned or sold under repurchase agreements	**196,739**	**4,668**	**2.37**
Commercial paper	**45,734**	**1,023**	**2.24**
Other borrowings and liabilities[c]	**161,555**	**5,242**	**3.24**
Beneficial interests issued by consolidated VIEs	**13,220**	**405**	**3.06**
Long-term debt	**234,909**	**8,355**	**3.56**
Total interest-bearing liabilities	**1,297,215**	**34,239**	**2.64**
Noninterest-bearing deposits	**140,749**		
Trading liabilities – derivative payables	**93,200**		
All other liabilities, including the allowance for lending-related commitments	**122,199**		
Liabilities of discontinued operations held-for-sale[b]	**—**		
Total liabilities	**1,653,363**		
Stockholders' equity			
Preferred stock	**9,138**		
Common stockholders' equity	**129,116**		
Total stockholders' equity	**138,254**(e)		
Total liabilities, preferred stock of subsidiary and stockholders' equity	**$ 1,791,617**		
Interest rate spread			**2.72%**
Net interest income and net yield on interest-earning assets		**$ 39,358**	**2.87**

(a) Includes margin loans and the Firm's investment in asset-backed commercial paper under the Federal Reserve Bank of Boston's AML facility.
(b) For purposes of the consolidated average balance sheet for assets and liabilities transferred to discontinued operations, JPMorgan Chase used federal funds sold interest income as a reasonable estimate of the earnings on corporate trust deposits; therefore, JPMorgan Chase transferred to assets of discontinued operations held-for-sale average federal funds sold, along with the related interest income earned, and transferred to liabilities of discontinued operations held-for-sale average corporate trust deposits.
(c) Includes securities sold but not yet purchased, brokerage customer payables and advances from federal home loan banks.
(d) On September 25, 2008, JPMorgan Chase acquired the banking operations of Washington Mutual Bank. On May 30, 2008, the Bear Stearns merger was consummated. Each of these transactions was accounted for as a purchase and their respective results of operations are included in the Firm's results from each respective transaction date. For additional information on these transactions, see Note 2 on pages 123-128.
(e) The ratio of average stockholders' equity to average assets was 7.7% for 2008, 8.2% for 2007 and 8.4% for 2006. The return on average stockholders' equity was 4.1% for 2008, 12.9% for 2007 and 13.0% for 2006.
(f) Fees and commissions on loans included in loan interest amounted to $2.0 billion in 2008, $1.7 billion in 2007 and $1.2 billion in 2006.
(g) The annualized rate for available-for-sale securities based on amortized cost was 5.17% in 2008, 5.64% in 2007, and 5.49% in 2006, and does not give effect to changes in fair value that are reflected in accumulated other comprehensive income (loss).

approximately 40% in 2008, 2007 and 2006. A substantial portion of JPMorgan Chase's securities are taxable.

Within the Consolidated average balance sheets, interest and rates summary, the principal amounts of nonaccrual loans have been included in the average loan balances used to determine the average interest rate earned on loans. For additional information on nonaccrual loans, including interest accrued, see Note 14 on pages 163–166.

(Continuation of table)

2007			2006		
Average balance	Interest	Average rate	Average balance	Interest	Average rate
$ 29,010	$ 1,418	4.89%	$ 27,730	$ 1,265	4.56%
135,677	6,497	4.79	132,118	5,578	4.22
86,072	4,539	5.27	83,831	3,402	4.06
292,846	17,241	5.89	205,506	11,120	5.41
95,290	5,387	5.65(g)	77,845	4,304	5.53(g)
—	—	—	13,941	652	4.68
479,679	36,682(f)	7.65	454,535	33,014(f)	7.26
—	—	—	—	—	—
1,118,574	71,764	6.42	995,506	59,335	5.96
(7,620)			(7,165)		
32,781			31,171		
88,569			74,573		
65,439			57,368		
45,226			43,872		
8,565			7,484		
2,590			3,113		
4,094			4,307		
96,826			87,068		
—			16,497		
$ 1,455,044			$ 1,313,794		
$ 535,359	$ 21,653	4.04%	$ 452,323	$ 17,042	3.77%
196,500	9,785	4.98	183,783	8,187	4.45
30,799	1,434	4.65	17,710	794	4.49
100,181	4,923	4.91	102,147	5,105	5.00
14,563	580	3.98	28,652	1,234	4.31
170,206	6,606	3.88	129,667	5,503	4.24
1,047,608	44,981	4.29	914,282	37,865	4.14
121,861			124,550		
65,198			57,938		
101,654			90,506		
—			15,787		
1,336,321			1,203,063		
—			34		
118,723			110,697		
118,723(e)			110,731(e)		
$ 1,455,044			$ 1,313,794		
		2.13%			1.82%
	$ 26,783	2.39		$ 21,470	2.16

Interest rates and interest differential analysis of net interest income – U.S. and non-U.S.

Presented below is a summary of interest rates and interest differentials segregated between U.S. and non-U.S. operations for the years 2006 through 2008. The segregation of U.S. and non-U.S. components is based on the location of the office recording the transaction. Intracompany funding generally comprises dollar-denominated deposits originated in various locations that are centrally managed

(Table continued on next page)

Year ended December 31, (Taxable-equivalent interest and rates; in millions, except rates)	2008[b] Average balance	Interest	Average rate
Interest-earning assets:			
Deposits with banks, primarily non-U.S.	$ 54,666	$ 1,916	3.51%
Federal funds sold and securities purchased under resale agreements:			
U.S.	95,301	3,084	3.24
Non-U.S.	74,705	2,899	3.88
Securities borrowed:			
U.S.	60,592	985	1.63
Non-U.S.	50,006	1,312	2.62
Trading assets – debt instruments:			
U.S.	169,447	9,614	5.67
Non-U.S.	128,819	7,942	6.17
Securities:			
U.S.	108,663	5,859	5.39
Non-U.S.	14,888	588	3.95
Interests in purchased receivables, primarily U.S.	—	—	—
Loans:			
U.S.	506,513	33,570	6.63
Non-U.S.	82,288	4,933	5.99
Other assets, primarily U.S.	27,404	895	3.27
Total interest-earning assets	$ 1,373,292	$ 73,597	5.36%
Interest-bearing liabilities:			
Interest-bearing deposits:			
U.S.	$ 407,699	$ 8,420	2.07%
Non-U.S.	237,359	6,126	2.58
Federal funds purchased and securities loaned or sold under repurchase agreements:			
U.S.	158,054	3,326	2.10
Non-U.S.	38,685	1,342	3.47
Other borrowings and liabilities:			
U.S.	161,509	3,390	2.10
Non-U.S.	45,780	2,875	6.28
Beneficial interests issued by consolidated VIEs, primarily U.S.	13,220	405	3.06
Long-term debt, primarily U.S.	234,909	8,355	3.56
Intracompany funding:			
U.S.	(17,637)	(927)	—
Non-U.S.	17,637	927	—
Total interest-bearing liabilities	1,297,215	34,239	2.64
Noninterest-bearing liabilities[a]	76,077		
Total investable funds	$ 1,373,292	$ 34,239	2.49%
Net interest income and net yield:		$ 39,358	2.87%
U.S.		31,651	3.24
Non-U.S.		7,707	1.95
Percentage of total assets and liabilities attributable to non-U.S. operations:			
Assets			30.4
Liabilities			28.0

(a) Represents the amount of noninterest-bearing liabilities funding interest-earning assets.
(b) On September 25, 2008, JPMorgan Chase acquired the banking operations of Washington Mutual Bank. On May 30, 2008, the Bear Stearns merger was consummated. Each of these transactions was accounted for as a purchase and their respective results of operations are included in the Firm's results from each respective transaction date. For additional information on these transactions, see Note 2 on pages 123–128.

by JPMorgan Chase's Treasury unit. U.S. net interest income was $31.7 billion in 2008, an increase of $10.6 billion from the prior year. Net interest income from non-U.S. operations was $7.7 billion for 2008, an increase of $1.9 billion from $5.8 billion in 2007.

For further information, see the "Net interest income" discussion in Consolidated Results of Operations on page 34.

(Continuation of table)

2007			2006		
Average balance	Interest	Average rate	Average balance	Interest	Average rate
$ 29,010	$ 1,418	4.89%	$ 27,730	$ 1,265	4.56%
71,467	3,672	5.14	66,627	3,647	5.47
64,210	2,825	4.40	65,491	1,931	2.95
39,855	2,472	6.20	36,016	1,848	5.13
46,217	2,067	4.47	47,815	1,554	3.25
148,071	9,235	6.24	88,492	5,471	6.18
144,775	8,006	5.53	117,014	5,649	4.83
82,405	4,855	5.89	68,477	3,951	5.77
12,885	532	4.13	9,368	353	3.77
—	—	—	13,941	652	4.68
413,507	32,483	7.86	402,295	29,475	7.33
66,172	4,199	6.35	52,240	3,539	6.77
—	—	—	—	—	—
$ 1,118,574	$71,764	6.42%	$ 995,506	$ 59,335	5.96%
$ 353,133	$13,641	3.86%	$ 313,835	$ 11,551	3.68%
182,226	8,012	4.40	138,488	5,491	3.96
148,918	7,826	5.26	137,439	6,729	4.90
47,582	1,959	4.12	46,344	1,458	3.15
76,585	3,897	5.09	55,300	3,368	6.09
54,395	2,460	4.52	64,557	2,531	3.92
14,563	580	3.98	28,652	1,234	4.31
170,206	6,606	3.88	129,667	5,503	4.24
(17,054)	(555)	—	(49,972)	(2,088)	—
17,054	555	—	49,972	2,088	—
1,047,608	44,981	4.29	914,282	37,865	4.14
70,966			81,224		
$ 1,118,574	$44,981	4.02%	$ 995,506	$ 37,865	3.80%
	$26,783	2.39%		$ 21,470	2.16%
	21,007	2.78		19,430	2.87
	5,776	1.59		2,040	0.64
		36.5			35.3
		34.1			31.8

Changes in net interest income, volume and rate analysis

The table below presents an analysis of the effect on net interest income of volume and rate changes for the periods 2008 versus 2007 and 2007 versus 2006. In this analysis, the change due to the volume/rate variance has been allocated to volume.

	2008 versus 2007			2007 versus 2006		
	Increase (decrease) due to change in:		Net	Increase (decrease) due to change in:		Net
(On a taxable equivalent basis; in millions)	Volume	Rate	change	Volume	Rate	change
Interest-earning assets						
Deposits with banks, primarily non-U.S.	**$ 898**	**$ (400)**	**$ 498**	$ 61	$ 92	$ 153
Federal funds sold and securities purchased under resale agreements:						
U.S.	**770**	**(1,358)**	**(588)**	245	(220)	25
Non-U.S.	**408**	**(334)**	**74**	(56)	950	894
Securities borrowed:						
U.S.	**334**	**(1,821)**	**(1,487)**	239	385	624
Non-U.S.	**100**	**(855)**	**(755)**	(70)	583	513
Trading assets – debt instruments:						
U.S.	**1,223**	**(844)**	**379**	3,711	53	3,764
Non-U.S.	**(991)**	**927**	**(64)**	1,538	819	2,357
Securities:						
U.S.	**1,416**	**(412)**	**1,004**	822	82	904
Non-U.S.	**79**	**(23)**	**56**	145	34	179
Interests in purchased receivables, primarily U.S.	**—**	**—**	**—**	(652)	—	(652)
Loans:						
U.S.	**6,173**	**(5,086)**	**1,087**	876	2,132	3,008
Non-U.S.	**972**	**(238)**	**734**	879	(219)	660
Other assets, primarily U.S.	**895**	**—**	**895**	—	—	—
Change in interest income	**12,277**	**(10,444)**	**1,833**	7,738	4,691	12,429
Interest-bearing liabilities						
Interest-bearing deposits:						
U.S.	**1,100**	**(6,321)**	**(5,221)**	1,525	565	2,090
Non-U.S.	**1,431**	**(3,317)**	**(1,886)**	1,912	609	2,521
Federal funds purchased and securities loaned or sold under repurchase agreements:						
U.S.	**206**	**(4,706)**	**(4,500)**	602	495	1,097
Non-U.S.	**(308)**	**(309)**	**(617)**	51	450	501
Other borrowings and liabilities:						
U.S.	**1,783**	**(2,290)**	**(507)**	1,082	(553)	529
Non-U.S.	**(542)**	**957**	**415**	(458)	387	(71)
Beneficial interests issued by consolidated VIEs, primarily U.S.	**(41)**	**(134)**	**(175)**	(559)	(95)	(654)
Long-term debt, primarily U.S.	**2,294**	**(545)**	**1,749**	1,570	(467)	1,103
Intracompany funding:						
U.S.	**(31)**	**(341)**	**(372)**	1,073	460	1,533
Non-U.S.	**31**	**341**	**372**	(1,073)	(460)	(1,533)
Change in interest expense	**5,923**	**(16,665)**	**(10,742)**	5,725	1,391	7,116
Change in net interest income	**$ 6,354**	**$ 6,221**	**$ 12,575**	$ 2,013	$ 3,300	$ 5,313

Securities portfolio

The table below presents the amortized cost, estimated fair value and average yield (including the impact of related derivatives) of JPMorgan Chase's securities by range of contractual maturity and type of security.

Maturity schedule of available-for-sale and held-to-maturity securities

December 31, 2008 (in millions, rates on a taxable-equivalent basis)	Due in 1 year or less	Due after 1 through 5 years	Due after 5 through 10 years	Due after 10 years(d)	**Total**
U.S. government and federal agency obligations:					
Amortized cost	$ 229	$ 112	$ 188	$ 6,994	$ 7,523
Fair value	229	111	186	7,149	7,675
Average yield(a)	0.20%	1.56%	2.19%	5.24%	4.95%
U.S. government-sponsored enterprise obligations:					
Amortized cost	$ 5	$ 5,046	$ 5,261	$107,765	$118,077
Fair value	5	5,018	5,231	109,813	120,067
Average yield(a)	4.48%	2.87%	3.82%	5.26%	5.09%
Other:(b)					
Amortized cost	$23,929	$20,957	$ 7,656	$ 31,186	$ 83,728
Fair value	23,822	19,946	7,019	27,380	78,167
Average yield(a)	2.83%	2.37%	3.80%	4.95%	3.61%
Total available-for-sale securities:(c)					
Amortized cost	$24,163	$26,115	$13,105	$145,945	$209,328
Fair value	24,056	25,075	12,436	144,342	205,909
Average yield(a)	2.80%	2.46%	3.78%	5.19%	4.49%
Total held-to-maturity securities:(c)					
Amortized cost	$ —	$ —	$ 31	$ 3	$ 34
Fair value	—	—	32	3	35
Average yield(a)	—%	—%	6.89%	5.69%	6.78%

(a) The average yield was based on amortized cost balances at the end of the year and does not give effect to changes in fair value that are reflected in accumulated other comprehensive income (loss). Yields are derived by dividing interest income (including the effect of related derivatives on available-for-sale securities and the amortization of premiums and accretion of discounts) by total amortized cost. Taxable-equivalent yields are used where applicable.
(b) Includes certificates of deposit, debt securities issued by non-U.S. governments, corporate debt securities, mortgage-backed securities, asset-backed securities and other debt and equity securities.
(c) For the amortized cost of the above categories of securities at December 31, 2007, see Note 12 on page 159. At December 31, 2006, the amortized cost of U.S. government and federal agency obligations was $2.5 billion, U.S. government-sponsored enterprise obligations was $75.4 billion and other available-for-sale securities was $14.0 billion. At December 31, 2006, the amortized cost of U.S. government and federal agency obligations and U.S. government-sponsored enterprise obligations held-to-maturity securities was $58 million. There were no other held-to-maturity securities at December 31, 2006.
(d) Securities with no stated maturity are included with securities with a contractual maturity of ten years or more. Substantially all of JPMorgan Chase's mortgaged-backed securities ("MBSs") and collateralized mortgage obligations ("CMOs") are due in ten years or more based on contractual maturity. The estimated duration, which reflects anticipated future prepayments based on a consensus of dealers in the market, is approximately four years for MBSs and CMOs.

U.S. government-sponsored enterprises were the only issuers whose securities exceeded 10% of JPMorgan Chase's total stockholders' equity at December 31, 2008.

For a further discussion of JPMorgan Chase's securities portfolios, see Note 12 on pages 158–162.

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Loan portfolio

The table below presents loans with the line of business basis that is presented in Credit Risk Management on pages 82, 83 and 92, and in Note 14 on page 164, at the periods indicated. Prior periods have been changed to reflect this presentation.

December 31, (in millions)	2008	2007[c]	2006[c]	2005[c]	2004[c]
U.S. wholesale loans:					
Commercial and industrial	**$ 72,422**	$ 69,038	$ 47,101	$ 43,140	$ 46,960
Real estate	**64,450**	17,190	18,787	17,170	15,670
Financial institutions	**20,953**	15,113	15,632	13,681	14,080
Government agencies	**5,919**	5,770	4,964	3,709	1,529
Other	**23,032**	26,142	32,202	34,365	21,629
Total U.S. wholesale loans	**186,776**	133,253	118,686	112,065	99,868
Non-U.S. wholesale loans:					
Commercial and industrial	**35,251**	33,829	22,332	18,545	13,341
Real estate	**2,859**	3,632	2,371	1,393	2,063
Financial institutions	**17,552**	17,245	19,174	8,093	6,959
Government agencies	**602**	720	2,543	1,296	2,611
Other	**19,004**	24,397	18,636	8,719	10,225
Total non-U.S. wholesale loans	**75,268**	79,823	65,056	38,046	35,199
Total wholesale loans:					
Commercial and industrial	**107,673**	102,867	69,433	61,685	60,301
Real estate	**67,309**	20,822	21,158	18,563	17,733
Financial institutions	**38,505**	32,358	34,806	21,774	21,039
Government agencies	**6,521**	6,490	7,507	5,005	4,140
Other	**42,036**	50,539	50,838	43,084	31,854
Total wholesale loans	**262,044**	213,076	183,742	150,111	135,067
Total consumer loans:					
Home equity	**142,890**	94,832	85,730	73,866	67,612
Mortgage	**157,078**	56,031	59,668	58,959	56,116
Auto loans	**42,603**	42,350	41,009	46,081	58,906
Credit card receivables	**104,746**	84,352	85,881	71,738	64,575
Other	**35,537**	28,733	27,097	18,393	19,838
Total consumer loans	**482,854**	306,298	299,385	269,037	267,047
Total loans[(a)(b)]	**$ 744,898**	$ 519,374	$ 483,127	$ 419,148	$ 402,114
Memo:					
Loans held-for-sale	**$ 8,287**	$ 18,899	$ 55,251	$ 34,150	$ 24,462
Loans at fair value	**7,696**	8,739	—	—	—
Total loans held-for-sale and loans at fair value	**$ 15,983**	$ 27,638	$ 55,251	$ 34,150	$ 24,462

(a) Loans are presented net of unearned income and net deferred loan fees of $694 million, $1.0 billion, $1.3 billion, $3.0 billion and $4.1 billion at December 31, 2008, 2007, 2006, 2005 and 2004, respectively.
(b) As a result of the adoption of SFAS 159, at January 1, 2007, certain loans are accounted for at fair value and reported in trading assets and therefore, such loans are no longer included in loans at December 31, 2007.
(c) The reporting categories have been modified to reflect the industry categories and client domicile consistent with the reporting provided in the credit risk management section on pages 80-99. Prior periods have been revised to reflect the current presentation.

Maturities and sensitivity to changes in interest rates

The table below shows, at December 31, 2008, the maturity of the wholesale loan portfolio, and the distribution between fixed and floating interest rates based upon the stated terms of the wholesale loan agreements. The current view has been modified to show the portfolio on the same basis that is presented in Credit Risk Management on pages 82, 83, and 92, and in Note 14 on page 164. The table does not include the impact of derivative instruments.

December 31, 2008 (in millions)	Within 1 year(a)	1-5 years	After 5 years	**Total**
U.S.:				
Commercial and industrial	**$ 15,079**	**$ 47,459**	**$ 9,884**	**$ 72,422**
Real estate	**8,609**	**13,574**	**42,267**	**64,450**
Financial institutions	**11,239**	**8,579**	**1,135**	**20,953**
Government agencies	**2,675**	**1,641**	**1,603**	**5,919**
Other	**10,423**	**8,922**	**3,687**	**23,032**
Total U.S.	**48,025**	**80,175**	**58,576**	**186,776**
Non-U.S.:				
Commercial and industrial	**10,507**	**19,392**	**5,352**	**35,251**
Real estate	**1,010**	**1,671**	**178**	**2,859**
Financial institutions	**12,489**	**3,910**	**1,153**	**17,552**
Government agencies	**434**	**60**	**108**	**602**
Other	**11,210**	**5,092**	**2,702**	**19,004**
Total non-U.S.	**35,650**	**30,125**	**9,493**	**75,268**
Total wholesale loans	**$ 83,675**	**$ 110,300**	**$ 68,069**	**$ 262,044**
Loans at fixed interest rates		**$ 31,033**	**$ 15,078**	
Loans at variable interest rates		**79,267**	**52,991**	
Total commercial loans		**$ 110,300**	**$ 68,069**	

(a) Includes demand loans and overdrafts.

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Risk elements

The following table sets forth nonperforming assets and contractually past-due assets, with the presentation in Credit Risk Management on pages 82, 83 and 92. Periods prior to 2007 have been changed to reflect this presentation.

December 31, (in millions)	**2008**	2007[d]	2006[d]	2005[d]	2004[d]
Nonperforming assets					
U.S. nonaccrual loans:[a]					
Wholesale					
Commercial and industrial	**$ 1,052**	$ 63	$ 238	$ 555	$ 908
Real estate	**806**	216	18	44	26
Financial institutions	**60**	10	5	87	17
Government agencies	**—**	1	—	3	1
Other	**205**	200	49	130	276
Consumer	**6,571**	2,768[e]	1,686	1,351	1,169
Total U.S. nonaccrual loans	**8,694**	3,258	1,996	2,170	2,397
Non-U.S. nonaccrual loans:[a]					
Wholesale					
Commercial and industrial	**45**	14	41	105	269
Real estate	**—**	—	—	—	2
Financial institutions	**115**	8	24	51	43
Government agencies	**—**	—	—	3	—
Other	**99**	2	16	14	32
Consumer	**—**	—	—	—	—
Total U.S. nonaccrual loans	**259**	24	81	173	346
Total nonaccrual loans	**8,953**	3,282	2,077	2,343	2,743
Derivative receivables	**1,079**	29	36	50	241
Assets acquired in loan satisfactions	**2,682**	622	228	197	247
Nonperforming assets	**$12,714**	$3,933	$2,341	$2,590	$3,231
Memo:					
Loans held-for-sale	**$ 12**	$ 45	$ 120	$ 136	$ 15
Loans at fair value	**20**	5	—	—	—
Total loans held-for-sale and loans at fair value	**$ 32**	$ 50	$ 120	$ 136	$ 15
Contractually past-due assets:[b]					
U.S. loans					
Commercial and industrial	**$ 30**	$ 7	$ 5	$ 6	$ —
Real estate	**76**	34	1	1	—
Financial institutions	**—**	—	—	—	—
Government agencies	**—**	—	—	6	—
Other	**54**	28	23	37	6
Consumer	**3,084**	1,945	1,708	1,068	998
Total U.S. loans	**3,244**	2,014	1,737	1,118	1,004
Total U.S. loans:					
Non-U.S. loans					
Commercial and industrial	**—**	—	—	—	—
Real estate	**—**	—	—	—	—
Financial institutions	**—**	—	—	—	—
Government agencies	**—**	—	—	—	—
Other	**3**	6	—	—	2
Consumer	**28**	23	16	10	—
Total non-U.S. loans	**31**	29	16	10	2
Total	**$ 3,275**	$2,043	$1,753	$1,128	$1,006
Restructured loans[c]					
U.S.					
Commercial and industrial	**$ —**	$ 8	$ —	$ —	$ —
Consumer	**1,834**	—	—	—	—
Total U.S.	**1,834**	8	—	—	—
Non-U.S.					
Commercial and industrial	**5**	—	—	—	—
Consumer	**—**	—	—	—	—
Total Non-U.S.	**5**	—	—	—	—
Total	**$ 1,839**	$ 8	$ —	$ —	$ —

(a) Excludes wholesale loans held-for-sale purchased as part of the Investment Bank's proprietary activities.
(b) Represents accruing loans past-due 90 days or more as to principal and interest, which are not characterized as nonperforming loans.
(c) Represents troubled debt restructured loans for which concessions, such as the reduction of interest rates or the deferral of interest or principal payments, have been granted as a result of a deterioration in the borrowers' financial condition as defined in SFAS 15, "Accounting by Debtors and Creditors for Troubled Debt Restructurings".
(d) The reporting categories have been modified to reflect the industry categories consistent with the reporting provided in the credit risk management section on pages 80-99. Prior periods have been revised to reflect the current presentation.
(e) During the second quarter of 2008, the policy for classifying subprime mortgage and home equity loans as nonperforming was changed to conform to all other home lending products. Amounts for 2007 have been revised to reflect this change. Periods prior to 2007 have not been revised as the impact was not material.

For a discussion of nonperforming loans and past-due loan accounting policies, see Credit Risk Management on pages 80–99, and Note 14 on pages 163–166.

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Impact of nonperforming loans on interest income

The negative impact on interest income from nonperforming loans represents the difference between the amount of interest income that would have been recorded on such nonperforming loans according to their contractual terms had they been performing and the amount of interest that actually was recognized on a cash basis. The following table sets forth this data for the years specified. The increases in both 2008 and 2007 from the respective prior years in total negative impact on interest income was primarily driven by the increases in nonperforming loans.

Year ended December 31, (in millions)	**2008**	2007(a)	2006(a)
U.S.:			
Wholesale			
Gross amount of interest that would have been recorded at the original rate	**$ 87**	$ 71	$ 27
Interest that was recognized in income	**(7)**	(5)	(6)
Total U.S. wholesale	**80**	66	21
Consumer			
Gross amount of interest that would have been recorded at the original rate	**584**	230(b)	129
Interest that was recognized in income	**(193)**	(8)	(20)
Total U.S. consumer	**391**	222	109
Negative impact – U.S.	**471**	288	130
Non-U.S.:			
Wholesale			
Gross amount of interest that would have been recorded at the original rate	**11**	2	5
Interest that was recognized in income	**(2)**	(1)	—
Total non-U.S. wholesale	**9**	1	5
Consumer			
Gross amount of interest that would have been recorded at the original rate	**—**	—	—
Interest that was recognized in income	**—**	—	—
Total non-U.S. consumer	**—**	—	—
Negative impact – non-U.S.	**9**	1	5
Total negative impact on interest income	**$ 480**	$289	$135

(a) The reporting categories have been modified to reflect the industry categories consistent with the reporting provided in the credit risk management section on pages 80-99. Prior periods have been revised to reflect the current presentation.

(b) During the second quarter of 2008, the policy for classifying subprime mortgage and home equity loans as nonperforming was changed to conform to all other home lending products. Amounts for 2007 have been revised to reflect this change. Amounts for 2006 have not been revised as the impact was not material.

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Cross-border outstandings

Cross-border disclosure is based upon the Federal Financial Institutions Examination Council's ("FFIEC") guidelines governing the determination of cross-border risk. Based on FFIEC guidelines, beginning in 2006 securities purchased under resale agreements are allocated to a country based upon the domicile of the counterparty. Additionally, local foreign office commitments are included in commitments; previously they were excluded from commitments.

The following table lists all countries in which JPMorgan Chase's cross-border outstandings exceed 0.75% of consolidated assets as of the dates specified. The disclosure includes certain exposures that are not required under the disclosure requirements of the SEC. The most significant differences between the FFIEC and SEC methodologies are: the FFIEC methodology includes mark-to-market exposures of foreign exchange and derivatives; net local country assets are reduced by local country liabilities (regardless of currency denomination); and securities purchased under resale agreements are reported based on the counterparty, without regard to the underlying security collateral.

JPMorgan Chase's total cross-border exposure tends to fluctuate greatly, and the amount of exposure at year-end tends to be a function of timing rather than representing a consistent trend. For a further discussion of JPMorgan Chase's emerging markets cross-border exposure, see Emerging markets country exposure on pages 90–91.

Cross-border outstandings exceeding 0.75% of total assets

(in millions)	December 31,	Governments	Banks	Other(a)	Net local country assets	Total cross-border outstandings(b)	Commitments(c)	Total exposure
United Kingdom	**2008**	**$ 1,173**	**$ 23,490**	**$ 19,624**	**$ —**	**$ 44,287**	**$ 562,980**	**$ 607,267**
	2007	324	8,245	14,450	—	23,019	475,046	498,065
	2006	507	13,116	11,594	—	25,217	306,565	331,782
France	**2008**	**$ 6,666**	**$ 25,479**	**$ 24,665**	**$ 28**	**$ 56,838**	**$ 353,074**	**$ 409,912**
	2007	8,351	9,278	20,303	75	38,007	288,044	326,051
	2006	5,218	7,760	12,747	575	26,300	171,407	197,707
Germany	**2008**	**$ 8,437**	**$ 24,312**	**$ 10,297**	**$ 3,660**	**$ 46,706**	**$ 348,635**	**$ 395,341**
	2007	10,095	11,468	18,656	—	40,219	284,879	325,098
	2006	9,361	16,384	16,091	—	41,836	186,875	228,711
Netherlands	**2008**	**$ 1,360**	**$ 8,645**	**$ 19,356**	**$ —**	**$ 29,361**	**$ 132,574**	**$ 161,935**
	2007	895	3,945	15,180	—	20,020	138,136	158,156
	2006	1,776	9,699	17,878	—	29,353	80,337	109,690
Italy	**2008**	**$ 7,680**	**$ 6,804**	**$ 3,742**	**$ 448**	**$ 18,674**	**$ 134,851**	**$ 153,525**
	2007	5,301	5,285	5,593	1,401	17,580	120,179	137,759
	2006	6,395	3,004	6,328	364	16,091	84,054	100,145
Spain	**2008**	**$ 906**	**$ 11,867**	**$ 4,466**	**$ 1,161**	**$ 18,400**	**$ 104,956**	**$ 123,356**
	2007	1,995	3,484	5,728	1,337	12,544	90,135	102,679
	2006	722	3,715	5,766	1,136	11,339	55,517	66,856
Japan	**2008**	**$ 687**	**$ 17,401**	**$ 18,568**	**$ 2,174**	**$ 38,830**	**$ 64,583**	**$ 103,413**
	2007	12,895	9,687	9,138	—	31,720	49,407	81,127
	2006	6,758	8,158	8,588	—	23,504	32,781	56,285
Cayman Islands	**2008**	**$ 87**	**$ 115**	**$ 30,869**	**$ —**	**$ 31,071**	**$ 6,843**	**$ 37,914**
	2007	6	41	36,310	—	36,357	14,054	50,411
	2006	20	125	21,492	—	21,637	10,626	32,263
Luxembourg	**2008**	**$ —**	**$ 514**	**$ 7,863**	**$ —**	**$ 8,377**	**$ 28,611**	**$ 36,988**
	2007	1,718	739	8,832	—	11,289	24,952	36,241
	2006	1,396	1,860	8,592	—	11,848	15,667	27,515
Norway	**2008**	**$ 15,944**	**$ 616**	**$ 718**	**$ —**	**$ 17,278**	**$ 11,393**	**$ 28,671**
	2007	9,727	650	690	—	11,067	8,929	19,996
	2006	3,273	87	368	—	3,728	4,216	7,944

(a) Consists primarily of commercial and industrial.
(b) Outstandings includes loans and accrued interest receivable, interest-bearing deposits with banks, acceptances, resale agreements, other monetary assets, cross-border trading debt and equity instruments, mark-to-market exposure of foreign exchange and derivative contracts and local country assets, net of local country liabilities. The amounts associated with foreign exchange and derivative contracts are presented after taking into account the impact of legally enforceable master netting agreements.
(c) Commitments include outstanding letters of credit, undrawn commitments to extend credit and the notional value of credit derivatives where JPMorgan Chase is a protection seller.

Summary of loan and lending-related commitments loss experience

The tables below summarize the changes in the allowance for loan losses and the allowance for lending-related commitments, during the periods indicated. For a further discussion, see Allowance for credit losses on pages 96–99, and Note 15 on pages 166–168.

Allowance for loan losses

Year ended December 31, (in millions)	2008	2007[e]	2006[e]	2005[e]	2004[d][e]
Balance at beginning of year	**$ 9,234**	$ 7,279	$ 7,090	$ 7,320	$ 4,523
Addition resulting from mergers and acquisitions[a]	**2,535**	—	—	—	3,123
Provision for loan losses[b]	**21,237**	6,538	3,153	3,575	2,883
U.S. charge-offs					
Commercial and industrial	**183**	34	80	154	238
Real estate	**217**	46	10	2	1
Financial institutions	**17**	9	1	2	2
Government agencies	**—**	10	2	—	—
Other	**35**	81	36	64	84
Consumer	**10,140**	5,181	3,635	4,604	3,262
Total U.S. charge-offs	**10,592**	5,361	3,764	4,826	3,587
Non-U.S. charge-offs					
Commercial and industrial	**40**	2	43	32	84
Real estate	**—**	—	—	—	—
Financial institutions	**29**	—	—	—	6
Government agencies	**—**	—	—	—	—
Other	**—**	3	14	1	128
Consumer	**103**	1	63	10	—
Total non-U.S. charge-offs	**172**	6	120	43	218
Total charge-offs	**10,764**	5,367	3,884	4,869	3,805
U.S. recoveries					
Commercial and industrial	**(60)**	(48)	(89)	(110)	(87)
Real estate	**(5)**	(1)	(4)	(4)	(12)
Financial institutions	**(2)**	(3)	(4)	(6)	(8)
Government agencies	**—**	—	—	—	—
Other	**(29)**	(40)	(48)	(46)	(93)
Consumer	**(793)**	(716)	(622)	(717)	(349)
Total U.S. recoveries	**(889)**	(808)	(767)	(883)	(549)
Non-U.S. recoveries					
Commercial and industrial	**(16)**	(8)	(26)	(122)	(55)
Real estate	**—**	—	—	—	—
Financial institutions	**—**	(1)	(11)	(7)	(19)
Government agencies	**—**	—	—	(15)	(27)
Other	**(7)**	(12)	(26)	(22)	(56)
Consumer	**(17)**	—	(12)	(1)	—
Total non-U.S. recoveries	**(40)**	(21)	(75)	(167)	(157)
Total recoveries	**(929)**	(829)	(842)	(1,050)	(706)
Net charge-offs	**9,835**	4,538	3,042	3,819	3,099
Allowance related to purchased portfolios	**6**	—	75	17	—
Change in accounting principles	**—**	(56)	—	—	—
Other	**(13)**	11	3	(3)	(110)[c]
Balance at year-end	**$ 23,164**	$ 9,234	$ 7,279	$ 7,090	$ 7,320

(a) The 2008 amount relates to the Washington Mutual transaction and 2004 amount relates to the merger with Bank One.
(b) While the provision for loan losses increased during 2004 and 2005 due to the July 2004 Bank One merger, the allowance for loan losses as a percentage of total loans declined from 2004 through 2006 as a result of a relatively benign credit environment. Deteriorating credit conditions in 2007 and 2008, primarily within consumer lending, resulted in increasing losses and correspondingly higher loan loss provisions for those periods. For a more detailed discussion of the 2006 through 2008 provision for credit losses, see Provision for Credit Losses on page 99.
(c) Primarily relates to the transfer of the allowance for accrued interest and fees on reported and securitized credit card loans in 2004.
(d) On July 1, 2004, Bank One Corporation merged with and into JPMorgan Chase. Accordingly, 2004 results include six months of the combined Firm's results and six months of heritage JPMorgan Chase results.
(e) The reporting categories have been modified to reflect the industry categories consistent with the reporting provided in the credit risk management section on pages 80-99. Prior periods have been revised to reflect the current presentation.

Allowance for lending-related commitments

Year ended December 31, (in millions)	2008	2007	2006	2005	2004[b]
Balance at beginning of year	**$ 850**	$ 524	$ 400	$ 492	$ 324
Addition resulting from mergers and acquisitions[a]	**66**	—	—	—	508
Provision for lending-related commitments	**(258)**	326	117	(92)	(339)
Net charge-offs	**—**	—	—	—	—
Other	**1**	—	7	—	(1)
Balance at year-end	**$ 659**	$ 850	$ 524	$ 400	$ 492

(a) The 2008 amount relates to the Washington Mutual transaction and 2004 amount relates to the merger with Bank One.
(b) On July 1, 2004, Bank One Corporation merged with and into JPMorgan Chase. Accordingly, 2004 results include six months of the combined Firm's results and six months of heritage JPMorgan Chase results.

Loan loss analysis

Year ended December 31, (in millions, except ratios)	**2008**(c)	2007	2006	2005	2004(e)
Balances					
Loans – average	**$ 588,801**	$ 479,679	$ 454,535	$ 409,988	$ 308,249
Loans – year-end	**744,898**	519,374	483,127	419,148	402,114
Net charge-offs(a)	**9,835**	4,538	3,042	3,819	3,099
Allowance for loan losses:					
U.S.	**21,830**	8,454	6,654	6,642	6,617
Non-U.S.	**1,334**	780	625	448	703
Total allowance for loan losses	**23,164**	9,234	7,279	7,090	7,320
Nonperforming loans	**8,953**	3,282(d)	2,077	2,343	2,743
Ratios					
Net charge-offs to:					
Loans – average(b)	**1.73%**	1.00%	0.73%	1.00%	1.08%
Allowance for loan losses	**42.46**	49.14	41.79	53.86	42.34
Allowance for loan losses to:					
Loans – year-end(b)	**3.18**	1.88	1.70	1.84	1.94
Nonperforming loans(b)	**260**	286(d)	372	321	268

(a) There were no net charge-offs (recoveries) on lending-related commitments in 2008, 2007, 2006, 2005 or 2004.
(b) Excludes loans held-for-sale and loans at fair value.
(c) On September 25, 2008, JPMorgan Chase acquired the banking operations of Washington Mutual Bank. On May 30, 2008, the Bear Stearns merger was consummated. Each of these transactions was accounted for as a purchase and their respective results of operations are included in the Firm's results from each respective transaction date. For additional information on these transactions, see Note 2 on pages 123-128.
(d) During the second quarter of 2008, the policy for classifying subprime mortgage and home equity loans as nonperforming was changed to conform to all other home lending products. Amounts for 2007 have been revised to reflect this change. Periods prior to 2007 have not been revised as the impact was not material.
(e) On July 1, 2004, Bank One Corporation merged with and into JPMorgan Chase. Accordingly, 2004 results include six months of the combined Firm's results and six months of heritage JPMorgan Chase results.

Deposits

The following table provides a summary of the average balances and average interest rates of JPMorgan Chase's various deposits for the years indicated:

	Average balances			Average interest rates		
(in millions, except interest rates)	**2008**(a)	2007	2006	**2008**(a)	2007	2006
U.S.:						
Noninterest-bearing demand	**$ 39,476**	$ 40,359	$ 36,099	**—%**	—%	—%
Interest-bearing demand	**13,165**	10,737	8,036	**0.59**	1.31	2.73
Savings	**313,939**	270,149	260,645	**1.13**	2.62	2.52
Time	**175,117**	147,503	126,927	**2.74**	4.35	3.75
Total U.S. deposits	**541,697**	468,748	431,707	**1.55**	2.91	2.68
Non-U.S.:						
Noninterest-bearing demand	**6,751**	6,246	6,645	**—**	—	—
Interest-bearing demand	**155,015**	102,959	77,624	**2.37**	4.71	4.35
Savings	**480**	624	513	**0.58**	0.59	0.53
Time	**81,864**	78,643	60,384	**3.00**	4.01	3.50
Total non-U.S. deposits	**244,110**	188,472	145,166	**2.51**	4.25	3.78
Total deposits	**$ 785,807**	$ 657,220	$ 576,873	**1.85%**	3.29%	2.95%

(a) On September 25, 2008, JPMorgan Chase acquired the banking operations of Washington Mutual Bank. On May 30, 2008, the Bear Stearns merger was consummated. Each of these transactions was accounted for as a purchase and their respective results of operations are included in the Firm's results from each respective transaction date. For additional information on these transactions, see Note 2 on pages 123-128.

At December 31, 2008, other U.S. time deposits in denominations of $100,000 or more totaled $93.9 billion, substantially all of which mature in three months or less. In addition, the table below presents the maturities for U.S. time certificates of deposit in denominations of $100,000 or more:

By remaining maturity at **December 31, 2008** (in millions)	3 months or less	Over 3 months but within 6 months	Over 6 months but within 12 months	Over 12 months	Total
U.S. time certificates of deposit ($100,000 or more)	**$ 23,559**	**$ 9,471**	**$ 15,545**	**$ 5,050**	**$ 53,625**

Short-term and other borrowed funds

The following table provides a summary of JPMorgan Chase's short-term and other borrowed funds for the years indicated.

(in millions, except rates)	2008	2007	2006
Federal funds purchased and securities loaned or sold under repurchase agreements:			
Balance at year-end	**$ 192,546**	$ 154,398	$ 162,173
Average daily balance during the year	**196,739**	196,500	183,783
Maximum month-end balance	**224,075**	222,119	204,879
Weighted-average rate at December 31	**0.97%**	4.41%	5.05%
Weighted-average rate during the year	**2.37**	4.98	4.45
Commercial paper:			
Balance at year-end	**$ 37,845**	$ 49,596	$ 18,849
Average daily balance during the year	**45,734**	30,799	17,710
Maximum month-end balance	**54,480**	51,791	20,980
Weighted-average rate at December 31	**0.82%**	4.27%	4.80%
Weighted-average rate during the year	**2.24**	4.65	4.49
Other borrowed funds:(a)			
Balance at year-end	**$ 177,674**	$ 117,997	$ 108,541
Average daily balance during the year	**118,714**	100,181	102,147
Maximum month-end balance	**244,040**	133,871	132,367
Weighted-average rate at December 31	**3.65%**	4.93%	5.56%
Weighted-average rate during the year	**4.29**	4.91	5.00
FIN 46 short-term beneficial interests: (b)			
Commercial paper:			
Balance at year-end	**$ —**	$ 55	$ 3,351
Average daily balance during the year	**3**	919	17,851
Maximum month-end balance	**—**	3,866	35,757
Weighted-average rate at December 31	**NA%**	4.38%	4.67%
Weighted-average rate during the year	**3.23**	4.82	4.53
Other borrowed funds:			
Balance at year-end	**$ 5,556**	$ 6,752	$ 4,497
Average daily balance during the year	**5,703**	5,361	5,267
Maximum month-end balance	**7,325**	6,752	9,078
Weighted-average rate at December 31	**1.13%**	3.04%	1.99%
Weighted-average rate during the year	**2.69**	3.02	1.61

(a) Includes securities sold but not yet purchased.
(b) Included on the Consolidated Balance Sheets in beneficial interests issued by consolidated variable interest entities.

Federal funds purchased represent overnight funds. Securities loaned or sold under repurchase agreements generally mature between one day and three months. Commercial paper generally is issued in amounts not less than $100,000 and with maturities of 270 days or less. Other borrowed funds consist of demand notes, term federal funds purchased and various other borrowings that generally have maturities of one year or less. At December 31, 2008 and 2007, JPMorgan Chase had no lines of credit for general corporate purposes.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on behalf of the undersigned, thereunto duly authorized.

JPMorgan Chase & Co.
(Registrant)

By: /s/ JAMES DIMON
(James Dimon
Chairman and Chief Executive Officer)

Date: March 2, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacity and on the date indicated. JPMorgan Chase does not exercise the power of attorney to sign on behalf of any Director.

	Capacity	Date
/s/ JAMES DIMON (James Dimon)	Director, Chairman and Chief Executive Officer (Principal Executive Officer)	
/s/ CRANDALL C. BOWLES (Crandall C. Bowles)	Director	March 2, 2009
/s/ STEPHEN B. BURKE (Stephen B. Burke)	Director	
/s/ DAVID M. COTE (David M. Cote)	Director	
/s/ JAMES S. CROWN (James S. Crown)	Director	
/s/ ELLEN V. FUTTER (Ellen V. Futter)	Director	

	Capacity	Date
/s/ WILLIAM H. GRAY, III (William H. Gray, III)	Director	
/s/ LABAN P. JACKSON, JR. (Laban P. Jackson, Jr.)	Director	
/s/ DAVID C. NOVAK (David C. Novak)	Director	March 2, 2009
/s/ LEE R. RAYMOND (Lee R. Raymond)	Director	
/s/ WILLIAM C. WELDON (William C. Weldon)	Director	
/s/ MICHAEL J. CAVANAGH (Michael J. Cavanagh)	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	
/s/ LOUIS RAUCHENBERGER (Louis Rauchenberger)	Managing Director and Controller (Principal Accounting Officer)	

Exhibit 4.1(a)

CHEMICAL BANKING CORPORATION

TO

THE CHASE MANHATTAN BANK
(NATIONAL ASSOCIATION)
Trustee

INDENTURE
Dated as of December 1, 1989

CHEMICAL BANKING CORPORATION
Reconciliation and tie between Trust Indenture Act of 1939 and
Indenture, dated as of , 1989

Trust Indenture Act Section	Indenture Section
Section 310(a)(1)	609
(a)(2)	609
(a)(3)	Not Applicable
(a)(4)	Not Applicable
(b)	608

	610
Section 311(a)	613(a)
(b)	613(b)
(b)(2)	703(a)(2)
	(703)(b)
Section 312(a)	701
	702(a)
(b)	702(b)
(c)	702(c)
Section 313(a)	703(a)
(b)	703(b)
(c)	703(a), 703(b)
(d)	703(c)
Section 314(a)	704
(b)	Not Applicable
(c)(1)	102
(c)(2)	102
(c)(3)	Not Applicable
(d)	Not Applicable
(e)	102
Section 315(a)	601(a)
(b)	602
	703(a)(6)
(c)	601(b)
(d)	601(c)
(d)(1)	601(a)(1)
(d)(2)	601(c)(2)
(d)(3)	601(c)(3)
(e)	514
Section 316(a) (1)(A)	502
	512
(a)(1)(B)	513

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ARTICLE FOUR

Satisfaction And Discharge

ARTICLE FIVE

Remedies

INDENTURE, DATED AS OF DECEMBER 1, 1989, BETWEEN CHEMICAL BANKING CORPORATION, A CORPORATION DULY ORGANIZED AND EXISTING UNDER THE LAWS OF THE STATE OF DELAWARE (HEREIN CALLED THE "COMPANY"), HAVING ITS PRINCIPAL OFFICE AT 277 PARK AVENUE, NEW YORK, NEW YORK 10172, AND THE CHASE MANHATTAN BANK (NATIONAL ASSOCIATION), A NATIONAL BANKING ASSOCIATION DULY ORGANIZED AND EXISTING UNDER THE LAWS OF THE UNITED STATES, AS TRUSTEE (HEREIN CALLED THE "TRUSTEE").

RECITALS OF THE COMPANY

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its unsecured debentures, notes or other evidences of indebtedness (herein called the "Securities"), to be issued in one or more series as in this Indenture provided.

All things necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been done.

Now, Therefore, This Indenture Witnesseth:

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities or of series thereof, as follows:

1.

Definitions and Other Provisions of General Application

1. Definitions.

   For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

   1. The terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

   2. All other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

   3. All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles, and, except as otherwise herein expressly provided, the term "generally accepted accounting principles" with respect to any computation

required or permitted hereunder shall mean such accounting principles as are generally accepted at the date of such computation; and

4. The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

Certain terms, used principally in Article Six, are defined in that Article.

"Act", when used with respect to any Holder, has the meaning specified in Section 104.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Attorney-in-Fact" means an officer of the Bank who has been duly appointed as an attorney-in-fact by the Company.

"Authenticating Agent" means any Person authorized by the Trustee to act on behalf of the Trustee to authenticate Securities.

"Bank" means Chemical Bank, a banking corporation duly organized and existing under the laws of the State of New York, and its successors (whether by consolidation, merger, conversion, transfer of substantially all their assets and business or otherwise) so long as Chemical Bank or any successor is a Subsidiary.

"Board of Directors" means either the board of directors of the Company or any committee of that board duly authorized to set hereunder or any directors or officers of the Company or Attorneys-in-Fact to whom such board of directors or such committee shall have duly delegated its authority.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day", when used with respect to any Place of Payment, means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in that Place of Payment are authorized or obligated by law to close.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person.

"Company Request" or "Company Order" means a written request or order signed in the name of the Company by its Chairman of the Board, a Vice Chairman, its President, its Chief Financial Officer, a Vice President or any Attorney-in-Fact, and by its Controller, an Assistant Controller, its Secretary or an Assistant Secretary and delivered to the Trustee.

"Corporate Trust Office" means the principal office of the Trustee in the Borough of Manhattan, The City of New York, at which at any particular time its corporate trust business shall be administered, such office being currently located at One New York Plaza, New York, NY 10081.

"corporation" includes corporations, associations, companies and business trusts.

"covenant defeasance" has the meaning specified in Section 1303.

"Defaulted Interest" has the meaning specified in Section 307.

"defeasance" has the meaning specified in Section 1302.

"Depository" means, with respect to the Securities of any series issuable or issued in whole or in part in the form of one or more Global Securities, the Person designated as Depository by the Company pursuant to Section 301.

"Event of Default" has the meaning specified in Section 501.

"Global Security" means a Security in the form prescribed in Section 204 evidencing all or part of a series of Securities, issued to the Depository for such series or its nominee, and registered in the name of such Depository or nominee.

"Holder" means a Person in whose name a Security is registered in the Security Register.

"Indebtedness for money borrowed", when used with respect to the Company, means any obligation of, or any obligation guaranteed by, the Company for the repayment of borrowed money, whether or not evidenced by bonds, debentures, notes or other written instruments.

"Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof and shall include the terms or particular series of Securities established as contemplated by Section 301.

"interest", when used with respect to an Original Issue Discount Security which by its terms bears interest only after Maturity, means interest payable after Maturity.

"Interest Payment Date", when used with respect to any Security, means the Stated Maturity of an installment of interest on such Security.

"Intermediate Subsidiary" has the meaning specified in Section 1006.

"Maturity", when used with respect to any Security, means the date on which the principal of such Security or an instalment of principal becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"Officers' Certificate" means a certificate signed by the Chairman of the Board, a Vice Chairman, the President, its Chief Financial Officer, a Vice President or any Attorney-in-Fact, and by the Controller, an Assistant Controller, the Secretary or an Assistant Secretary, of the Company, and delivered to the Trustee.

"Opinion of Counsel" means a written opinion of counsel who may be an employee of the Company or other counsel to the Company.

"Original Issue Discount Security" means any Security which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration on the Maturity thereof pursuant to Section 502.

"Outstanding", when used with respect to Securities, means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

i. Securities theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

ii. Securities for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Securities; provided that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefore satisfactory to the Trustee has been made; and

iii. Securities which have been paid pursuant to Section 306 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Securities are held by a bona fide purchaser in whose hands such Securities are valid obligations of the Company;

provided, however, that in determining whether the Holders of the requisite principal amount of the Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, (i) the principal amount of an Original Issue Discount Security that shall be deemed to be Outstanding shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon acceleration of the Maturity thereof pursuant to Section 502, (ii) the principal amount of a Security denominated in a foreign currency or currency unit shall be the U.S. dollar equivalent, determined as of the date of original issuance of such Security, of the principal amount of such Security (or, in the case of an Original Issue Discount Security denominated in a foreign currency or currency unit, the U.S. dollar equivalent as of the date of original issuance of such Security of the amount determined as provided in (i) above), (iii) the principal amount of a Security for which the amount of payments of principal of and any premium or interest on such Security may be determined with reference to an index shall be determined as of the date of original issuance of such Security and (iv) Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which the Trustee knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee established to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor.

"Payment Agent" means any Person authorized by the Company to pay the principal of (and premium, if any) or interest on any Securities on behalf of the Company.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Place of Payment", when used with respect to the Securities of any series, means the place or places where the principal of (and premium, if any) and interest on the Securities of that series are payable as specified as contemplated by Section 301.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 306 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"Record Date" means a Regular Record Date or a Special Record Date, as the case may be.

"Redemption Date", when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price", when used with respect to any Security to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

"Regular Record Date" for the interest payable on any Interest Payment Date on the Securities of any series means the date specified for that purpose as contemplated by Section 301.

"Responsible Officer", when used with respect to the Trustee, means the chairman or any vice-chairman of the board of directors, the chairman or any vice-chairman of the executive committee of the board of directors, the chairman of the trust committee, the president, any vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller or any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporation trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Securities" has the meaning stated in the first recital of this Indenture and more particularly means any Securities authenticated and delivered under this Indenture.

"Security Register" and "Security Registrar" have the respective meanings specified in Section 305.

"Special Record Date" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 307.

"Stated Maturity", when used with respect to any Security or any instalment of principal thereof or interest thereon, means the date specified in such Security as the fixed date on which the principal of such Security or such instalment of principal or interest is due and payable.

"Subsidiary" means a corporation more than 50% of the outstanding Voting Stock of which is owned, directly or indirectly, by the Company or by one or more other Subsidiaries, or by the Company and one or more other Subsidiaries.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean or include each Person who is then a Trustee hereunder, and if at any time there is more than one such Person, "Trustee" as used with respect to the Securities of any series shall mean the Trustee with respect to Securities of that series.

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in force at the date as of which the instrument was executed, except as provided in Section 905.

"U.S. Government Obligations" has the meaning specified in Section 1304(1).

"Vice President", when used with respect to the Company or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president".

"Voting Stock" means stock of the class or classes having a general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees of a corporation (irrespective of whether or not at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

2. Compliance Certificates and Opinions.

Under any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include

1. a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

2. a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

3. a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

4. a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

3. Form of Documents Delivered to Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters on one or several documents.

Any certificate or opinion of an officer of, or Attorney-in-Fact for, the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by counsel, unless such officer or Attorney-in-Fact knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of, or an Attorney-Fact or Attorneys-in-Fact for, the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

4. Acts of Holders.

   a. Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 601) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

   b. The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

c. The ownership of Securities shall be proved by the Security Register.

d. Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefore or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

5. Notices, Etc., to Trustee and Company.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished in, or filed with,

1. the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, Attention: Corporate Trust Department, or

2. the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to it, attention: Secretary, at the address of its principal office specified in the first paragraph of this instrument or at any other address previously furnished in writing to the Trustee by the Company.

6. Notice to Holders; Waiver.

Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at his address as it appears in the Security Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Holder is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give one's notice by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

7. Conflict with Trust Indenture Act.

If any provision hereof limits, qualifies or conflicts with another provision hereof which is required to be included in this Indenture by any of the provisions of the Trust Indenture Act, such required provision shall control.

8. Effect of Headings and Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

9. Successors and Assigns.

All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

10. Separability Clause.

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

11. Benefits of Indenture.

Nothing in this Indenture or in the Securities, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder and the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

12. Governing Law.

This Indenture and the Securities shall be governed by and construed in accordance with the laws of the State of New York.

13. Legal Holidays.

In any case where any Interest Payment Date, Redemption Date or Stated Maturity of any Security shall not be a Business Day at any Place of Payment, then (notwithstanding any other provision of this Indenture or of the Securities) payment of interest or principal (and premium, if any) need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on the Interest Payment Date or Redemption Date, or at the Stated Maturity, provided that no interest shall accrue for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be.

2.

Security Forms

1. Forms Generally.

The Securities of each series shall be substantially in the form set forth in this Article, or in such other form (including permanent global form) as shall be established by or pursuant to a Board Resolution or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers of the Company or any Attorney-in-Fact executing such Securities, as evidenced by their execution of the Securities. If the form of Securities of any series is established by action taken pursuant to a Board Resolution, a copy of an appropriate record of such action shall be certified by the Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Company Order contemplated by Section 303 for the authentication and delivery of such Securities. If all of the Securities of any series established by action taken pursuant to a Board Resolution are not to be issued at one time, it shall not be necessary to deliver a record of such action at the time of issuance of each Security of such series, but an appropriate record of such action shall be delivered at or before the time of issuance of the first Security of such series.

The Trustee's certificates of authentication shall be in substantially the form set forth in this Article.

The definitive Securities shall be printed, lithographed or engraved on steel engraved borders or may be produced in any other manner (provided that if any Securities are to be listed on any securities exchange, then in such manner as may be permitted by the rules of any such securities exchange), all as determined by the officers of the Company or any Attorney-in-Fact executing such Securities, as evidenced by their execution of such Securities.

2. Form of Face of Security.

[Insert any legend required by the Internal Revenue Code and the regulations thereunder]

CHEMICAL BANKING CORPORATION

No. _________ $_______

CHEMICAL BANKING CORPORATION, a corporation duly organized and existing under the laws of the State of Delaware (herein called the "Company", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to ____________________________, or registered assigns, the principal sum of ____ Dollars on ______________________________________ [if the Security is to bear interest prior to Maturity, insert , and to pay interest thereon from _______________ or from the most recent Interest Payment Date to which interest has been paid or duly provided for, [insert appropriate period] or _________________ and _______________ in each year, commencing ______________, at the rate of __% per annum, until the principal hereof is paid or made available for payment [if applicable, insert , and (to the extent that the payment of such interest shall be legally enforceable) at the rate of __% per annum on any overdue principal and premium [if applicable, insert and on any overdue instalment of interest]. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the ________ or _______ (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture]. [If the Security is not to bear interest prior to Maturity, insert The principal of this Security shall not bear interest except in the case of a default in payment of principal upon acceleration, upon redemption or at Stated Maturity and in such case the overdue principal of this Security shall bear interest at the rate of __% per annum (to the extent that the payment of such interest shall be legally enforceable), which shall accrue from the date of such default in payment to the date payment of such principal has been made or duly provided for. [Interest on any overdue principal shall be payable on demand. Any such interest on any overdue principal that is not so paid on demand shall bear interest at the rate of __% per annum (to the extent that the payment of such interest shall be legally enforceable), which shall accrue from the date of such demand for payment to the date payment of such interest has been made or duly provided for, and such interest shall also be payable on demand].]

Payment of the principal of (and premium, if any) and [if applicable, insert any such] interest on this Security will be made at the office or agency of the Company maintained for that purpose in _____________, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts [unless otherwise specifically provided with respect to the Securities of the series, insert ; provided, however, that at the option of the Company payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register].

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof, or an Authenticating Agent, by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

In Witness Whereof, the Company has caused this instrument to be duly executed under its corporate seal.

Dated:
____

By____

Attest:

____

3. Form of Reverse of Security.

This Security is one of a duly authorized series of securities of the Company (herein called the "Securities"), issued and to be issued in one or more series under an Indenture, dated as of December 1, 1989 (herein called the "Indenture"), between the Company and the Chase Manhattan Bank (National Association), as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof [, limited in aggregated principal amount to $________].

[If applicable, insert The Securities of this series are subject to redemption upon not less than 30 days' nor more than 60 days' notice by mail [if applicable, insert (1) on ________________ in any year commencing with the year _________ and ending with the year ___________ through operation of the sinking fund for this series at a Redemption Price equal to 100% of the principal amount, and (2)] at any time [on or after ______________, 19__], as a whole or in part, at the election of the Company, at the following Redemption Prices (expressed as percentages of the principal amount): If redeemed [on or before ______________, __%, and if redeemed] during the 12-month period beginning ______________ of the years indicated,

YEAR	REDEMPTION PRICE	YEAR	REDEMPTION PRICE

And thereafter at a Redemption Price equal to __% of the principal amount, together in the case of any such redemption [if applicable, insert (whether through operation of the sinking fund or otherwise)] with accrued interest to the Redemption Date, but interest instalments whose Stated Maturity is on or prior to such Redemption Date will be payable to the Holders of such Securities, or one or more Predecessor Securities, of record at the close of business on the relevant Regular Record Dates referred to on the face hereof, all as provided in the Indenture.]

[If applicable, insert The Securities of this series are subject to redemption upon not less than 30 days' nor more than 60 days' notice by mail (1) on _____________ in any year commencing with the year ________ and ending with the year ________ through operation of the sinking fund for this series at the Redemption Prices for redemption through operation of the sinking fund (expressed as percentages of the principal amount) set forth in the table below, and (2) at any time [on or after _____________], as a whole or in part, at the election of the Company, at the Redemption Prices for redemption otherwise than through operation of the sinking fund (expressed as percentages of the principal amount) set forth in the table below: If redeemed during the 12-month period beginning ________________ of the years indicated,

YEAR	REDEMPTION PRICE FOR REDEMPTION THROUGH OPERATION OF THE SINKING FUND	REDEMPTION PRICE FOR REDEMPTION OTHERWISE THEN THROUGH OPERATION OF THE SINKING FUND

and thereafter at a Redemption Price equal to __% of the principal amount, together in the case of any such redemption (whether through operation of the sinking fund or otherwise) with accrued interest to the Redemption Date, but interest instalments whose Stated Maturity is on or prior to such Redemption Date will be payable to the Holders of such Securities, or one or more Predecessor Securities, of record at the close of business on the relevant Regular Record Dates referred to on the face hereof, all as provided in the Indenture.]

[Notwithstanding the foregoing, the Company may not, prior to ________________, redeem any Securities of this series as contemplated by [Clause (2) of] the preceding paragraph as a part of, or in anticipation of, any refunding operation by the application, directly or indirectly, of moneys borrowed having an interest cost to the Company (calculated in accordance with generally accepted financial practices) of less than __% per annum.]

[The sinking fund for this series provides for the redemption on _____________ in each year beginning with the year _______ and ending with the year ________of [not less than] $_______ [("mandatory sinking fund") and not more than $________] aggregate principal amount of Securities of this series. [Securities of this series acquired or redeemed by the Company otherwise than through [mandatory] sinking fund payments may be credited against subsequent [mandatory] sinking fund payments otherwise required to be made [if applicable, insert in the inverse order in which they become due].]

In the event of redemption of this Security in part only, a new Security or Securities of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

[If applicable, insert The Indenture contains provisions for defeasance at any time of [(a)] [the entire indebtedness evidenced by this Security] [and (b)] certain restrictive covenants,] [in each case] upon compliance by the Company with certain conditions set forth therein, which provisions apply to this Security.]

[If the Security is not an Original Issue Discount Security, insert If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of the securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.] [If the Security is an Original Issue Discount Security, insert If an Event of Default with respect to Securities of this series shall occur and be continuing, an amount of principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture. Such amount shall be equal to insert formula for determining the amount.] Upon payment (i) of the amount of principal so declared due and payable and (ii) of interest on any overdue principal and overdue interest (in each case to the extent that the payment of such interest shall be legally enforceable), all of the Company's obligations in respect of the payment of the principal of and interest, if any, on the Securities of this series shall terminate.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium if any) and interest (if any) on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in any place where the principal of (and premium, if any) and interest (if any) on this Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form without coupons in denominations of $_______ and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

4. Additional Provisions Required in Global Security.

Any Global Security issued hereunder shall, in addition to the provisions contained in Sections 202 and 203, bear a legend in substantially the following form:

"This Security is a Global Security within the meaning of the Indenture hereinafter referred to and is registered in the name of a Depository or a nominee of a Depository. This Security is exchangeable for Securities registered in the name of a person other than the Depository or its nominee only in the limited circumstances described in the Indenture and may not be transferred except as a whole by the Depository to a nominee of the depository or by a nominee of the Depository to the Depository or another nominee of the Depository.

Unless otherwise provided as contemplated by Section 301 with respect to any series of Securities, any Global Security shall provide, in addition to the provisions set forth in Sections 202 and 203 and the preceding paragraph, that the Depository will not sell, assign, transfer or otherwise convey any beneficial interest in such Global Security unless such beneficial interest is in an amount equal to an authorized denomination for Securities of such series, and that the Depository, by accepting such Global Security, agrees to be bound by such provision.

5. Form of Trustee's Certificate of Authentication.

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

THE CHASE MANHATTAN BANK

(NATIONAL ASSOCIATION)

as Trustee

By____________________________________

Authorized Officer

THE CHASE MANHATTAN BANK

(NATIONAL ASSOCIATION)

as Trustee

By Chemical Bank

Authenticating Agent

By____________________________________

Authorized Signer

3.

The Securities

1. Amount Unlimited; Issuable in Series.

The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited.

The Securities may be issued in one or more series. There shall be established in or pursuant to a Board Resolution and, subject to Section 303, set forth, or determined in the manner provided, in an Officers' Certificate, or established in one or more indentures supplemental hereto, prior to the issuance of Securities of any series,

1. the title of the Securities of the series (which shall distinguish the Securities of the series from all other Securities);

2. any limit upon the aggregate principal amount or the aggregate initial offering price of the Securities of the series which may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of, transfer of, or in exchange for, or in lieu of, other Securities of the series pursuant to Section 304, 305, 906 or 1107 and except for any Securities which, pursuant to Section 303, shall not have been issued and sold by the Company and are therefore deemed never to have been authenticated and delivered hereunder);

3. the Person to whom any interest on a Security of the series shall be payable, if other than the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest;

4. the date or dates on which the principal of the Securities of the series is payable; the provisions, if any, for extension of such date or dates;

5. the rate or rates (or the formula pursuant to which such rate or rates shall be determined) at which the Securities of the series shall bear interest, if any, including that rate of interest applicable to overdue payments of principal, and the rate of interest, if any, applicable to overdue payments of interest if different from the rate of interest stated in the title of the Security; the date or dates from which such interest shall accrue, the Interest Payment Dates on which such interest shall be payable and the Regular Record Date for the interest payable on any Interest Payment Date;

6. the place or places where the principal of (and premium, if any) and interest, if any, on the Securities of the series shall be payable;

7. if applicable, the period or periods within which, the price or prices at which and the terms and conditions upon which Securities of the series may be redeemed, in whole or in part, at the option of the Company;

8. the obligation, if any, of the Company to redeem or purchase Securities of the series pursuant to any sinking fund or analogous provisions or at the option of a Holder thereof and the period or periods within which, the price or prices at which and the terms and conditions upon which Securities of the series shall be redeemed or purchased, in whole or in part, pursuant to such obligation;

9. if other than denominations of $1,000 and any integral multiple thereof, the denominations in which Securities of the series shall be issuable;

10. if other than the currency of the United States, the currency or currencies, including composite currencies, in which payment of the principal of and any premium and interest on the Securities of the series shall be payable, which may be different for principal, premium, if any, and interest;

11. if the principal of (and premium, if any) or interest, if any, on the Securities of the series are to be payable, at the election of the Company or a Holder thereof, in a currency or currencies other than that in which the Securities are stated to be payable, the currency or currencies in which payment of the principal of (and premium, if any) or interest, if any, on Securities of such series as to which such election is made shall be payable, and the period or periods within which, and the terms and conditions upon which, such election may be made;

12. if the amount of payments of principal of and any premium or interest on the Securities of the series may be determined with reference to an index, the manner in which such amounts shall be determined;

13. if other than the principal amount thereof, the portion of the principal amount of Securities of the series which shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 502;

14. any Event of Default with respect to the Securities of the series, if not set forth herein;

15. the application, if any, of either or both of Section 1302 and Section 1303 to the Securities of the series.

16. whether the Securities of the series shall be issued in whole or in part in the form of one or more Global Securities and,

in such case, the Depository for such Global Security or Securities, which Depository shall be, if then required by applicable law or regulation, a clearing agency registered under the Securities Exchange Act of 1934, as amended; and

17. any other terms of the series (which terms shall not be inconsistent with the provisions of this Indenture), including any covenants to be applicable to Securities of such series if not set forth herein.

All Securities of any one series shall be substantially identical except as to denomination and except as may otherwise be provided in or pursuant to the Board Resolution referred to above and (subject to Section 303) set forth in the Officers' Certificate referred to above or in any such indenture supplemental hereto. All Securities of any one series need not be issued at one time, and unless otherwise provided, a series may be reopened for issuances of additional Securities of such series.

Unless otherwise specifically provided with respect to the Securities of a series, at the option of the Company, interest on the Securities of any series that bears interest may be paid by mailing a check to the address of the person entitled thereto as such address shall appear in the Security Register.

If any of the terms of Securities of a series are established by action taken pursuant to a Board Resolution, a copy of an appropriate record of such action shall be certified by the Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Officers' Certificate setting forth the terms of the Securities of such series. If all of the Securities of any series established by action taken pursuant to a Board Resolution are not to be issued at one time, it shall not be necessary to deliver a record of such action at the time of issuance of each Security of such series, but an appropriate record of such action shall be delivered at or before the time of issuance of the First Security of such series.

2. Denominations.

The Securities of each series shall be issuable in registered form without coupons in each denominations as shall be specified as contemplated by Section 301. In the absence of any such provisions with respect to the Securities of any particular series, the Securities of such series shall be issuable in denominations of $1,000 and any integral multiple thereof.

3. Execution, Authentication, Delivery and Dating.

The Securities shall be executed on behalf of the Company by its Chairman of the Board, one of its Vice Chairman, its President, its Chief Financial Officer or one of its Vice Presidents, under its corporate seal reproduced thereon attested by its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Securities may be manual or facsimiles.

Securities bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices a the date of such Securities.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities of any series executed by the Company to the Trustee or the Authenticating Agent for authentication, together with a Company Order for the authentication and delivery of such Securities, and the Trustee or the Authenticating Agent in accordance with the Company Order shall authenticate and make available for delivery such Securities. If all of the Securities of any series are not to be issued at one time and if the Board Resolution or supplemental indenture establishing such series shall so permit, such Company Order may set forth procedures acceptable to the Trustee for the issuance of such Securities and determining the terms of particular Securities of such series, such as interest rate, maturity date, date of issuance and date from which interest shall accrue. In authenticating Securities of any series, and accepting the additional responsibilities under this Indenture in relation to such Securities, the Trustee or the Authenticating Agent, as the case may be, shall be entitled to receive, and (subject to Section 601) shall be fully protected in relying upon, an Opinion of Counsel stating,

a. if the form of such Securities has been established by or pursuant to a Board Resolution as permitted by Section 201, that such form has been established in conformity with the provisions of this Indenture;

b. if the terms of such Securities have been established by or pursuant to a Board Resolution as permitted by Section 301, that such terms have been established in conformity with the provisions of this Indenture; and

c. that such Securities, when authenticated and delivered by the Trustee and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and legally binding obligations of the Company, enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles and, if applicable, to provisions of law which may require that a judgment for money damages rendered by a court in the United States be expressed in Unites States dollars.

If such forms or terms have been so established, the Trustee or the Authenticating Agent, as the case may be, shall not be required to authenticate such Securities if the issue of such Securities pursuant to this Indenture will affect the Trustee's or the Authenticating Agent's own rights, duties or immunities under the Securities and this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustee or the Authenticating Agent.

Notwithstanding the provisions of Section 301 and of the preceding paragraph, if all Securities of a series are not to be originally issued at one time, it shall not be necessary to deliver the Officers' Certificate otherwise required pursuant to Section 301 or the Company Order and Opinion of Counsel otherwise required pursuant to such preceding paragraph at or prior to the time of authentication of each Security of such series if such documents are delivered at or prior to the time of authentication upon original issuance of the first Security of such series to be issued. After the original issuance of the first Security of such series to be issued, any separate request by the Company that the Trustee authenticate Securities of such series for original issuance will be deemed to be a certification by the Company that it is in compliance with all conditions precedent provided for in this Indenture relating to the authentication and delivery of such Securities.

Each Security shall be dated the date of its authentication.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee or the Authenticating Agent by manual signature, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder and is entitled to the benefits of this Indenture. Notwithstanding the foregoing, if any Security shall have been authenticated and delivered hereunder but never issued and sold by the Company, and the Company shall deliver such Security to the Trustee for cancellation as provided in Section 309 together with a written statement (which need not comply with Section 102 and need not be accompanied by an Opinion of Counsel) stating that such Security has never been issued and sold by the Company, for all purposes of this Indenture such Security shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits of this Indenture.

4. Temporary Securities.

Pending the preparation of definitive Securities of any series, the Company may execute, and upon Company Order the Trustee or the Authenticating Agent shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, reproduced or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations of the officers executing such Securities may determine, as evidenced by their execution of such Securities.

If temporary Securities of any series are issued, the Company will cause definitive Securities of that series to be prepared without unreasonable delay. After the preparation of definitive Securities of such series, the temporary Securities of such series shall be exchangeable for definitive Securities of such series upon surrender of the temporary Securities of such series at the office or agency of the Company in a Place of Payment for that series, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities of any series the Company shall execute, and the Trustee shall authenticate and make available for delivery, in exchange therefor a like principal amount of definitive Securities of the same series and tenor of authorized denominations. Until so exchanged the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of such series.

5. Registration, Registration of Transfer and Exchange.

The Company shall cause to be kept at the corporate trust office of the Security Registrar designated pursuant to this Section 305 a register (the register maintained in such office being herein sometimes referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities and of transfers of Securities. The Bank is hereby initially appointed "Security Registrar" for the purpose of registering Securities and transfers of Securities as herein provided.

Upon surrender for registration of transfer of any Security of any series at the office or agency in a Place of Payment for that series, the Company shall execute, and the Trustee shall authenticate and make available for delivery, in the name of the designated transferee or transferees, one or more new Securities of the same series, of any authorized denominations and of a like tenor and aggregate principal amount.

At the option of the Holder, Securities of any series may be exchanged for other Securities of the same series, of any authorized denominations and of a like tenor and aggregate principal amount, upon surrender of the Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and make available for delivery, the Securities which the Holder making the exchange is entitled to receive.

All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Every Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Section 304, 906 or 1107 not involving any transfer.

The Company shall not be required (i) to issue, register the transfer of or exchange any Security during a period beginning at the opening of business 15 days before any selection for redemption of Securities of like tenor and of the series of which such Security is a part and ending at the close of business on the earliest date on which the relevant notice of redemption is deemed to have been given to all Holders of Securities of such series to be redeemed, or (ii) to register the transfer of or exchange any Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part.

Notwithstanding the foregoing, any Global Security representing a series of Securities shall be exchangeable pursuant to this Section 305 for Securities registered in the names of Persons other than the Depository or its nominee only if (i) subject to any other terms of the series applicable to such Global Security, such Depository notifies the Company that it is unwilling or unable to continue as Depository for such Global Security or if at any time such Depository ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, at a time when such Depository is required to be so registered to act as such Depository, (ii) the Company executes and delivers to the Trustee a Company Order that such Global Security shall be so exchangeable or (iii) there shall have occurred and be continuing an Event of Default or an event which, with the giving of notice or lapse of time, or both, would constitute an Event of Default with respect to the Securities. Any Global Security that is exchangeable pursuant to the preceding sentence shall be exchangeable for Securities registered in such names as such Depository shall direct.

Notwithstanding any other provision in this Indenture, a Global Security may not be transferred except as a whole by the Depository with respect to such Global Security to a nominee of such Depository or by a nominee of such Depository to such Depository or another nominee of such Depository. Unless otherwise provided as contemplated by Section 301 with respect to any series of Securities evidenced in whole or in part by a Global Security, the Depository may not sell, assign, transfer or otherwise convey any beneficial interest in a Global Security evidencing all or part of the Securities of such series unless such beneficial interest is in an amount equal to an authorized denomination for Securities of such series.

6. Mutilated, Destroyed, Lost and Stolen Securities.

If any mutilated Security is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of the same series and of like tenor and principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security and (ii) such security or indemnify as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute and upon its request the Trustee shall authenticate and make available for delivery, in lieu of any such destroyed, lost or stolen Security, a new Security of the same series and of like tenor and principal amount and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security of the same series, pay such Security.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security of any series issued pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of that series duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

7. Payment of Interest; Interest Rights Preserved.

Unless otherwise provided as contemplated by Section 301 with respect to any series of Securities, interest on any Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

Any interest on any Security of any series which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in Clause (1) or (2) below:

1. The Company may elect to make payment of any Defaulted Interest to the Person or Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The

Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security of such series and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this Clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of Securities of such series at his address as it appears in the Security Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interested and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following Clause (2).

2. The Company may make payment of any Defaulted Interest on the Securities of any series in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this Clause, such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

8. Persons Deemed Owners.

Prior to due presentment of a Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Security is registered as the owner of such Security for the purpose of receiving payment of principal of (and premium, if any) and (subject to Section 307) interest on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

Notwithstanding the foregoing, with respect to any Global Security, nothing herein shall prevent the Company, the Trustee, or any agent of the Company or the Trustee, from giving effect to any written certification, proxy or other authorization furnished by a Depository or impair, as between a Depository and holders of beneficial interests in any Global Security, the operation of customary practices governing the exercise of the rights of the Depositary as Holder of such Global Security.

9. Cancellation.

All Securities surrendered for payment, redemption, registration of transfer or exchange or for credit against any sinking fund payment shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly cancelled by it. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and may deliver to the Trustee (or to any other Person for delivery to the Trustee) for cancellation any Securities previously authenticated hereunder which the Company has not issued and sold, and all Securities so delivered shall be promptly cancelled by the Trustee. No Securities shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Securities held by the Trustee shall be destroyed by the Trustee and a certificate of destruction shall be delivered to the Company.

10. Computation of Interest.

Except as otherwise specified as contemplated by Section 301 for Securities of any series, interest on the Securities of each series shall be computed on the basis of a 360-day year of twelve 30-day months.

4.

Satisfaction and Discharge

1. Satisfaction and Discharge of Indenture.

This Indenture shall upon request by the Company cease to be of further effect (except as to any surviving rights of registration of transfer or exchange of Securities herein expressly provided for), and the Trustee, upon Company Request and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when

1. either

    A. all Securities theretofore authenticated and delivered (other than (i) Securities which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 306 and (ii) Securities for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 1003) have been delivered to the Trustee for cancellation; or

    B. all such Securities not theretofore delivered to the Trustee for cancellation

        i. have become due and payable, or

        ii. will become due and payable at their Stated Maturity within one year, or

        iii. are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expenses of the Company,

    and the Company, in the case of (i), (ii) or (iii) above, has deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose an amount sufficient to pay and discharge the entire indebtedness on such Securities not theretofore delivered to the Trustee for cancellation, for principal (and premium, if any) and interest to the date of such deposit (in the case of Securities which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be;

2. the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

3. the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 607, the obligations of the Trustee to any Authenticating Agent under Section 614 and, if money or U.S. Government Obligations shall have been deposited with the Trustee (or another trustee satisfying the conditions of Section 609) in accordance with Section 1302, the obligations of the Company to the Trustee (or other qualifying trustee) under the fourth paragraph of Section 1305, and, if money shall have been deposited with the Trustee pursuant to subclause (B) of clause (1) of this Section, the obligations of the Trustee under Section 402 and the last paragraph of Section 1003 shall survive.

2. Application of Trust Money.

Subject to provisions of the last paragraph of Section 1003, all money deposited with the Trustee pursuant to Section 401 shall be held in trust and applied by it, in accordance with the provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest, if any, for whose payment such money has been deposited with the Trustee; but such money need not be segregated from other funds except as required by law.

5.

Remedies

1. Events of Default.

"Event of Default", wherever used herein with respect to Securities of any series, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

1. default in the payment of interest, if any, upon any Security of that series when it becomes due and payable, and continuance of such default for a period of 30 days; or

2. default in the payment of the principal of (or premium, if any, on) any Security of that series at its Maturity; or

3. default in the deposit of any sinking fund payment, when and as due by the terms of a Security of that series and continuance of such default for a period of 5 days; or

4. default in the performance, or breach, of any covenant or warranty of the Company in this Indenture or any Security of that series (other than a covenant or warranty a default in

whose performance or whose breach is elsewhere in this Section specifically death with or which has expressly been included in this Indenture solely for the benefit of series of Securities other than that series), and continuance of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of the Outstanding Securities of that series a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder, or

5. a default under any bond, debenture, notice or other evidence of indebtedness for money borrowed by the Company (including a default with respect to Securities of any series other than that series) or under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any indebtedness for money borrowed by the Company (including this Indenture), whether such indebtedness now exists or shall hereafter be created, which default shall have resulted (i) in a failure to pay an aggregate principal amount exceeding $25,000,000 of such indebtedness for money borrowed at the later of final maturity or upon the expiration of any applicable period of grace with respect to such principal amount, or (ii) in such indebtedness for money borrowed in an aggregate principal amount exceeding $25,000,000 becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable, without such indebtedness having been discharged, or such acceleration having been rescinded or annulled, within a period of 30 days after there shall have been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of the Outstanding Securities of that series a written notice specifying such default and requiring the Company to cause such indebtedness to be discharged or cause such acceleration to be rescinded or annulled and stating that such notice is a "Notice of Default" hereunder; provided, however, that, subject to the provisions of Sections 601 and 602, the Trustee shall not be deemed to have knowledge of such default unless either (A) a Responsible Officer of the Trustee shall have actual knowledge of such default or (B) the Trustee shall have received written notice thereof from the Company, from any Holder, from the holder of any

such indebtedness for money borrowed or from the trustee under any such mortgage, indenture or other instrument; and provided, further, that any such default shall not be deemed to have occurred if and so long as the Company shall contest the validity thereof in good faith by appropriate proceedings; or

6. the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Company or the Bank in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or (B) a decree or order appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or the Bank or of all or substantially all of their respective property, or ordering the winding up or liquidation of their respective affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; or

7. the commencement by the Company or the Bank of a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or the consent by either to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Company or the Bank or of all or substantially all of their respective property, or the making by either of an assignment for the benefit of creditors, or the admission by either in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Company or the Bank in furtherance of any such action; or

8. any other Event of Default provided with respect to Securities of that series.

Upon receipt by the Trustee of any Notice of Default pursuant to Section 501(4) or Section 501(5) with respect to Securities of a series all or part of which is represented by a Global Security, a record date shall be established for determining Holders of Outstanding Securities of such series entitled to join in such Notice of Default, which record date shall be at the close of business on the day the Trustee receives such Notice of Default. The Holders on such record date, or their duly designated proxies, and only such Persons, shall be entitled to join in such Notice of Default, whether or not such Holders remain Holders after such record date; provided, that unless Holders of at least 10% in principal amount of the Outstanding Securities of such series, or their proxies, shall have joined in such Notice of Default prior to the date which is 90 days after such record date, such Notice of Default shall automatically and without further action by any Holder be canceled and of no further effect. Nothing in this paragraph shall prevent a Holder, or a proxy of a Holder, from giving, after expiration of such 90-day period, a new Notice of Default which is identical to a Notice of Default which has been canceled pursuant to the proviso to the preceding sentence, in which event a new record date shall be established pursuant to the provisions of this Section 501.

2. Acceleration of Maturity; Rescission and Annulment.

If an Event of Default with respect to Securities of any series at the time Outstanding occurs and is continuing, then and in every such case the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities of that series may declare the principal amount (or, if the Securities of that series are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of that series) of all of the Securities of that series to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such principal amount (or specified amount) shall become immediately due and payable, except that no such declaration shall be required upon the occurrence of an Event of Default specified in Section 501(7).

At any time after such a declaration of acceleration with respect to Securities of any series has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in principal amount of the Outstanding Securities of that series, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences, and any Event of Default giving rise to such declaration shall not be deemed to have occurred, if

1. the Company has paid or deposited with the Trustee a sum sufficient to pay

    A. all overdue interest on all Securities of that series,

    B. the principal of (and premium, if any, on) any Securities of that series which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Securities,

    C. to the extent that payment of such interest is lawful, interest, if any, upon overdue interest at the rate or rates prescribed therefor in such Securities, and

D. all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel;

and

1. all Events of Default with respect to Securities of that series, other than the non-payment of the principal of Securities of that series which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 513 or otherwise remedied.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

Upon receipt by the Trustee of any written notice declaring such an acceleration, or rescission and annulment thereof, with respect to Securities of a series all or part of which is represented by a Global Security, a record date shall be established for determining Holders of Outstanding Securities of such series entitled to join in such notice, which record date shall be at the close of business on the day the Trustee receives such notice. The Holders on such record date, or their duly designated proxies, and only such Persons, shall be entitled to join in such notice, whether or not such Holders remain Holders after such record date; provided, that unless such declaration of acceleration, or rescission and annulment, as the case may be, shall have become effective by virtue of the requisite percentage having joined in such notice prior to the day which is 90 days after such record date, such notice of declaration of acceleration, or rescission and annulment, as the case may be, shall automatically and without further action by any Holder be canceled and of no further effect. Nothing in this paragraph shall prevent a Holder, or a proxy of a Holder, from giving, after expiration of each 90-day period, a new written notice of declaration of acceleration, or rescission or annulment thereof, as the case may be, that is identical to a written notice which has been canceled pursuant to the proviso to the preceding sentence, in which event a new record date shall be established pursuant to the provisions of this Section 502.

1. Collection of Indebtedness and Suits for Enforcement by Trustee.

The Company covenants that if:

1. default is made in the payment of any interest on any Security when such interest becomes due and payable and such default continues for a period of 30 days,

2. default is made in the payment of the principal of (or premium, if any, on) any Security at the Maturity thereof, or

3. default is made in the making or satisfaction of any sinking fund payment or analogous obligation when the same becomes due pursuant to the terms of any Security and such default continues for 5 days;

the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Securities, the whole amount then due and payable on such Securities for principal, including any sinking fund payment or analogous obligations (and premium, if any) and interest and, to the extent that the payment of such interest shall be legally enforceable, interest on any overdue principal including any sinking fund payment or analogous obligations (and premium, if any) and on any overdue interest, at the rate or rates prescribed therefor in such Securities, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon such Securities and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon such Securities, wherever situated.

If an Event of Default with respect to Securities of any series occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such series by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

2. Trustee May File Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

i. to file and prove a claim for the whole amount of principal (and premium, if any) and interest, if any, owing and unpaid in respect of the Securities of all series and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders allowed in such judicial proceeding, and

ii. to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 607.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or compensation affecting the Securities or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

3. Trustee May Enforce Claims Without Possession of Securities.

All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name and as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Securities in respect of which such judgment has been recovered.

4. Application of Money Collected.

Any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, if any, upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

First: To the payment of all amounts due the Trustee under Section 607; and

Second: To the payment of the amounts then due and unpaid for principal of (and premium, if any) and interest, if any, on the Securities in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal (and premium, if any) and interest, if any, respectively.

5. Limitation on Suits.

No Holder of any Security of any series shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

1. such Holder has previously given written notice to the Trustee of a continuing Event of Default or an event which, with the giving of notice or lapse of time, or both, would constitute an Event of Default with respect to the Securities of that series;

2. the Holders of not less than 25% in principal amount of the Outstanding Securities of that series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

3. such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

4. the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

5. no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities of that series;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

6. Unconditional Right of Holders to Receive Principal, Premium and Interest.

Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal of (and premium, if any) and (subject to Section 307) interest, if any, on such Security on the Stated Maturity or Maturities expressed in such Security (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

7. Restoration of Rights and Remedies.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

8. Rights and Remedies Cumulative.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities in the last paragraph of Section 306, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

9. Delay or Omission Not Waiver.

No delay or omission of the Trustee or of any Holder of any Securities to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

10. Control by Holders.

The Holders of a majority in principal amount of the Outstanding Securities of any series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the Securities of such series, provided that

1. such direction shall not be in conflict with any rule of law or with this Indenture, and

2. the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

Upon receipt by the Trustee of any written notice directing the time, method or place of conducting any such proceeding or exercising any such trust or power with respect to Securities of a series all or part of which is represented by a Global Security, a record date shall be established for determining Holders of Outstanding Securities of such series entitled to join in such notice, which record date shall be at the close of business on the day the Trustee receives such notice. The Holders on such record date, or their duly designated proxies, and only such Persons, shall be entitled to join in such notice, whether or not such Holders remain Holders after such record date; provided, that unless Holders of a majority in principal amount of the Outstanding Securities of such series shall have joined in such notice prior to the day which is 90 days after such record date, such notice shall automatically and without further action by any Holder be canceled and of no further effect. Nothing in this paragraph shall prevent a Holder, or a proxy of a Holder, from giving, after expiration of such 90-day period, a new notice identical to a notice which has been canceled pursuant to the proviso to the preceding sentence, in which event a new record date shall be established pursuant to the provisions of this Section 512.

11. Waiver of Past Defaults.

The Holders of not less than a majority in principal amount of the Outstanding Securities of any series may on behalf of the Holders of all the Securities of such series waive any past default hereunder with respect to such series and its consequences, except a default

1. in the payment of the principal of (or premium, if any) or interest, if any, on any Security of such series, or

2. in respect of a covenant or provision hereof which under Article Nine cannot be modified or amended without the consent of the Holder of each Outstanding Security of such series affected.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Persons entitled to waive any past default hereunder. If a record date is fixed, the Holders on such record date, or their duly designated proxies, and only such Person, shall be entitled to waive any default hereunder, whether or not such Holders remain Holders after such record date; provided, that unless such majority in principal amount shall have waived such default prior to the date which is 90 days after such record date, any such waiver of such default previously given shall automatically and without further action by any Holder be canceled and of no further effect.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

12. Undertaking for Costs.

All parties to this Indenture agree, and each Holder of any Security by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Company, to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the Outstanding Securities of any series, or to any suit instituted by any Holder for the enforcement of the payment of the principal of (or premium, if any) or interest, if any, on any Security on or after the Stated Maturity or Maturities expressed in such Security (or, in the case or redemption, on or after the Redemption Date).

1.

The Trustee

1. Certain Duties and Responsibilities.

    a. Except during the continuance of an Event of Default,

        1. the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

        2. in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

    b. In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

    c. No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own wilful misconduct, except that

        1. this Subsection shall not be construed to limit the effect of Subsection (a) of this Section;

        2. the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

        3. the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority

in principal amount of the Outstanding Securities of any series, determined as provided in Section 512, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture with respect to the Securities of such series; and

4. no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

d. Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

2. Notice of Defaults.

Within 90 days after the occurrence of any default hereunder known to the Trustee with respect to the Securities of any series, the Trustee shall transmit by mail to all Holders of Securities of such series, as their names and addresses appear in the Security Register, notice of such default hereunder, unless such default shall have been cured or waived; provided, however, that, except in the case of a default in the payment of the principal of (or premium, if any) or interest on any Security of such series or in the payment of any sinking fund instalment with respect to Securities of such series, the Trustee shall be protected in the withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors or Responsible Officers of the Trustee in good faith determine that withholding of such notice is in the interest of the Holders of Securities of such series; and provided, further, that in the case of any default of the character specified in Section 501(4) with respect to Securities of such series, no such notice to Holders shall be given until at least 60 days after the occurrence thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default with respect to Securities of such series.

3. Certain Rights of Trustee.

Subject to the provisions of Section 601:

a. the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

b. any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

c. whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

d. the Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

e. the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

f. the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney; and

g. the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

4. Not Responsible for Recitals or Issuance of Securities.

The recitals contained herein and in the Securities, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and the Trustee or any Authenticating Agent assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities. The

Trustee or any Authenticating Agent shall not be accountable for the use or application by the Company of Securities or the proceeds thereof.

5. May Hold Securities.

The Trustee, any Authenticating Agent, any Paying Agent, any Security Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Sections 608 and 613, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Authenticating Agent, Paying Agent, Security Registrar or such other agent.

6. Money Held in Trust.

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company.

7. Compensation and Reimbursement.

The Company agrees

1. to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

2. except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

3. to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

8. Disqualifications; Conflicting Interests.

a. If the Trustee has or shall acquire any conflicting interest, as defined in this Section, with respect to the Securities of any series, it shall, within 90 days after ascertaining that it has such conflicting interest, either eliminate such conflicting interest or resign with respect to the Securities of that series in the manner and with the effect hereinafter specified in this Article.

b. In the event that the Trustee shall fail to comply with the provisions of Subsection (a) of this Section with respect to the Securities of any series, the Trustee shall, within 10 days after the expiration of such 90-day period, transmit by mail to all Holders of Securities of that series, as their names and addresses appear in the Security Register, notice of such failure.

c. For the purposes of this Section, the Trustee shall be deemed to have a conflicting interest with respect to the Securities of any series if

    1. the Trustee is trustee under this Indenture with respect to the Outstanding Securities of any series other than that series or is trustee under another indenture under which any other securities, or certificates of interest or participation in any other securities, of the Company are outstanding, unless such other indenture is a collateral trust indenture under which the only collateral consists of Securities issued under this Indenture, provided that there shall be excluded from the operation of this paragraph this Indenture with respect to the Securities of any series other than that series, the Indenture dated as of November 1, 1982, as supplemented, between the Company and the Trustee, under which the Company's Medium Term Notes at various rates and with various maturity dates, Step-Down Floating Rate Notes due 1990, 9-1/2% Notes due 1991, and 9.55% Senior Notes due 1993 are outstanding as of the date hereof or any other indenture or indentures under which other securities, or certificates of interest or participation in other securities, of the Company are outstanding, if

        i. this Indenture and such other indenture or indentures are wholly unsecured and such other indenture or indentures are hereafter qualified under the Trust Indenture Act, unless the Commission shall have found and declared by order pursuant to Section 305(b) or Section 307(c) of the Trust Indenture Act that differences exist between the provisions of this Indenture with respect to Securities of that series and one or more other series or the provisions of such other indenture or indentures which are so likely to involve a material conflict of interest as to make it necessary in the public interest or for the protection of investors to disqualify the Trustee from acting as such under this Indenture with respect to the Securities of that series and such other series or under such other indenture or indentures, or

ii. the Company shall have sustained the burden of proving, on application to the Commission and after opportunity for hearing thereon, that trusteeship under this Indenture with respect to the Securities of that series and such other series or such other indenture or indentures is not so likely to involve a material conflict of interest as to make it necessary in the public interest or for the protection of investors to disqualify the Trustee from acting as such under this Indenture with respect to the Securities of that series and such other series or under such other indenture or indentures;

2. the Trustee or any of its directors or executive officers is an obligor upon the Securities or an underwriter for the Company;

3. the Trustee directly or indirectly controls or is directly or indirectly controlled by or is under direct or indirect common control with the Company or an underwriter for the Company;

4. the Trustee or any of its directors or executive officers is a director, officer, partner, employee, appointee or representative of the Company, or of an underwriter (other than the Trustee itself) for the Company who is currently engaged in the business of underwriting, except that (i) one individual may be a director or an executive officer, or both, of the Trustee and a director or an executive officer, or both, of the Company but may not be at the same time an executive officer of both the Trustee and the Company; (ii) if and so long as the number of directors of the Trustee in office is more than nine, one additional individual may be a director or an executive officer, or both, of the Trustee and a director of the Company; and (iii) the Trustee may be designated by the Company or by any underwriter for the Company to act in the capacity of transfer agent, registrar, custodian, paying agent, fiscal agent, escrow agent or depositary, or in any other similar capacity, or, subject to

the provisions of paragraph (1) of this Subsection, to act as trustee, whether under an indenture or otherwise;

5. 10% or more of the voting securities of the Trustee is beneficially owned either by the Company or by any director, partner or executive officer thereof, or 20% or more of such voting securities is beneficially owned, collectively, by any two or more of such persons; or 10% or more of the voting securities of the Trustee is beneficially owned either by an underwriter for the Company or by any director, partner or executive officer thereof, or is beneficially owned, collectively, by any two or more such persons;

6. the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default (as hereinafter in this Subsection defined), (i) 5% or more of the voting securities, or 10% or more of any other class of security, of the Company not including the Securities issued under this Indenture and securities issued under any other indenture under which the Trustee is also trustee, or (ii) 10% or more of any class of security of an underwriter for the Company;

7. the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default (as hereinafter in this Subsection defined), 5% or more of the voting securities of any person who, to the knowledge of the Trustee, owns 10% or more of the voting securities of, or controls directly or indirectly or is under direct or indirect common control with, the Company;

8. the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default (as hereinafter in this Subsection defined), 10% or more of any class of security of any person who, to the knowledge of the Trustee, owns 50% or more of the voting securities of the Company; or

9. the Trustee owns, on May 15 in any calendar year, in the capacity of executor, administrator, testamentary or inter vivos trustee, guardian, committee or conservator, or in any other similar capacity, an aggregate of 25% or more of the voting securities, or of any class of security, of any person, the beneficial ownership of a specified percentage of which would have constituted a conflicting interest under paragraph (6), (7) or (8) of this Subsection. As to any such securities of which the Trustee acquired ownership through becoming executor, administrator or testamentary trustee of an estate which included them, the provisions of the preceding sentence shall not apply, for a period of two years from the date of such acquisition, to the extent that

such securities included in such estate do not exceed 25% of such voting securities or 25% of any such class of security. Promptly after May 15 in each calendar year, the Trustee shall make a check of its holdings of such securities in any of the above-mentioned capacities as of such May 15. If the Company fails to make payment in full of the principal of (or premium, if any) or interest on any of the Securities when and as the same becomes due and payable, and such failure continues for 30 days thereafter, the Trustee shall make a prompt check of its holdings of such securities in any of the above-mentioned capacities as of the date of the expiration of such 30-day period, and after such date, notwithstanding the foregoing provisions of this paragraph, all such securities so held by the Trustee, with sole or joint control over such securities vested in it, shall, but only so long as such failure shall continue, be considered as though beneficially owned by the Trustee for the purposes of paragraphs (6), (7) and (8) of this Subsection.

The specification of percentages in paragraphs (5) to (9), inclusive, of this Subsection shall not be construed as indicating that the ownership of such percentages of the securities of a person is or is not necessary or sufficient to constitute direct or indirect control for the purposes of paragraph (3) or (7) of this Subsection.

For the purposes of paragraphs (6), (7), (8) and (9) of this Subsection only, (i) the terms "security" and "securities" shall include only such securities as are generally known as corporate securities, but shall not include any note or other evidence of indebtedness issued to evidence an obligation to repay moneys lent to a person by one or more banks, trust companies or banking firms, or any certificate of interest or participation in any such note or evidence of indebtedness; (ii) an obligation shall be deemed to be "in default" when a default in payment of principal shall have continued for 30 days or more and shall not have been cured; and (iii) the Trustee shall not be deemed to be the owner or holder of (A) any security which it holds as collateral security, as trustee or otherwise, for an obligation which is not in default as defined in clause (ii) above, or (B) any security which it holds as collateral security under this Indenture, irrespective of any default hereunder, or (C) any security which it holds as agent for collection, or as custodian, escrow agent or depositary, or in any similar representative capacity.

d. For the purposes of this Section:

1. The term "underwriter", when used with reference to the Company, means every person who, within three years prior to the time as of which the determination is made, has purchased from the Company with a view to, or has offered or sold for the Company in connection with, the distribution of any security of the Company outstanding at such time, or has participated or has had a direct or indirect participation in any such undertaking, or has participated or has had a participation in the direct or indirect underwriting of any such undertaking, but such term shall not include a person whose interest was limited to a commission from an underwriter or dealer not in excess of the usual and customary distributors' or sellers' commission.

2. The term "director" means any director of a corporation or any individual performing similar functions with respect to any organization, whether incorporated or unincorporated.

3. The term "person" means an individual, a corporation, a partnership, an association, a joint-stock company, a trust, an unincorporated organization or a government or political subdivision thereof. As used in this paragraph, the term "trust" shall include only a trust where the interest or interests of the beneficiary or beneficiaries are evidenced by a security.

4. The term "voting security" means any security presently entitling the owner or holder thereof to vote in the direction or management of the affairs of a person, or any security issued under or pursuant to any trust, agreement or arrangement whereby a trustee or trustees or agent or agents for the owner or holder of such security are presently entitled to vote in the direction or management of the affairs of a person.

5. The term "Company" means any obligor upon the Securities.

6. The term "executive officer" means the president, every vice president, every trust officer, the cashier, the secretary and the treasurer of a corporation, and any individual customarily performing similar functions with respect to any organization whether incorporated or unincorporated, but shall not include the chairman of the board of directors.

e. The percentages of voting securities and other securities specified in this Section shall be calculated in accordance with the following provisions:

1. A specified percentage of the voting securities of the Trustee, the Company or any other person referred to in this Section (each of whom is referred to as a "person" in this paragraph) means such amount of the outstanding

voting securities of such person as entitles the holder or holders thereof to cast such specified percentage of the aggregate votes which the holders of all the outstanding voting securities of such person are entitled to cast in the direction or management of the affairs of such person.

2. A specified percentage of a class of securities of a person means such percentage of the aggregate amount of securities of the class outstanding.

3. The term "amount," when used in regard to securities, means the principal amount if relating to evidences of indebtedness, the number of shares if relating to capital shares and the number of units if relating to any other kind of security.

4. The term "outstanding" means issued and not held by or for the account of the issuer. The following securities shall not be deemed outstanding within the meaning of this definition:

    i. securities of an issuer held in a sinking fund relating to securities of the issuer of the same class;

    ii. securities of an issuer held in a sinking fund relating to another class of securities of the issuer, if the obligation evidenced by such other class of securities is not in default as to principal or interest or otherwise;

    iii. securities pledged by the issuer thereof as security for an obligation of the issuer not in default as to principal or interest or otherwise; and

    iv. securities held in escrow if placed in escrow by the issuer thereof;

   provided, however, that any voting securities of an issuer shall be deemed outstanding if any person other than the issuer is entitled to exercise the voting rights thereof.

5. A security shall be deemed to be of the same class as another security if both securities confer upon the holder or holders thereof substantially the same rights and privileges; provided, however, that, in the case of secured evidences of indebtedness, all of which are issued under a single indenture, differences in the interest rates or maturity dates of various series thereof shall not be deemed sufficient to constitute such series different classes and provided, further, that, in the case of unsecured evidences of indebtedness, differences in the interest rates or maturity

dates thereof shall not be deemed sufficient to constitute them securities of different classes, whether or not they are issued under a single indenture.

9. Corporate Trustee Required; Eligibility.

There shall at all times be a Trustee hereunder which shall be a corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of a least $50,000,000 subject to supervision or examination by Federal or State authority and having its Corporate Trust Office in the Borough of Manhattan, The City of New York. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

10. Resignation and Removal; Appointment of Successor.

a. No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 611.

b. The Trustee may resign at any time with respect to the Securities of one or more series by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 611 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

c. The Trustee may be removed at any time with respect to the Securities of any series by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series, delivered to the Trustee and to the Company.

d. If at any time:

    1. the Trustee shall fail to comply with Section 608(a) after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months, or

    2. the Trustee shall cease to be eligible under Section 609 and shall fail to resign after written request therefor by the Company or by any such Holder, or

3. the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company by a Board Resolution may remove the Trustee with respect to all securities, or (ii) subject to Section 514, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Securities and the appointment of a successor Trustee or Trustees.

e. If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, with respect to the Securities of one or more series, the Company, by a Board Resolution, shall promptly appoint a successor Trustee or Trustees with respect to the Securities of that or those series (it being understood that any such successor Trustee may be appointed with respect to the Securities of one or more or all of such series and that at any time there shall be only one Trustee with respect to the Securities of any particular series) and shall comply with the applicable requirements of Section 611. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Securities of any series shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 611, become the successor Trustee with respect to the Securities of such series and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee with respect to the Securities of any Series shall have been so appointed by the Company or the Holders and accepted appointment in the manner required by Section 611, any Holder who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

f. The Company shall give notice of each resignation and each removal of the Trustee with respect to the Securities of any series and each appointment of a successor Trustee with respect to the

Securities of any series by mailing written notice of such event by first-class mail, postage prepaid, to all Holders of Securities of such series as their names and addresses appear in the Security Register. Each notice shall include the name of the successor Trustee with respect to the Securities of such series and the address of its Corporate Trust Office.

11. Acceptance of Appointment by Successor.

a. In case of the appointment hereunder of a successor Trustee with respect to all Securities, every such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

b. In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the retiring Trustee and each successor Trustee with respect to the Securities of one or more series shall execute and deliver an indenture supplemental hereto wherein each successor Trustee shall accept such appointment and which (1) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, (2) if the retiring Trustee is not retiring with respect to all Securities, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (3) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees cotrustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee; and upon the execution and delivery of such supplemental indenture the resignation or removal of the retiring

Trustee shall become effective to the extent provided therein and each such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates; but, on request of the Company or any successor Trustee, such retiring Trustee shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to the Securities of that or those series to which the appointment of such successor Trustee relates.

c. Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in paragraphs (a) and (b) of this Section, as the case may be.

d. No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

12. Merger, Conversion, Consolidation or Succession to Business.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

13. Preferential Collection of Claims Against Company.

a. Subject to Subsection (b) of this Section, if the Trustee shall be or shall become a creditor, directly or indirectly, secured or unsecured, of the Company within four months prior to a default, as defined in Subsection (c) of this Section, or subsequent to such a default, then, unless and until such default shall be cured, the Trustee shall set apart and hold in a special account for the benefit of the Trustee individually, the Holders of the Securities and the holders of other indenture securities, as defined in Subsection (c) of this Section:

1. an amount equal to any and all reductions in the amount due and owing upon any claim as such creditor in respect of principal or interest, effected after the beginning of such four months' period and valid as against the Company and its other creditors, except any such reduction resulting from the receipt or disposition of any property described in paragraph (2) of this Subsection, or from the exercise of any right of set-off which the Trustee could have exercised if a petition in bankruptcy had been filed by or against the Company upon the date of such default; and

2. all property received by the Trustee in respect of any claims as such creditor, either as security therefor, or in satisfaction or composition thereof, or otherwise, after the beginning of such four months' period, or an amount equal to the proceeds of any such property, if disposed of, subject, however, to the rights, if any, of the Company and its other creditors in such property or such proceeds.

   Nothing herein contained, however, shall affect the right of the Trustee:

   A. to retain for its own account (i) payments made on account of any such claim by any Person (other than the Company) who is liable thereon, and (ii) the proceeds of the bona fide sale of any such claim by the Trustee to a third Person, and (iii) distributions made in cash, securities or other property in respect of claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the Federal Bankruptcy Act or applicable State law;

   B. to realize, for its own account, upon any property held by it as security for any such claim, if such property was so held prior to the beginning of such four months' period;

   C. to realize, for its own account, but only to the extent of the claim hereinafter mentioned, upon any property held by it as security for any such claim, if such claim was created after the beginning of such four months' period and such property was received as security therefor simultaneously with the creation thereof, and if the Trustee shall sustain the burden of proving that at the time such property was so received the Trustee had no reasonable cause to believe that a default, as defined in Subsection (c) of this Section, would occur within four months; or

D. to receive payment on any claim referred to in paragraph (B) or (C), against the release of any property held as security for such claim as provided in paragraph (B) or (C), as the case may be, to the extent of the fair value of such property.

For the purposes of paragraphs (B), (C) and (D), property substituted after the beginning of such four months' period for property held as security at the time of such substitution shall, to the extent of the fair value of the property released, have the same status as the property released, and, to the extent that any claim referred to in any of such paragraphs is created in renewal of or in substitution for or for the purpose of repaying or refunding any pre-existing claim of the Trustee as such creditor, such claim shall have the same status as such pre-existing claim.

If the Trustee shall be required to account, the funds and property held in such special account and the proceeds thereof shall be apportioned among the Trustee, the Holders and the holders of other indenture securities in such manner that the Trustee, the Holders and the holders of other indenture securities realize, as a result of payments from such special account and payments of dividends on claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the Federal Bankruptcy Act or applicable State law, the same percentage of their respective claims, figured before crediting to the claim of the Trustee anything on account of the receipt by it from the Company of the funds and property in such special account and before crediting to the respective claims of the Trustee and the Holders and the holders of other indenture securities dividends on claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the Federal Bankruptcy Act or applicable State law, but after crediting thereon receipts on account of the indebtedness represented by their respective claims from all sources other than from such dividends and from the funds and property so held in such special account. As used in this paragraph, with respect to any claim, the term "dividends" shall include any distribution with respect to such claim, in bankruptcy or receivership or proceedings for reorganization pursuant to the Federal Bankruptcy Act or applicable State law, whether such distribution is made in cash, securities or other property, but shall not include any such distribution with respect to the secured portion, if any, of such claim. The court in which such bankruptcy, receivership or proceedings for reorganization is pending shall have jurisdiction (i) to apportion among the Trustee, the Holders and the holders of other indenture securities, in accordance with the provisions of this paragraph, the funds and property held in such special account and proceeds thereof, or (ii) in lieu of such apportionment, in whole or in part, to give to the provisions of this paragraph due consideration in determining the fairness of the distributions to be made to the Trustee and the Holders and the holders of other indenture securities with respect to their respective claims, in which event it shall not be necessary to liquidate or to appraise the value of any securities or other property held in such special account or as security for any such claim, or to make a specific allocation of such distributions as between the secured and unsecured portions of such claims, or otherwise to apply the provisions of this paragraph as a mathematical formula.

Any Trustee which has resigned or been removed after the beginning of such four months' period shall be subject to the provisions of this Subsection as though such resignation or removal had not occurred. If any Trustee has resigned or been removed prior to the beginning of such four months' period, it shall be subject to the provisions of this Subsection if and only if the following conditions exist:

i. the receipt of property or reduction of claim, which would have given rise to the obligation to account, if such Trustee had continued as Trustee, occurred after the beginning of such four months' period; and

ii. such receipt of property or reduction of claim occurred within four months after such resignation or removal.

b. There shall be excluded from the operation of Subsection (a) of this Section a creditor relationship arising from:

1. the ownership or acquisition of securities issued under any indenture, or any security or securities having a maturity of one year or more at the time of acquisition by the Trustee;

2. advances authorized by a receivership or bankruptcy court of competent jurisdiction or by this Indenture, for the purpose of preserving any property which shall at any time be subject to the lien of this Indenture or of discharging tax liens or other prior liens or encumbrances thereon, if notice of such advances and of the circumstances surrounding the making thereof is given to the Holders at the time and in the manner provided in this Indenture;

3. disbursements made in the ordinary course of business in the capacity of trustee under the indenture, transfer agent, registrar, custodian, paying agent, fiscal agent or depositary, or other similar capacity;

4. an indebtedness created as a result of services rendered or premises rented; or an indebtedness created as a result of goods or securities sold in a cash transaction, as defined in Subsection (c) of this Section;

5. the ownership of stock or of other securities of a corporation organized under the provisions of Section 25(a) of the Federal Reserve Act, as amended, which is directly or indirectly a creditor of the Company; and

6. the acquisition, ownership, acceptance or negotiation of any drafts, bills of exchange, acceptances or obligations which fall within the classification of self-liquidating paper, as defined in Subsection (c) of this Section.

c. For the purposes of this Section only:

1. the term "default" means any failure to make payment in full of the principal of or interest on any of the Securities or upon the other indenture securities when and as such principal or interest becomes due and payable;

2. the term "other indenture securities" means securities upon which the Company is an obligor outstanding under any other indenture (i) under which the Trustee is also trustee, (ii) which contains provisions substantially similar to the provisions of this Section, and (iii) under which a default exists at the time of the apportionment of the funds and property held in such special account;

3. the term "cash transaction" means any transaction in which full payment for goods or securities sold is made within

seven days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand;

4. the term "self-liquidating paper" means any draft, bull of exchange, acceptance or obligations which is made, drawn, negotiated or incurred by the Company for the purpose of financing the purchase, processing, manufacturing, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to, possession of, or lien upon, the goods, wares or merchandise or the receivables or proceeds arising from the sale of the goods, wares or merchandise previously constituting the security, provided the security is received by the Trustee simultaneously with the creation of the creditor relationship with the Company arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation;

5. the term "Company" means any obligor upon the Securities; and

6. the term "Federal Bankruptcy Act" means the Bankruptcy Act or Title 11 of the United States Code.

14. Appointment of Authenticating Agent.

As of the date of the Indenture and at any time when any of the Securities remain Outstanding the Trustee may appoint an Authenticating Agent or Agents (which may be an Affiliate or Affiliates of the Company) with respect to one or more series of Securities which shall be authorized to act on behalf of the Trustee to authenticate Securities of such series issued upon original issuance, exchange, registration of transfer or partial redemption thereof or pursuant to Section 306, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall at all times be a corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than $50,000,000 and subject to supervision or examination by Federal or State authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation, to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, provided such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and to the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and to the Company. Upon receiving such a notice or resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall mail written notice of such appointment by first-class mail, postage prepaid, to all Holders of Securities of the series with respect to which such Authenticating Agent will serve, as their names and addresses appear in the Security Register. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Company agrees to pay each Authenticating Agent from time to time reasonable compensation for its services under this Section.

The Bank is initially designated as the Authenticating Agent for the Securities.

If an appointment with respect to one or more series is made pursuant to this Section, the Securities of such series may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternate certificate of authentication in the following form:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

THE CHASE MANHATTAN BANK
(NATIONAL ASSOCIATION)
As Trustee

By____________________________________
As Authenticating Agent

By____________________________________
Authorized Officer

2.

Holders' Lists and Reports by Trustee and Company

1. Company to Furnish Trustee Names and Addresses of Holders.

The Company will furnish or cause to be furnished to the Trustee

a. semi-annually, not more than fifteen days after each Regular Record Date, or, in the case of any series of Securities on which no interest is payable, not more than fifteen days after each coupon date or other date specified by the Trustee, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders as of such Record Date, and

b. at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished;

excluding from any such list names and addresses received by the Trustee if and so long as it is acting as Security Registrar.

2. Preservation of Information; Communications to Holders.

a. The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the most recent list furnished to the Trustee as provided in Section 701 and the names and addressees of Holders received by the Trustee if and so long as it is acting as Security Registrar. The Trustee may destroy any list furnished to it as provided in Section 701 upon receipt of a new list so furnished.

b. If three or more Holders of the same series (herein referred to as "applicants") apply in writing to the Trustee, and furnish to the Trustee reasonable proof that each such applicant has owned a Security for a period of at least six months preceding the date of such application, and such application states that the applicants desire to communicate with other Holders with respect to their rights under this Indenture or under the Securities and is accompanied by a copy of the form of proxy or other communication which such applicants propose to transmit, then the Trustee shall, within five business days after the receipt of such application, at its election, either

    i. afford such applicants access to the information preserved at the time by the Trustee in accordance with Section 702(a), or

    ii. inform such applicants as to the approximate number of Holders whose names and addresses appear in the information preserved at the time by the Trustee in accordance with Section 702(a), and as to the approximate cost of mailing to such Holders the form of proxy or other communication, if any, specified in such application.

If the Trustee shall elect not to afford such applicants access to such information. the Trustee shall, upon the written request of such applicants, mail to each Holder whose name and address appear in the information preserved at the time by the Trustee in accordance with Section 702(a) a copy of the form of proxy or other communication which is specified in such request, with reasonable promptness after a tender to the Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of mailing, unless within five days after such tender the Trustee shall mail to such applicants and file with the Commission, together with a copy of the material to be mailed, a written statement to the effect that, in the opinion of the Trustee, such mailing would be contrary to the best interest of the Holders or would be in violation of applicable law. Such written statement shall specify the basis of such opinion. If the Commission, after opportunity for a hearing upon the objections specified in the written statement so filed, shall enter an order refusing to sustain any of such objections or if, after the entry of an order sustaining one or more of such objections, the Commission shall find, after notice and opportunity for hearing, that all the objections so sustained have been met and shall enter an order so declaring, the Trustee shall mail copies of such material to all such Holders with reasonable promptness after the entry of such order and the renewal of such tender; otherwise the Trustee shall be relieved of any obligation or duty to such applicants respecting their application.

c. Every Holder of Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either of them shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders in accordance with Section 702(b), regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under Section 702(b).

3. Reports by Trustee.

a. On or before September 15 of each year commencing with the year 1990, the Trustee shall transmit by mail to all Holders, as their names and addresses appear in the Security Register, a brief report dated as of the preceding July 15 with respect to:

1. its eligibility under Section 609 and its qualifications under Section 608, or in lieu thereof, if to the best of its knowledge it has continued to be eligible and qualified under said Sections, a written statement to such effect;

2. the character and amount of any advances (and if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee (as such) which remain unpaid on the date of such report, and for the reimbursement of which it claims or may claim a lien or charge, prior to that of the Securities, on any property or funds held or collected by it as Trustee, except that the Trustee shall not be required (but may elect) to report such advances if such advances so remain unpaid aggregate not more than 1/2 of 1% of the principal amount of the Securities Outstanding on the date of such report;

3. the amount, interest rate and maturity date of all other indebtedness owing by the Company (or by any other obligor on the Securities) to the Trustee in its individual capacity, on the date of such report, with a brief description

of any property held as collateral security therefor, except an indebtedness based upon a creditor relationship arising in any manner described in Section 613(b)(2), (3), (4) or (6);

4. the property and funds, if any, physically in the possession of the Trustee as such on the date of such report;

5. any additional issue of Securities which the Trustee has not previously reported; and

6. any action taken by the Trustee in the performance of its duties hereunder which it has not previously reported and which in its opinion materially affects the Securities, except action in respect of a default, notice of which has been or is to be withheld by the Trustee in accordance with Section 602.

b. The Trustee shall transmit by mail to all Holders, as their names and addresses appear in the Security Register, a brief report with respect to the character and amount of any advances (and if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee (as such) since the date of the last report transmitted pursuant to Subsection (a) of this Section (or if no such report has yet been so transmitted, since the date of execution of this instrument) for the reimbursement of which it claims or may claim a lien or charge, prior to that of the Securities, on property or funds held or collected by it as Trustee and which it has not previously reported pursuant to this Subsection, except that the Trustee shall not be required (but may elect) to report such advances if such advances remaining unpaid at any time aggregate 10% or less of the principal amount of the Securities Outstanding at such time, such report to be transmitted within 90 days after such time.

c. A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each stock exchange upon which any Securities are listed, with the Commission and with the Company. The Company will notify the Trustee when any Securities are listed on any stock exchange.

4. Reports by Company.

The Company shall:

1. file with the Trustee, within 15 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section

13 or Section 15(d) of the Securities Exchange Act of 1934; or, if the Company is not required to file information, documents or reports pursuant to either of said Sections, then it shall file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Securities Exchange Act of 1934 in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

2. file with the Trustees and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations; and

3. transmit by mail to all Holders, as their names and addresses appear in the Security Register, within 30 days after the filing thereof with the Trustee, such summaries of any information, documents and reports required to be filed by the Company pursuant to paragraphs (1) and (2) of this Section as may be required by rules and regulations prescribed from time to time by the Commission.

3.

Consolidation, Merger, Conveyance, Transfer or Lease

1. Company May Consolidate, Etc., Only on Certain Terms.

The Company shall not consolidate with or merge into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, unless:

1. the Person formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer, of which leases, the properties and assets of the Company substantially as an entirety shall be a corporation organized and existing under the laws of the United States of America, any State thereof or the District of Columbia and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of (and premium, if any) and interest on all the Securities and the performance of every

covenant of this Indenture on the part of the Company to be performed or observed;

2. immediately after giving effect to such transaction, no Event of Default and no event which, after notice or lapse of time or both, would become an Event of Default shall have happened and be continuing; and

3. the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

2. Successor Corporation Substituted.

Upon any consolidation by the Company with or merger by the Company into any other Person or any conveyance, transfer or lease of the properties and assets of the Company substantially as an entirety in accordance with Section 801, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein, and thereafter, except in the case of a lease, the predecessor Person shall be relieved of all obligations and covenants under this Indenture and the Securities.

4.

Supplemental Indentures

1. Supplemental Indentures Without Consent of Holders.

Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

1. to evidence the succession of another corporation to the Company and the assumption by any such successor of the covenants of the Company herein and in the Securities; or

2. to add to the covenants of the Company for the benefit of the Holders of all or any series of Securities (and if such covenants are to be for the benefit of fewer than all series of Securities, stating that such covenants are expressly being included solely for the benefit of such series) or to surrender any right or power herein conferred upon the Company; or

3. to add any additional Events of Default; or
4. to add to or change any of the provisions of this Indenture to such extent as shall be necessary to permit or facilitate the issuance of Securities in bearer form, registrable or not registrable as to principal, and with or without interest coupons, or to permit or facilitate the issuance of Securities in certificated form or global form; or
5. to change or eliminate any of the provisions of this Indenture, provided that any such change or elimination shall become effective only when there is no Security Outstanding of any series created prior to the execution of such supplemental indenture which is entitled to the benefit of such provision; or
6. to secure the Securities; or
7. to establish the form or terms of Securities of any series as permitted by Sections 201 and 301; or
8. to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 611(b); or
9. to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture, provided such action shall not adversely affect the interests of the Holders of Securities or any series in any material respect.

2. Supplemental Indentures with Consent of Holders.

With the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities of each series affected by such supplemental indenture, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders of Securities of such series under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security affected thereby,

1. change the Stated Maturity of the principal of, or any instalment of principal of or interest on, any Security, or

reduce the principal amount thereof or the rate of, or method of computation of the rate of, interest thereon or any premium payable upon the redemption thereof, or reduce the amount of the principal of an Original Issue Discount Security that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 502, or reduce the amount of, or postpone the date fixed for, the payment of any sinking fund or analogous obligation, or change any Place of Payment where, or the coin or currency in which, any Security or any premium of the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or

2. reduce the percentage in principal amount of the Outstanding Securities of any series, the consent of whose Holders is required for any such supplemental indenture, of the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture, or

3. modify any of the provisions of this Section, Section 513 or Section 1008, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby, provided, however, that this clause shall not be deemed to require the consent of any Holder with respect to changes in the references to the "Trustee", and concomitant changes in this Section and Section 1008, or the deletion of this proviso, in accordance with the requirements of Sections 611(b) and 901(8).

A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of the Holders of Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Persons entitled to consent to any indenture supplemental hereto. If a record date is fixed, the Holders on such record date or their duly designated proxies, and only such Persons, shall be entitled to consent to such supplemental indenture, whether or not such Holders remain Holders after such record date; provided, that unless such consent shall have become effective by virtue of the requisite percentage having been obtained prior to the date which is 90 days after such record date, any such consent previously given shall automatically and without further action by any Holder be canceled and of no further effect.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

3. Execution of Supplemental Indentures.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee may receive, and (subject to Section 601) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

4. Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

5. Conformity with Trust Indenture Act.

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act as then in effect.

6. Reference in Securities to Supplemental Indentures.

Securities of any series authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities of any series so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities of such series.

5.

Covenants

1. Payment of Principal, Premium and Interest.

The Company covenants and agrees for the benefit of each series of Securities that it will duly and punctually pay the principal of (and premium, if any) and interest on the Securities of that series in accordance with the terms of the Securities and this Indenture.

The Company shall have the right to require a Holder, in connection with the payment of the principal of (and premium, if any) or interest, if any, on a Security, to present at the office or agency of the Company at which such payment is made a certificate, in such form as the Company may from time to time prescribe, to enable the Company to determine its duties and liabilities with respect to any taxes, assessments or governmental charges which it may be required to deduct or withhold therefrom under any present or future law of the United States of America or of any State, County, Municipality or taxing authority therein, and the Company shall be entitled to determine its duties and liabilities with respect to such deduction or withholding on the basis of information contained in such certificate or, if no such certificate shall be so presented, on the basis of any presumption created by any such law, and shall be entitled to act in accordance with such determination.

2. Maintenance of Office or Agency.

The Company will maintain in the Borough of Manhattan, The City of New York and in each Place of Payment for any series of Securities an office or agency where Securities of that series may be presented or surrendered for payment (provided, however, that, unless otherwise provided with respect to any series of Securities, at the option of the Company payment of interest may be made by check mailed to the address of the person entitled thereto as such address shall appear in the Security Register), where Securities of that series may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served. The Company initially appoints the corporate trust office of the Bank as its agent for purposes of presentation and surrender of Securities for payment, registration of transfer or exchange and for service of notices and demands to or upon the Company in respect of the Securities of a series and this Indenture. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies where the Securities of one or more series may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, The City of New York and in each Place of Payment for Securities of any series for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

3. Money for Securities Payments to Be Held in Trust.

If the Company shall at any time act as its own Paying Agent with respect to any series of Securities, it will, on or before each due date of the principal of (and premium, if any) or interest on any of the Securities of that series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal (and premium, if any) or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents for any series of Securities, it will, prior to each due date of the principal of (and premium, if any) or interest on any Securities of that series, deposit with a Paying Agent a sum sufficient to pay the principal (and premium, if any) or interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal, premium or interest, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act.

The Company will cause each Paying Agent for any series of Securities other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

1. hold all sums held by it for the payment of the principal of (and premium, if any) or interest on Securities of that series in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

2. give the Trustee notice of any default by the Company (or any other obligor upon the Securities of that series) in the making of any payment of principal of (and premium, if any) or interest on the Securities of that series; and

3. at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of (and premium, if any) or interest on any Security of any series and remaining unclaimed for two years after such principal (and premium, if any) or interest has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in the Borough of Manhattan, The City of New York, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

4. Corporate Existence.

Except as permitted by the provisions of Article Eight and subject to Section 1006, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and that of the Bank and material rights (charter and statutory) and material franchises of the Company and the Bank; provided, however, that the Company shall not be required to preserve any such right or franchise if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and its Subsidiaries considered as a whole, and that the loss thereof is not disadvantageous in any material respect to the Holders.

5. Payment of Taxes and Other Claims.

The Company will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (1) all taxes, assessments and governmental charges levied or imposed upon the Company and the Bank or upon the income, profits or property of the Company and the Bank, and (2) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon the property of the Company and the Bank; provided, however, that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings.

6. Limitation on Disposition of Stock of Bank.

So long as any Securities shall be Outstanding, neither the Company nor any Intermediate Subsidiary (as hereinafter defined) will (except to the Company or an Intermediate Subsidiary) sell, assign, transfer, grant a security interest in or otherwise dispose of any shares of, securities convertible into, or options, warrants or rights to subscribe for or purchase shares of, Voting Stock of the Bank, nor will the Company or any Intermediate Subsidiary permit the Bank to issue any shares of, or securities convertible into, or options, warrants or rights to subscribe for or purchase shares of, Voting Stock of the Bank, nor will the Company permit any Intermediate Subsidiary that owns any shares of, or securities convertible into, or options, warrants or rights to subscribe for or purchase shares of, Voting Stock of the Bank to cease to be an Intermediate Subsidiary, except that (i) the Company or an Intermediate Subsidiary may make any such sale, assignment, transfer, or grant of a security interest or other disposition for fair market value on the date thereof, as determined by the Board of Directors of the Company or such Intermediate Subsidiary, as the case may be (which determination shall be conclusive), and evidenced by a duly adopted resolution thereof, and (ii) in each such case, after giving effect thereto, the Company and any one or more Intermediate Subsidiaries will own at least 80% of the Voting Stock of the Bank then issued and outstanding free and clear of any security interest. Notwithstanding the foregoing, the Bank may be merged into or consolidated with another banking institution organized under the laws of the United States, any State thereof or the District of Columbia, if after giving effect to such merger or consolidation the Company and any one or more Intermediate Subsidiaries own at least 80% of the Voting Stock of such other banking institution and immediately after giving effect thereto and treating any such resulting bank thereafter as the Bank for purposes of this Indenture, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing. For purposes of this Section, an "Intermediate Subsidiary" means a Subsidiary (i) that is organized under the laws of the United States, any State thereof or the District of Columbia, and (ii) of which all the shares of each class of capital stock issued and outstanding, and all securities convertible into, and options, warrants and rights to subscribe for or purchase shares of, such capital stock, are owned directly by the Company, free and clear of any security interest.

The provisions of this Section 1006 shall not prohibit the Company from consolidating with or merging into any other Person or from conveying, transferring or leasing the Company's properties and assets substantially as an entirety to any Person as otherwise permitted pursuant to Article Eight.

7. Statement as to Compliance.

The Company will deliver to the Trustee, within 120 days after the end of each fiscal year of the Company, a written statement, which need not comply with Section 102, signed by the Chairman of the Board, a Vice Chairman, the President, the Chief Financial Officer or a Vice President and by the Controller, Assistant Controller, the Secretary or an Assistant Secretary of the Company stating, as to each signer thereof, that

1. a review of the activities of the Company during such year and of performance under this Indenture has been made under his supervision, and

2. to the best of his knowledge, based on such review, (a) the Company has fulfilled all its obligations under this Indenture throughout such year, or, if there has been a default in the fulfillment of any such obligation, specifying each such default known to him and the nature and status thereof, and (b) no event has occurred and is continuing which is, or after notice or lapse of time or both would become, an Event of Default, or, if such an event has occurred and is continuing, specifying each such event known to him and the nature and status thereof.

8. Waiver of Certain Covenants.

The Company may omit in any particular instance to comply with any term, covenant or condition set forth in Sections 1004 to 1006, inclusive, with respect to the Securities of any series if before the time for such compliance the Holders of at least a majority in principal amount of the Outstanding Securities of such series shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such term, covenant or condition, but no such waiver shall extend to or affect such term, covenant or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such term, covenant or condition shall remain in full force and effect.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Persons entitled to waive any such term, provision or condition. If a record date is fixed, the Holders on such record date or their duly designated proxies, and only such Persons, shall be entitled to waive any such term, provision or condition hereunder, whether or not such Holders remain Holders after such record date; provided, that unless the Holders of at least a majority in principal amount of the Outstanding Securities of such series shall have waived such term, provision or condition prior to the date which is 90 days after such record date, any such waiver previously given shall automatically and without further action by any Holder be canceled and of no further effect.

6.

Redemption of Securities

1. Applicability of Article.

Securities of any series which are redeemable before their Stated Maturity shall be redeemable in accordance with their terms and (except as otherwise specified as contemplated by Section 301 for Securities of any series) in accordance with this Article.

2. Election to Redeem; Notice to Trustee.

The election of the Company to redeem any Securities shall be evidenced by a Board Resolution. In case of any redemption at the election of the Company of fewer than all the Securities of any series, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date, of the tenor, if applicable, of the Securities to be redeemed, and of the principal amount of Securities of such series to be redeemed. In the case of any redemption of Securities prior to the expiration of any restriction on such redemption provided in the terms of such Securities or elsewhere in this Indenture, the Company shall furnish the Trustee with an Officers' Certificate evidencing compliance with such restriction.

3. Selection by Trustee of Securities to Be Redeemed.

If fewer than all the Securities of any series are to be redeemed (unless all of the Securities of a specified tenor are to e redeemed), the particular

Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Securities of such series subject to such redemption and not previously called for redemption, by such method as the Trustee shall deem fair and appropriate (but subject to compliance with the rules of any securities exchange on which the securities of such series may be listed) and which may provide for the selection for redemption of portions (equal to the minimum authorized denomination for Securities of that series or any integral multiple thereof) of the principal amount of Securities of such series of a denomination larger than the minimum authorized denomination for Securities of that series. If fewer than all of the Securities of such series and of a specified tenor are to be redeemed, the particular Securities to be redeemed shall be selected not more than 45 days prior to the Redemption Date by the Trustee, from the Outstanding Securities of such series and specified tenor not previously called for redemption in accordance with the preceding sentence.

The Trustee shall promptly notify the Company in writing of the Securities selected for redemption and, in the case of any Securities selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, to the portion of the principal amount of such Securities which has been or is to be redeemed.

4. Notice of Redemption.

Notice of redemption shall be given by first-class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the Redemption Date, to each Holder of Securities to be redeemed, at his address appearing in the Security Register.

All notices of redemption shall state:

1. the Redemption Date,

2. the Redemption Price,

3. if fewer than all the Outstanding Securities of any series are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the particular Securities to be redeemed,

4. the CUSIP number of the Securities to be redeemed,

5. that on the Redemption Date the Redemption Price will become due and payable upon each such Security to be

redeemed and, if applicable, that interest thereon will cease to accrue on and after said date,

6. the place or places where such Securities are to be surrendered for payment of the Redemption Price, and

7. that the redemption is for a sinking fund, if such is the case.

Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

5. Deposit of Redemption Price.

Prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money sufficient to pay the Redemption Price of, and (except if the Redemption Date shall be an Interest Payment Date) accrued interest on, all the Securities which are to be redeemed on that date.

6. Securities Payable on Redemption Date.

Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Securities shall cease to bear interest. Upon surrender of any such Security for redemption in accordance with said notice, such Security shall be paid by the Company at the Redemption Price, together with accrued interest to the Redemption Date; provided, however, that installments of interest whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 307.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in the Security.

7. Securities Redeemed in Part.

Any Security which is to be redeemed only in part shall be surrendered at a Place of Payment therefor (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), and the Company shall execute, and the Trustee shall authenticate and make available for delivery to the Holder of such Security without service charge, a new Security or Securities of the same series and of like tenor, of any authorized denomination as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered. If a Global Security is so surrendered, such new Security so issued shall be a new Global Security.

7.

Sinking Funds

1. Applicability of Article.

The provisions of this Article shall be applicable to any sinking fund for the retirement of Securities of a series except as otherwise specified as contemplated by Section 301 for Securities of such series.

The minimum amount of any sinking fund payment provided for by the terms of Securities of any series is herein referred to as a "mandatory sinking fund payment", and any payment in excess of such minimum amount provided for by the terms of Securities of any series is herein referred to as an "optional sinking fund payment". If provided for by the terms of Securities of any series, the cash amount of any sinking fund payment may be subject to reduction as provided in Section 1202. Each sinking fund payment shall be applied to the redemption of Securities of any series as provided for by the terms of Securities of such series.

2. Satisfaction of Sinking Fund Payments with Securities.

The Company (1) may deliver Outstanding Securities of a series (other than any previously called for redemption) and (2) may apply as a credit Securities of a series which have been redeemed either at the election of the Company pursuant to the terms of such Securities or through the application of permitted optional sinking fund payments pursuant to the terms of such Securities, in each case in satisfaction of all or any part of any sinking fund payment with respect to the Securities of such series required to be made pursuant to the terms of such Securities as provided for by the terms of such series; provided that such Securities have not been previously so credited; provided further that, in the case of (1) above, with respect to any Outstanding Securities so delivered, and in the case of (2) above, with respect to any such Securities so credited, such Outstanding Securities or Securities, as the case may be, be Securities subject to the sinking fund payment required to be made with respect to the Securities of such series. Such Securities shall be received and credited for such purpose by the Trustee at the Redemption Price specified in such

Securities for redemption through operation of the sinking fund and the amount of such sinking fund payment shall be reduced accordingly.

3. Redemption of Securities for Sinking Fund.

Not less than 60 days prior to each sinking fund payment date for any series of Securities, the Company will deliver to the Trustee an Officers' Certificate specifying the amount of the next ensuing sinking fund payment for that series pursuant to the terms of that series, the portion thereof, if any, which is to be satisfied by payment of cash and the portion thereof, if any, which is to be satisfied by delivering and crediting Securities of that series pursuant to Section 1202 and will also deliver to the Trustee any Securities to be so delivered. Not less than 45 days before each such sinking fund payment date the Trustee shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 1103 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in Section 1104. Such notice having been duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Sections 1106 and 1107.

8.

Defeasance and Covenant Defeasance

1. Applicability of Article; Company's Option to Effect Defeasance or Covenant Defeasance.

If pursuant to Section 301 provision is made for either or both of (a) defeasance of the Securities of a series under Section 1302 or (b) covenant defeasance of the Securities of a series under Section 1303, then the provisions of such Section or Sections, as the case may be, together with the other provisions of this Article Thirteen, shall be applicable to the Securities of such series, and the Company may at its option by Board Resolution, at any time, with respect to the Securities of such series, elect to have either Section 1302 (if applicable) or Section 1303 (if applicable) be applied to the Outstanding Securities of such series upon compliance with the conditions set forth below in this Article Thirteen.

2. Defeasance and Discharge.

Upon the Company's exercise of the above option applicable to this Section, the Company shall be deemed to have been discharged from its obligations with respect to the Outstanding Securities of such series on and after the date the conditions precedent set forth below are satisfied but subject to satisfaction of the conditions subsequent set forth below (hereinafter, "defeasance"). For this purpose, such defeasance means that the Company shall be deemed to have paid and discharged the entire indebtedness represented by the Outstanding Securities of such series and to have satisfied all its other obligations under such Securities and this Indenture insofar as such Securities are concerned (and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following which shall survive until otherwise terminated or discharged hereunder: (A) the rights of Holders of the series of Securities defeased pursuant to this Section 1302 to receive, solely from the trust fund described in Section 1304 and as more fully set forth in such Section, payments of the principal of (and premium, if any) and interest on such Securities when such payments are due, (B) the Company's obligations with respect to such Securities under Sections 304, 305, 306, 1002 and 1003 and such obligations as shall be ancillary thereto, (C) the rights, powers, trusts, duties, immunities and other provisions in respect of the Trustee hereunder and (D) this Article Thirteen. Subject to compliance with this Article Thirteen, the Company may exercise its option under this Section 1302 notwithstanding the prior exercise of its option under Section 1303 with respect to the Securities of such series. Following a defeasance, payment of the Securities of such series may not be accelerated because of an Event of Default.

3. Covenant Defeasance.

Upon the Company's exercise of the above option applicable to this Section, the Company shall be released from its obligations under Section 1005 and Section 1006, (and any other Sections applicable to such Securities that are determined pursuant to Section 301 to be subject to this provision) and the occurrence of an event of default specified in Section 501(4) (insofar as it is with respect to Section 1005 and Section 1006 or any other Section applicable to such Securities that are determined pursuant to Section 301 to be subject to this provision) or Section 501(5) shall be deemed not to be an Event of Default with respect to the Outstanding Securities of such series on and after the date the conditions precedent set forth below are satisfied but subject to satisfaction of the conditions subsequent set forth below (hereinafter, "covenant defeasance"). For this purpose, such covenant defeasance means that, with respect to the Outstanding Securities of such series, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such Section, whether directly or indirectly by reason of any reference elsewhere herein to any such Section or by reason of any reference in any such Section to any other provision herein or in any other document, but the remainder of this Indenture and such Securities shall be unaffected thereby. Following a covenant defeasance, payment of the Securities of such series may not be accelerated because of an Event of Default specified in Section 501(5) or by reference to such other Section specified above in this Section 1303.

4. Conditions to Defeasance or Covenant Defeasance.

The following shall be the conditions precedent or, as specifically noted below, subsequent to application of either Section 1302 or Section 1303 to the Outstanding Securities of such series:

1. The Company shall irrevocably have deposited or caused to be deposited with the Trustee (or another trustee satisfying the requirements of Section 609 who shall agree to comply with the provisions of this Article Thirteen applicable to it) as trust funds in trust for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of such Securities, (A) money in an amount, or (B) U.S. Government Obligations which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money in an amount, or (C) a combination thereof, sufficient, without reinvestment, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge, and which shall be applied by the Trustee (or other qualifying trustee) to pay and discharge, (i) the principal of (and premium, if any) and interest on the Outstanding Securities of such series to maturity or redemption, as the case may be, and (ii) any mandatory sinking fund payments or analogous payments applicable to the Outstanding Securities of such series on the due dates thereof. Before such a deposit the Company may make arrangements satisfactory to the Trustee for the redemption of Securities at a future date or dates in accordance with Article Eleven, which shall be given effect in applying the foregoing. For this purpose, "U.S. Government Obligations" means securities that are (x) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (y) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act of 1933, as amended) as custodian with respect to any such U.S. Government

Obligation or a specific payment of principal of or interest on any such U.S. Government Obligation held by such custodian for the account of the holder of such depository receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of principal of or interest on the U.S. Government Obligation evidenced by such depository receipt.

2. No Event of Default or event which with notice or lapse of time or both would become an Event of Default with respect to the Securities of such series shall have occurred and be continuing (A) on the date of such deposit or (B) insofar as subsections 501(6) and (7) are concerned, at any time during the period ending on the 123rd day after the date of such deposit or, if longer, ending on the day following the expiration of the longest preference period applicable to the Company in respect of such deposit (it being understood that the condition in this clause (B) is a condition subsequent and shall not be deemed satisfied until the expiration of such period).

3. Such defeasance or covenant defeasance shall not (A) cause the Trustee for the Securities of such series to have a conflicting interest as defined in Section 608 or for purposes of the Trust Indenture Act with respect to any securities of the Company or (B) result in the trust arising from such deposit to constitute, unless it is qualified as, a regulated investment company under the Investment Company Act of 1940, as amended.

4. Such defeasance or covenant defeasance shall not result in a breach or violation of, or constitute a default under, this Indenture or any other agreement or instrument to which the Company is a party or by which it is bound.

5. Such defeasance or covenant defeasance shall not cause any Securities of such series then listed on any registered national securities exchange under the Securities Exchange Act of 1934, as amended, to be delisted.

6. In the case of an election under Section 1302, the Company shall have delivered to the Trustee an Opinion of Counsel stating that (x) the Company has received from, or there has been published by, the Internal Revenue Service a ruling, or (y) since the date of this Indenture there has been a change in the applicable Federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the Holders of the Outstanding Securities of

such series will not recognize income, gain or loss for Federal income tax purposes as a result of such defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred.

7. In the case of an election under Section 1303, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders of the Outstanding Securities of such series will not recognize income, gain or loss for Federal income tax purposes as a result of such covenant defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred.

8. Such defeasance or covenant defeasance shall be effected in compliance with any additional terms, conditions or limitations which may be imposed on the Company in connection therewith pursuant to Section 301.

9. The Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to either the defeasance under Section 1302 or the covenant defeasance under Section 1303 (as the case may be) have been complied with.

5. Deposited Money and U.S. Government Obligations to Be Held in Trust; Other Miscellaneous Provisions.

Subject to the provisions of the last paragraph of Section 1003, all money and U.S. Government Obligations (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee collectively, for purposes of this Section 1305, the "Trustee") pursuant to Section 1304 in respect of the Outstanding Securities of such series shall be held in trust and applied by the Trustee, in accordance with the provisions of such Securities and this Indenture, to the payment, either directly or through any Paying Agent (but not including the Company acting as its own Paying Agent) as the Trustee may determine, to the Holders of such Securities, of all sums due and to become due thereon in respect of principal (and premium, if any) and interest, but such money need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the money or U.S. Government Obligations deposited pursuant to Section 1304 or the principal and interest received in respect thereof.

Anything herein to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon Company Request any money or U.S. Government Obligations held by it as provided in Section 1304 which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, are in excess of the amount thereof which would then be required to be deposited to effect an equivalent defeasance or covenant defeasance.

Anything herein to the contrary notwithstanding, if and to the extent the deposited money or U.S. Government Obligations (or the proceeds thereof) either (i) cannot be applied by the Trustee in accordance with this Section because of a court order or (ii) are for any reason insufficient in amount, then the Company's obligations to pay principal of (and premium, if any) and interest on the Securities of such series shall be reinstated to the extent necessary to cover the deficiency on any due date for payment. In any case specified in clause (i), the Company's interest in the deposited money and U.S. Government Obligations (and proceeds thereof) shall be reinstated to the extent the Company's payment obligations are reinstated.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

In Witness Whereof, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

Chemical Banking Corporation

By

[Corporate Seal]

Attest:

The Chase Manhattan Bank

(National Association)

By

[Corporate Seal]

Attest:

State of New York)

)SS.:
County Of New York)

On the day of , , before me personally came , to me known, who, being by me duly sworn, did depose and say that he is of Chemical Banking Corporation one of the corporations described in and which executed the foregoing instruments; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that he signed his name thereto by like authority.

Notary Public in and for said State

[Notarial Seal]

State Of New York)

)SS.:
County Of New York)

On the day of , , before me personally came , to me known, who, being by me duly sworn, did depose and say that he is of The Chase Manhattan Bank (National Association) one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that he signed his name thereto by like authority.

Notary Public in and for said State

[Notarial Seal]

Exhibit 4.1(c)

JPMORGAN CHASE & CO.

(formerly known as Chemical Banking Corporation)

AND

DEUTSCHE BANK TRUST COMPANY AMERICAS

(formerly known as Bankers Trust Company,

as successor to The Chase Manhattan Corporation),

as Trustee

FIFTH SUPPLEMENTAL INDENTURE

Dated as of December 22, 2008

to

INDENTURE

Dated as of December 1, 1989

SENIOR DEBT SECURITIES

FIFTH SUPPLEMENTAL INDENTURE, dated as of December 9, 2008, between JPMORGAN CHASE & CO. (formerly known as Chemical Banking Corporation), a Delaware corporation (the "Company"), and DEUTSCHE BANK TRUST COMPANY AMERICAS (formerly known as Bankers Trust Company), a New York banking corporation, as successor to The Chase Manhattan Bank (National Association), as trustee (the "Trustee," which term shall include any successor trustee appointed pursuant to Article Six of the Indenture hereafter referred to). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture).

RECITALS OF THE COMPANY

The Company and the Trustee have heretofore executed and delivered a certain Indenture, dated as of December 1, 1989 (the "Base Indenture"), as supplemented by the Agreement of Resignation, Appointment and Acceptance, dated as of March 29, 1996, and as amended by the First Supplemental Indenture, dated as of November 1, 2007, the Second Supplemental Indenture, dated as of December 2, 2008, the Third Supplemental Indenture, dated as of December 9, 2008, and the Fourth Supplemental Indenture, dated as of December 12, 2008 (as supplemented and amended, the "Indenture"), providing for the issuance from time to time of Securities;

Section 901(5) of the Base Indenture provides that, without the consent of any Holders of any Securities, the Company, when authorized by Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental to the Indenture, in form satisfactory to the Trustee, to change or eliminate any of the provisions of the Indenture, provided that any such change or elimination shall become effective only when there is no Security Outstanding of any series created prior to the execution of such supplemental indenture which is entitled to the benefit of such provision;

Section 201 of the Base Indenture provides that, without the consent of any Holders of any Securities, the Company, when authorized by Board Resolution or in one or more indentures supplemental to the Indenture, may establish the form of Securities of any series, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by the Indenture;

The Company desires and has requested that the Trustee join in the execution of this Fifth Supplemental Indenture for the purpose of amending certain provisions of the Indenture and establishing the form of certain Securities as hereinafter set forth;

The execution and delivery of this Fifth Supplemental Indenture has been authorized by a Board Resolution of the Company; and

All conditions precedent and requirements necessary to make this Fifth Supplemental Indenture a valid and legally binding instrument in accordance with its terms have been complied with, performed and fulfilled and the execution and delivery hereof have been in all respects duly authorized;

NOW, THEREFORE, THIS FIFTH SUPPLEMENTAL INDENTURE WITNESSETH:

For and in consideration of the premises and intending to be legally bound hereby, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of Securities of the applicable series referred to below, as follows:

ARTICLE ONE

REPRESENTATIONS OF THE COMPANY

The Company represents and warrants to the Trustee as follows:

SECTION 1.1. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

The execution, delivery and performance by the Company of this Fifth Supplemental Indenture have been authorized and approved by all necessary corporate action on the part of it.

ARTICLE TWO

SCOPE OF THIS SUPPLEMENTAL INDENTURE

SECTION 2.1. The changes, modifications and supplements to the Indenture effected by this Supplemental Indenture shall only be applicable with respect to, and govern the terms of, the FDIC-Guaranteed Series (as defined herein), and shall not apply to any other series of Securities.

ARTICLE THREE

AMENDMENTS

SECTION 3.1. Section 101 of the Base Indenture is hereby amended by adding the following definitions:

“Authorized Representative” has the meaning specified in Section 1403.

“Debt Guarantee Program” has the meaning specified in Section 1402.

“Effective Period” has the meaning specified in Section 1406.

“FDIC” means the Federal Deposit Insurance Corporation, a corporation organized under the laws of the United States.

"FDIC-Guaranteed Series" means any series of Securities that is issued on or after the date hereof and is guaranteed by the FDIC pursuant to its Temporary Liquidity Guarantee Program.

"Master Agreement" has the meaning specified in Section 1408.

"Temporary Liquidity Guarantee Program" means the Temporary Liquidity Guarantee Program established pursuant to 12 C.F.R. Part 370.

SECTION 3.2. Section 202 of the Base Indenture shall not apply to the FDIC-Guaranteed Series and the Form of Face of Note relating to the FDIC-Guaranteed Series attached hereto as Annex A shall hereby be inserted with respect to the FDIC-Guaranteed Series in lieu thereof.

SECTION 3.3. Section 203 of the Base Indenture shall not apply to the FDIC-Guaranteed Series and the Form of Reverse of Note relating to the FDIC-Guaranteed Series attached hereto as Annex A shall hereby be inserted with respect to the FDIC-Guaranteed Series in lieu thereof.

SECTION 3.4. Sections 501(A)(1) and 501(A)(2) of the Base Indenture shall not apply to the FDIC-Guaranteed Series and the following paragraphs shall hereby be inserted with respect to the FDIC-Guaranteed Series in lieu thereof:

(1) default (a) by the Company in the payment of interest, if any, upon any Security of that series when it becomes due and payable and continuance of such default for a period of 30 days and (b) by the FDIC in the payment of interest, if any, upon any Security of that series in accordance with the Temporary Liquidity Guarantee Program (12 C.F.R. Part 370); or

(2) default (a) by the Company in the payment of the principal of (or premium, if any, on) any Security of that series at its Maturity and (b) by the FDIC in the payment of the principal of (or premium, if any, on) any Security of that series in accordance with the Temporary Liquidity Guarantee Program (12 C.F.R. Part 370); or

SECTION 3.5. The first paragraph of Section 502 of the Base Indenture shall not apply to the FDIC-Guaranteed Series and the following paragraph shall hereby be inserted with respect to the FDIC-Guaranteed Series in lieu thereof:

If an Event of Default specified in Sections 501(A)(1) or 501(A)(2) occurs and is continuing, then and in every such case the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities of that series may declare the principal amount (or, if the Securities of that series are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of that series) of all of the Securities of that series to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such principal amount (or specified amount) shall become immediately due and payable.

SECTION 3.6. The Base Indenture is hereby amended by adding the following Article Fourteen with respect to the FDIC-Guaranteed Series immediately following Article Thirteen.

"ARTICLE FOURTEEN"

CERTAIN MATTERS PERTAINING TO THE FDIC-GUARANTEED SERIES

Section 1401. *Applicability*.

The provisions of this Article Fourteen shall apply to each FDIC-Guaranteed Series issued under this Indenture, but shall not apply to any other series of Securities.

Section 1402. *Acknowledgement of the FDIC's Debt Guarantee Program*.

The parties to this Indenture acknowledge that the Company has not opted out of the Debt Guarantee Program as set forth in 12 C.F.R. Part 370 (the "Debt Guarantee Program") established by the FDIC under its Temporary Liquidity Guarantee Program.

As a result, this debt is guaranteed under the FDIC Temporary Liquidity Guarantee Program and is backed by the full faith and credit of the United States. The details of the FDIC guarantee are provided in the FDIC's regulations, 12 C.F.R. Part 370, and at the FDIC's website, www.fdic.gov/tlgp. The expiration date of the FDIC's guarantee is the earlier of the maturity date of this debt or June 30, 2012.

Section 1403. *Trustee Designated as Representative*.

The Trustee is designated under this Indenture as the duly authorized representative of the Holders for purposes of making claims and taking other permitted or required actions under the Debt Guarantee Program (the "Authorized Representative"). Any Holder may elect not to be represented by the Authorized Representative by providing written notice of such election to the Authorized Representative (it being understood that such election shall not affect the Trustee's capacity hereunder except as the representative of such Holder under the Debt Guarantee Program). The Company hereby authorizes and directs the Authorized Representative to take all actions on behalf of the Holders that the Authorized Representative is required or empowered to take on behalf of the Holders pursuant to the Debt Guarantee Program, including, without limitation, in the event the Company fails to make any payment in respect of Securities of an FDIC-Guaranteed Series on the date such payment is due, to take all reasonable actions to pursue guarantee payments from the FDIC pursuant to the Debt Guarantee Program.

In particular, (i) on the 30th day from the date the Company defaults in payment of interest, which default has not been cured by the Company by such 30th day, or (ii) no later than the fourth (4th) business day after Maturity, in the case of default in principal, the Authorized Representative shall make a demand on behalf of the Holders to the FDIC for payment of the guaranteed amount under the Debt Guarantee Program. Such demand shall be accompanied by a proof of claim, which shall include evidence, to the extent not previously provided in the Master Agreement, in form and content satisfactory to the FDIC, of: (A) the Authorized Representative's financial and organizational capacity to act as representative under the Temporary Liquidity Guarantee Program; (B) the Authorized Representative's exclusive authority to act on behalf of the Holders and its fiduciary responsibility to the Holders when acting as such, as established by the terms of this Indenture; (C) the occurrence of a payment default with respect to Securities of an FDIC-Guaranteed Series; and (D) the authority to make an assignment of the Holders' right, title, and interest in the Securities of the applicable FDIC-Guaranteed Series to the FDIC and to effect the transfer to the FDIC of the Holder's claim in any insolvency proceeding. Such assignment shall include the right of the FDIC to receive any and all distributions on the Securities of the applicable FDIC-Guaranteed Series from the proceeds of the receivership or bankruptcy estate. Any demand under this Section 1403 shall be made in writing and directed to the Director, Division of Resolution and Receiverships, Federal Deposit Insurance Corporation, Washington, D.C., and shall include all supporting evidences as provided in this Section 1403, and shall certify to the accuracy thereof.

Section 1404. *Subrogation of the FDIC*.

The FDIC shall be subrogated to all of the rights of the Holders and the Authorized Representative under this Indenture against the Company in respect of any amounts paid to the Holders, or for the benefit of the Holders, under any FDIC-Guaranteed Series by the FDIC pursuant to the Debt Guarantee Program.

Section 1405. *Assignment upon Guarantee Payment*.

The Holders hereby authorize the Authorized Representative, at such time as the FDIC shall commence making any guarantee payments to the Authorized Representative for the benefit of the Holders of any FDIC-Guaranteed Series pursuant to the Debt Guarantee Program, to execute an assignment in the form attached to this Indenture as Annex C pursuant to which the Authorized Representative shall assign to the FDIC its right to receive any and all payments from the Company under this Indenture on behalf of the Holders of such FDIC-Guaranteed Series. The Issuer hereby consents and agrees that the FDIC is an acceptable transferee for all or any portion of payments made in respect of the FDIC-Guaranteed Series for all purposes of this Indenture and upon any such assignment, the FDIC shall be deemed a Holder under this Indenture for all purposes hereof, and the Company hereby agrees to take such reasonable steps as are necessary to comply with any relevant provision of this Indenture as a result of such assignment.

Section 1406. *Surrender of Senior Unsecured Debt Instrument to the FDIC*.

If, at any time on or prior to the expiration of the period during which any FDIC-Guaranteed Series is guaranteed by the FDIC under the Debt Guarantee Program (the "Effective Period"), payment in full with respect to any Security of such FDIC-Guaranteed Series shall be made pursuant to the Debt Guarantee Program on the outstanding principal and accrued interest to such date of payment, the Holder shall, or the Holder shall cause the person or entity in possession to, promptly surrender to the FDIC the certificate, note or other instrument evidencing such Security, if any.

Section 1407. *Notice Obligations to FDIC of Payment Default*.

If, at any time prior to the earlier of (a) full satisfaction of the payment obligations in respect of any FDIC-Guaranteed Series, or (b) expiration of the Effective Period with respect to thereto, the Company is in default of any payment obligation in respect of such FDIC-Guaranteed Series hereunder or under the Securities of such series, including timely payment of any accrued and unpaid interest in respect of the Securities of such FDIC-Guaranteed Series, without regard to any cure period, the Authorized Representative covenants and agrees that it shall provide written notice to the FDIC within one (1) Business Day of such payment default at the address set forth below, or at such other address or by such other means of delivery as the FDIC may specify from time to time:

The Federal Deposit Insurance Corporation
Deputy Director, Receivership Operations Branch
Division of Resolutions and Receiverships
Attention: Master Agreement
550 17th Street, N.W.
Washington, DC 20429

Section 1408. *Ranking*.

Any indebtedness of the Company to the FDIC arising under Section 2.03 of the Master Agreement entered into by the Company and the FDIC in connection with the Debt Guarantee Program (the "Master Agreement") will constitute a senior unsecured general obligation of the Company, ranking *pari passu* with Securities of any FDIC-Guaranteed Series issued hereunder.

Section 1409. *No Modifications without FDIC Consent*.

Notwithstanding anything to the contrary contained in Article Nine, without the express written consent of the FDIC, the parties hereto agree not to amend, modify, supplement or waive any provision in this Indenture or the Securities that is related to the principal or interest payment, default or ranking of the Securities of any FDIC-Guaranteed Series; that is required to be included herein or therein pursuant to the Master Agreement; or any provision herein or therein that would require the consent of each Holder of Securities of such series.

SECTION 3.7. The Indenture is hereby amended by attaching as Annex C thereto the Form of Assignment attached to this Fifth Supplemental Indenture as Annex C.

ARTICLE FOUR

MISCELLANEOUS

SECTION 4.1. Except as amended hereby, the Indenture and the Securities are in all respects ratified and confirmed and all the terms thereof shall remain in full force and effect and the Indenture, as so amended, shall be read, taken and construed as one and the same instrument.

SECTION 4.2. The Trustee accepts the modification of the Indenture effected by this Fifth Supplemental Indenture, but only upon the terms and conditions set forth in the Indenture. Without limiting the generality of the foregoing, the Trustee assumes no responsibility for the correctness of the recitals herein contained, which shall be taken as the statements of the Company.

SECTION 4.3. If and to the extent that any provision of this Fifth Supplemental Indenture limits, qualifies or conflicts with another provision included in this Fifth Supplemental Indenture or in the Indenture that is required to be included in this Fifth Supplemental Indenture or the Indenture by any of the provisions of Sections 310 to 317, inclusive, of the Trust Indenture Act of 1939, such required provision shall control.

SECTION 4.4. Nothing in this Fifth Supplemental Indenture is intended to or shall provide any rights to any parties other than those expressly contemplated by this Fifth Supplemental Indenture.

SECTION 4.5. This Fifth Supplemental Indenture shall be deemed to be a contract made under the laws of the State of New York, and for all purposes shall be governed by and construed in accordance with the laws of said State.

SECTION 4.6. This Fifth Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Fifth Supplemental Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested all as of the day and year first above written.

JPMORGAN CHASE & CO.

By ______________________________

Name: Tod J. Gordon
Title: Managing Director

(Corporate Seal)

Attest:

____

Assistant Secretary

DEUTSCHE BANK TRUST COMPANY
AMERICAS, as Trustee

(Corporate Seal)

Attest:

____

Annex A

[Registered] [Registered]

JPMORGAN CHASE & CO.
[__] [FLOATING RATE] GUARANTEED NOTES DUE [__]

This Security is not a Deposit or other obligation of a depository institution. This Security is guaranteed under the Federal Deposit Insurance Corporation (the "FDIC")'s Temporary Liquidity Guarantee Program and is backed by the full faith and credit of the United States. The details of the FDIC guarantee are provided in the FDIC's regulations, 12 C.F.R. Part 370, and at the FDIC's website, www.fdic.gov/tlgp. The expiration date of the FDIC's guarantee is the earlier of the maturity date of this Security or June 30, 2012.

[*for Securities sold in the United States, insert the following legends*:

[This Security is a Global Security within the meaning of the Indenture hereinafter referred to and is registered in the name of Cede & Co., the nominee of The Depository Trust Company (the "Depositary"). This Global Security is exchangeable for Securities registered in the name of a Person other than the Depositary or its nominee only in the limited circumstances described in the Indenture, and no transfer of this Security (other than a transfer of this Security as a whole by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary) may be registered except in such limited circumstances. The Depositary will not sell, assign, transfer or otherwise convey any beneficial interest in this Global Security unless such beneficial interest is in an amount equal to an authorized denomination for Securities of the series, and the Depositary, by its acceptance hereof, agrees to be so bound.

Unless this Security is presented by an authorized representative of the Depositary to JPMorgan Chase & Co. or its agent for registration of transfer, exchange or payment, and any Security issued is registered in the name of Cede & Co. or such other name as is requested by an authorized representative of the Depositary (and any payment is made to Cede & Co. or to such other entity as is an authorized representative of the Depositary), any transfer, pledge or other use hereof for value or otherwise by or to any person is wrongful since the registered owner hereof, Cede & Co., has an interest herein.]

[*for Securities sold outside the United States, insert the following legends:*

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES
SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO OR FOR THE BENEFIT OF U.S. PERSONS (EACH AS DEFINED IN REGULATION S OF THE SECURITIES ACT).

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF

[THE BANK OF NEW YORK DEPOSITORY (NOMINEES) LIMITED], THE NOMINEE OF EUROCLEAR BANK S.A./N.V. ("EUROCLEAR") AND CLEARSTREAM BANKING, SOCIéTé ANONYME ("CLEARSTREAM", AND TOGETHER WITH EUROCLEAR, THE "CLEARING SYSTEMS"). THIS GLOBAL SECURITY IS EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN A NOMINEE FOR THE CLEARING SYSTEMS IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE, AND NO TRANSFER OF THIS SECURITY (OTHER THAN A TRANSFER OF THIS SECURITY AS A WHOLE BY THE NOMINEE OF THE CLEARING SYSTEMS TO ANOTHER NOMINEE OF THE CLEARING SYSTEMS) MAY BE REGISTERED EXCEPT IN SUCH LIMITED CIRCUMSTANCES. THE NOMINEE AND [THE BANK OF NEW YORK MELLON], AS COMMON DEPOSITARY FOR THE CLEARING SYSTEMS, WILL NOT SELL, ASSIGN, TRANSFER OR OTHERWISE CONVEY ANY BENEFICIAL INTEREST IN THIS GLOBAL SECURITY UNLESS SUCH BENEFICIAL INTEREST IS IN AN AMOUNT EQUAL TO AN AUTHORIZED DENOMINATION FOR SECURITIES OF THE SERIES, AND THE NOMINEE AND COMMON DEPOSITARY FOR THE CLEARING SYSTEMS, BY THEIR ACCEPTANCE HEREOF, AGREES TO BE SO BOUND.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF EUROCLEAR OR CLEARSTREAM, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF ITS AUTHORIZED NOMINEE OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF EUROCLEAR OR CLEARSTREAM (AND ANY PAYMENT IS MADE TO ITS AUTHORIZED NOMINEE, OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF EUROCLEAR OR CLEARSTREAM) ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, ITS AUTHORIZED NOMINEE, HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF EUROCLEAR OR CLEARSTREAM OR TO SUCCESSORS THEREOF OR SUCH SUCCESSOR'S NOMINEES AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.]

[R-]

[$___] [[£/€___]
CUSIP No: [___]
ISIN No: [___]

JPMorgan Chase & Co., a corporation duly organized and existing under the laws of the State of Delaware (herein called the "Company", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to

[for Securities sold outside the United States, insert [THE BANK OF NEW YORK DEPOSITORY (NOMINEES) LIMITED]

[*for Securities sold in the United States, insert* [CEDE & CO.], or registered assigns,
the principal sum of

[__] ($[__])

on [___], [___], on the terms and in the manner described on the reverse hereof, and to pay interest, [*for Securities with fixed rate interest, insert*: [semi-]annually in arrears on [[___] and][___] of each year, commencing [___], 200[_], and at maturity on said principal sum, at the rate of [___] per annum from the next preceding [[___] or] [___], [as the case may be,] unless no interest has been paid on this Security, in which case from [___], 200[_], until the payment of said principal sum has been made or duly provided for; provided, however, that if the Company shall default in the payment of interest due on such [[___] or] [___], then this Security shall bear interest from the next preceding [[___] or] [___] to which interest has been paid, or, if no interest has been paid on this Security, from [___], 2008. The interest so payable, and punctually paid or duly provided for, on any interest payment date shall, as provided in the Indenture referred to on the reverse hereof, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the [[___] or] [___] (whether or not a Business Day), [as the case may be,] next preceding such [[___] or] [___].]

[*for Securities with floating rate interest, insert*: [[quarterly, monthly, semi-annually or annually] in arrears on [___] of each year, commencing [___], 200[_] at a floating rate equal to the [___] rate plus [___]% per annum. The period beginning on and including [___], 200[_] and ending on but excluding the first interest payment date and each successive period beginning on and including an interest payment date and ending on but excluding the next interest payment date is an "interest period." [___], as calculation agent, shall calculate the interest rate for each interest period based on [___], prior to the first day of such interest period. The interest so payable, and punctually paid or duly provided for, on any interest payment date shall, as provided in the Indenture referred to on the reverse hereof, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the [___] day of the month preceding the month in which the interest payment date occurs.]

Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to the Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

Payment of principal of and any such interest on this Security shall be made at the office or agency of the Company maintained for that purpose in [*for Securities sold in the United States, insert:* the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts] [*for Securities sold outside the United States on a Reg 144A or Reg S Basis, insert:* [London, in [Pounds Sterling or in such other coin or currency of the United Kingdom] / [Euro or in such coin or currency that is the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty of Rome of March 25, 1957 establishing the European Community (as amended and supplemented from time to time) and as at the time of payment is legal tender for the payment of public and private debts]; provided, however, that at the option of the Company, payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof, or an Authenticating Agent, by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

[Balance of Page Intentionally Blank]

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Date: [__]

JPMORGAN CHASE & CO.

By:

Name:
Title:

Attest:

Name:
Title:

[Seal]

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein
referred to in the within-mentioned Indenture.

DEUTSCHE BANK TRUST COMPANY AMERICAS (formerly known as Bankers Trust Company),
AS TRUSTEE

By THE BANK OF NEW YORK MELLON
as Authenticating Agent

By: Authorized Officer

Annex B

[REVERSE OF SECURITY]

[__] [FLOATING RATE] GUARANTEED NOTES DUE [__]

This Security is one of a duly authorized issue of senior debt securities of the Company (herein called the “Securities”) of the series hereinafter specified, all issued or to be issued under and pursuant to the Indenture, dated as of December 1, 1989 (as supplemented by the Agreement of Resignation, Appointment and Acceptance, dated as of March 29, 1996), as amended by the First Supplemental Indenture, dated as of November 1, 2007, the Second Supplemental Indenture, dated as of December 2, 2008, the Third Supplemental Indenture, dated as of December 9, 2008, the Fourth Supplemental Indenture, dated as of December 12, 2008, and the Fifth Supplemental Indenture, dated as of December 22, 2008 (as amended and supplemented, the “Indenture”), between the Company and Deutsche Bank Trust Company Americas (formerly known as Bankers Trust Company), as trustee (the “Trustee” which term includes any successor trustee under the Indenture), duly executed and delivered by the Company. Reference is hereby made to the Indenture and all indentures supplemental thereto for a description of the respective rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company, the holders of Senior Indebtedness and Additional Senior Obligations and the holders of the Securities. Terms defined in the Indenture are used herein as so defined. The Securities may be issued in one or more series, which different series may be issued in various aggregate principal amounts, may mature at different times, may bear interest, if any, at different rates, may be subject to different redemption provisions, if any, may be subject to different sinking funds, if any, may be subject to different covenants and Events of Default and may otherwise vary as provided in the Indenture. This Security is one of the series designated as the [___] [Floating Rate] Guaranteed Notes due [___] of the Company (herein called the “Notes”), which series shall have a current aggregate principal amount of [___], which principal amount may be increased from time to time through the issuance of additional Notes.

[This Security is not redeemable prior to maturity and is not subject to any sinking fund.]

[*for Securities with fixed rate interest, insert*: Interest on this Security shall be computed on the basis of a 360-day year consisting of twelve 30-day months.]

If an Event of Default concerning: (1) default (a) by the Company in the payment of interest, if any, upon any Security of that series when it becomes due and payable and continuance of such default for a period of 30 days and (b) by the FDIC in the payment of interest, if any, upon any Security of that series in accordance with the Temporary Liquidity Guarantee Program (12 C.F.R. Part 370); or (2) default (a) by the Company in the payment of the principal of (or premium, if any, on) any Security of that series at its Maturity and (b) by the FDIC in the payment of the principal of (or premium, if any, on) any Security of that series in accordance with the Temporary Liquidity Guarantee Program (12 C.F.R. Part 370) shall occur and is continuing, the principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture. Upon payment (i) of the amount of principal so declared due and payable and (ii) of interest on any overdue principal and overdue interest (in each case to the extent that the payment of such interest shall be legally enforceable), all of the Company's obligations in respect of the payment of the principal of and interest, if any, on the Securities of this series shall terminate.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of each series to be affected; *provided, however,* that the express written consent of the FDIC will be required to amend, modify or waive any provision of the Securities that comprise the FDIC-Guaranteed Series or the provisions of the Indenture relating to principal, interest, default or ranking provisions of such Securities; any provisions of the notes or the Indenture required to be included by a "Master Agreement" between the Company and the FDIC relating to the Company's participation in the "Debt Guarantee Program" component of the FDIC's Temporary Liquidity Guarantee Program; or any other provision that would require the consent of all holders of the Securities. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest (if any) on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer in any place where the principal of and interest (if any) on this Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series, of authorized denominations and for the same aggregate principal amount, shall be issued to the designated transferee or transferees.

[The Securities of this series are issuable only in registered form without coupons in denominations of [$2,000 and any larger integral multiples of $1,000] [[£/€___] and any larger multiples of [£/€___]. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof and for all purposes, whether or not this Security shall be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

No recourse for the payment of the principal of (or premium, if any) or interest on this Security or for any claim based hereon or otherwise in respect hereof, and no recourse under or upon any obligation, covenant or agreement of the Company in the Indenture or any indenture supplemental thereto or in this Security, or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, officer or director, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company, or any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released by each holder of this Security.

By the acceptance of this Security, the Holder hereof hereby agrees to the appointment of the Trustee as its Authorized Representative for purposes of making claims and taking all actions permitted or required under the Debt Guarantee Program and in accordance with the terms of, and under the circumstances set forth in, the Indenture. Any Holder may elect not to be represented by the Authorized Representative by providing written notice of such election to the Authorized Representative (it being understood that such election shall not affect the Trustee's capacity under the Indenture except as the representative of such Holder under the Debt Guarantee Program).

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

This Security shall be governed by and construed in accordance with the laws of the State of New York.

Annex C

FORM OF ASSIGNMENT[1]

This Assignment is made pursuant to the terms of Section 1405 of the Indenture, dated as of December 1, 1989, as supplemented by the Agreement of Resignation, Appointment and Acceptance, dated as of March 29, 1996, and as amended by the First Supplemental Indenture, dated as of November 1, 2007, the Second Supplemental Indenture, dated as of December 2, 2008, the Third Supplemental Indenture, dated as of December 9, 2008, the Fourth Supplemental Indenture, dated as of December 12, 2008, and the Fifth Supplemental Indenture, dated as of December 22, 2008 (as amended and supplemented, the "Indenture"), between JPMORGAN CHASE & CO. (formerly known as Chemical Banking Corporation), a Delaware corporation (the "Company"), and DEUTSCHE BANK TRUST COMPANY AMERICAS (formerly known as Bankers Trust Company), (the "Trustee"), acting on behalf of the Holders of the Securities issued under the Indenture who have not opted out of representation by the Trustee (the "Holders") with respect to [designate series] (the "Assigned FDIC-Guaranteed Series"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned thereto in the Indenture.

For value received, the Trustee, on behalf of the Holders (the "Assignor"), hereby assigns to the Federal Deposit Insurance Corporation (the "FDIC"), without recourse, all of the Assignor's respective rights, title and interest in and to: (a) the certificates or other instruments evidencing the Securities of the Assigned FDIC-Guaranteed Series issued under the Indenture (the "Notes"); (b) the Indenture; and (c) any other instrument or agreement executed by the Company regarding obligations of the Company under the Notes or the Indenture (collectively, the "Assignment").

The Assignor hereby certifies that:

1. Without the FDIC's prior written consent, the Assignor has not:

(a) agreed to any material amendment of the Notes or the Indenture or to any material deviation from the provisions thereof; or

(b) accelerated the maturity of the Notes.

[**Instructions to the Assignor:** If the Assignor has not assigned or transferred any interest in the Notes and related documentation, such Assignor must include the following representation.]

2. The Assignor has not assigned or otherwise transferred any interest in the Notes or Indenture;

1 This Form of Assignment shall be modified as appropriate if the assignment is being made by an individual Holder rather than the Trustee or if the debt being assigned is not in certificated form or otherwise represented by a written instrument.

[**Instructions to the Assignor:** If the Assignor has assigned a partial interest in the Notes and related documentation, the Assignor must include the following representation.]

2. The Assignor has assigned part of its rights, title and interest in the Notes and the Indenture to __________ pursuant to the __________ agreement, dated as of __________, 20___, between __________, as assignor, and __________, as assignee, an executed copy of which is attached hereto.

The Assignor acknowledges and agrees that this Assignment is subject to the Indenture and to the following:

1. In the event the Assignor receives any payment under or related to the Notes or the Indenture from a party other than the FDIC (a "Non-FDIC Payment"):

(a) after the date of demand for a guarantee payment on the FDIC pursuant to 12 C.F.R. Part 370, but prior to the date of the FDIC's first guarantee payment under the Indenture pursuant to 12 C.F.R. Part 370, the Assignor shall promptly but in no event later than four (4) Business Days after receipt notify the FDIC of the date and the amount of such Non-FDIC Payment and shall apply such payment as payment made by the Company, and not as a guarantee payment made by the FDIC, and therefore, the amount of such payment shall be excluded from this Assignment; and

(b) after the FDIC's first guarantee payment under the Indenture, the Assignor shall forward promptly to the FDIC such Non-FDIC Payment in accordance with the payment instructions provided in writing by the FDIC.

2. Acceptance by the Assignor of payment pursuant to the Debt Guarantee Program on behalf of the Holders shall constitute a release by such Holders of any liability of the FDIC under the Debt Guarantee Program with respect to such payment.

The Person who is executing this Assignment on behalf of the Assignor hereby represents and warrants to the FDIC that he/she/it is duly authorized to do so.

******

IN WITNESS WHEREOF, the Assignor has caused this instrument to be executed and delivered this ___ day of __________, 20___.

Very truly yours,

[ASSIGNOR]

By: ____
(Signature)

Name: ____

(Print)

Title: ______________________________

(Print)

Consented to and acknowledged by this ___ day of ___________, 20___:

THE FEDERAL DEPOSIT INSURANCE CORPORATION

By: ____
(Signature)

Name: ____
(Print)

Title: ____
(Print)

Exhibit 4.4(a)

THE CHASE MANHATTAN CORPORATION

TO

THE BANK OF NEW YORK

TRUSTEE

JUNIOR SUBORDINATED INDENTURE

DATED AS OF   , 1996

THE CHASE MANHATTAN CORPORATION

Reconciliation and tie between the Trust Indenture Act of 1939 (including cross-references to provisions of Sections 310 to and including 317 which, pursuant to Section 318(c) of the Trust Indenture Act of 1939, as amended by the Trust Reform Act of 1990, are a part of and govern the Indenture whether or not physically contained therein) and the Junior Subordinated Indenture, dated as of , 199 .

Trust Indenture ACT SECTION		Indenture SECTION
Section 310	(a) (1), (2) and (5)............	6.9
	(a) (3)..........................	Not Applicable
	(a) (4)..........................	Not Applicable
	(b)..............................	6.8
	....	6.10
	(c)..............................	Not Applicable
Section 311	(a)..............................	6.13(a)
	(b)..............................	6.13(b)
	(b) (2)..........................	7.3(a) (2)
	....	.7.3(a) (2)
Section 312	(a)..............................	7.1
	....	7.2(a)
	(b)..............................	7.2(b)
	(c)..............................	7.2(c)
Section 313	(a)..............................	7.3(a)
	(b)..............................	7.3(b)
	(c)..............................	7.3(a), 7.3(b)
	(d)..............................	7.3(c)
Section 314	(a) (1), (2) and (3)............	7.4
	(a) (4)..........................	10.5
	(b)..............................	Not Applicable
	(c) (1)..........................	1.2
	(c) (2)..........................	1.2
	(c) (3)..........................	Not Applicable
	(d)..............................	Not Applicable
	(e)..............................	1.2
	(f)..............................	Not Applicable
Section 315	(a)..............................	6.1(a)
	(b)..............................	6.2
	....	7.3(a) (6)
	(c)..............................	6.1(b)

TRUST INDENTURE ACT SECTION		INDENTURE SECTION
	(d)	6.1(c)
	(d) (1)	6.1(a) (1)
	(d) (2)	6.1(c) (2)
	(d) (3)	6.1(c) (3)
	(e)	5.14
Section 316	(a)	1.1
	(a) (1) (A)	5.12
	(a) (1) (B)	5.13
	(a) (2)	Not Applicable
	(b)	5.8
	(c)	1.4(f)
Section 317	(a) (1)	5.3
	(a) (2)	5.4
	(b)	10.3
Section 318	(a)	1.7

Note: This reconciliation and tie shall not, for any purpose, be deemed to be a part of the Junior Subordinated Indenture.

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JUNIOR SUBORDINATED INDENTURE, dated as of , 199 , between THE CHASE MANHATTAN CORPORATION, a Delaware corporation (hereinafter called the "Company") having its principal office at 270 Park Avenue, New York, NY 10017, and THE BANK OF NEW YORK, a national banking association duly organized and existing under the laws of the United States, as Trustee (hereinafter called the "Trustee").

RECITALS OF THE COMPANY

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its unsecured junior subordinated debt securities in series (hereinafter called the "Securities") of substantially the tenor hereinafter provided, including, without limitation, Securities issued to evidence loans made to the Company of the proceeds from the issuance from time to time by one or more business trusts (each a "Trust," and, collectively, the "Trusts") of preferred trust interests in such Trusts (the "Preferred Securities") and common interests in such Trusts (the "Common Securities" and, collectively with the Preferred Securities, the "Trust Securities"), and to provide the terms and conditions upon which the Securities are to be authenticated, issued and delivered.

All things necessary to make the Securities, when executed by the Company and authenticated and delivered hereunder and duly issued by the Company, the valid obligations of the Company, and to make this Indenture a valid agreement of the Company, in accordance with their and its terms, have been done.

NOW THEREFORE, THIS INDENTURE WITNESSETH: For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities or of any series thereof, as follows:

ARTICLE I

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 1.1. Definitions.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) The terms defined in this Article have the meanings assigned to them in this Article, and include the plural as well as the singular;

(2) All other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(3) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles, and the term "generally accepted

accounting principles" with respect to any computation required or permitted hereunder shall mean such accounting principles which are generally accepted at the date or time of such computation; provided, that when two or more principles are so generally accepted, it shall mean that set of principles consistent with those in use by the Company; and

(4) The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

"Act" when used with respect to any Holder has the meaning specified in Section 1.4.

"Additional Interest" means the interest, if any, that shall accrue on any interest on the Securities of any series the payment of which has not been made on the applicable Interest Payment Date and which shall accrue at the rate per annum specified or determined as specified in such Security.

"Additional Sums" has the meaning specified in Section 10.6.

"Additional Taxes" means the sum of any additional taxes, duties and other governmental charges to which a Trust has become subject from time to time as a result of a Tax Event.

"Administrative Trustee" means, in respect of any Trust, each Person identified as an "Administrative Trustee" in the related Trust Agreement, solely in such Person's capacity as Administrative Trustee of such Trust under such Trust Agreement and not in such Person's individual capacity, or any successor administrative trustee appointed as therein provided.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person; provided, however, no Trust to which Securities have been issued shall be deemed to be an Affiliate of the Company. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Allocable Amounts," when used with respect to any Senior Debt, means all amounts due or to become due on such Senior Debt less, if applicable, any amount which would have been paid to, and retained by, the holders of such Senior Debt (whether as a result of the receipt of payments by the holders of such Senior Debt from the Company or any other obligor thereon or from any holders of, or trustee in respect of, other indebtedness that is subordinate and junior in right of payment to such Senior Debt pursuant to any provision of such indebtedness for the payment over of amounts received on account of such indebtedness to the holders of such Senior Debt or otherwise) but for the fact that such Senior Debt is subordinate or junior in right of payment to (or subject to a requirement that amounts received on such Senior Debt be paid over to obligees on) trade accounts payable or accrued liabilities arising in the ordinary course of business.

"Authenticating Agent" means any Person authorized by the Trustee pursuant to Section 6.14 to act on behalf of the Trustee to authenticate Securities of one or more series.

"Board of Directors" means either the board of directors of the Company or any committee of that board duly authorized to act hereunder.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors, or such committee of the Board of Directors or officers of the Company to which authority to act on behalf of the Board of Directors has been delegated, and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions in The City of New York are authorized or required by law or executive order to remain closed or (iii) a day on which the Corporate Trust Office of the Trustee, or, with respect to the Securities of a series initially issued to a Trust, the principal office of the Property Trustee under the related Trust Agreement, is closed for business.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties on such date.

"Common Securities" has the meaning specified in the first recital of this Indenture.

"Common Stock" means the common stock[, par value $ per share,] [, without par value,] of the Company.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor corporation shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor corporation.

"Company Request" and "Company Order" mean, respectively, the written request or order signed in the name of the Company by the Chairman of the Board of Directors, the Vice Chairman of the Board of Directors, its President or a Vice President, and by its Treasurer, an Assistant Treasurer, its Secretary or an Assistant Secretary of the Company, and delivered to the Trustee.

"Corporate Trust Office" means the principal office of the Trustee at which at any particular time its corporate trust business shall be administered.

"corporation" includes a corporation, association, company, joint-stock company or business trust.

"Debt" means, with respect to any Person, whether recourse is to all or a portion of the assets of such Person and whether or not contingent, (i) every obligation of such Person for money borrowed; (ii) every obligation of such Person evidenced by bonds, debentures, notes or other similar instruments, including obligations incurred in connection with the acquisition of property, assets or businesses; (iii) every reimbursement obligation of such Person with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of such Person; (iv) every obligation of such Person issued or assumed as the deferred purchase price of property or services (but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business); (v) every capital lease obligation of such Person; (vi) all indebtedness of the Company, whether incurred on or prior to the date of this Indenture or thereafter incurred, for claims in respect of derivative products, including interest rate, foreign exchange rate and commodity forward contracts, options and swaps and similar arrangements; and (vii) every obligation of the type referred to in clauses (i) through (vi) of another Person and all dividends of another Person the payment of which, in either case, such Person has guaranteed or is responsible or liable for, directly or indirectly, as obligor or otherwise.

"Defaulted Interest" has the meaning specified in Section 3.7.

"Depositary" means, with respect to the Securities of any series issuable or issued in whole or in part in the form of one or more Global Securities, the Person designated as Depositary by the Company pursuant to Section 3.1 with respect to such series (or any successor thereto).

"Discount Security" means any security which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 5.2.

"Distributions," with respect to the Trust Securities issued by an Trust, means amounts payable in respect of such Trust Securities as provided in the related Trust Agreement and referred to therein as "Distributions."

"Dollar" means the currency of the United States of America that, as at the time of payment, is legal tender for the payment of public and private debts.

"Event of Default" unless otherwise specified in the supplemental indenture creating a series of Securities has the meaning specified in Article V.

"Exchange Act" means the Securities Exchange Act of 1934 and any statute successor thereto, in each case as amended from time to time.

"Extension Period" has the meaning specified in Section 3.11.

"Global Security" means a Security in the form prescribed in Section 2.4 evidencing all or part of a series of Securities, issued to the Depository or its nominee for such series, and registered in the name of such Depository or its nominee.

"Guarantee" means the guarantee by the Company of distributions on the Preferred Securities of a Trust to the extent provided in the Guarantee Agreement.

"Guarantee Agreement" means the Guarantee Agreement substantially in the form attached hereto as Annex C, or substantially in such form as may be specified as contemplated by Section 3.1 with respect to the Securities of any series, in each case as amended from time to time.

"Holder" means a Person in whose name a Security is registered in the Securities Register.

"Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof and shall include the terms of each particular series of Securities established as contemplated by Section 3.1.

"Interest Payment Date" means as to each series of Securities the Stated Maturity of an installment of interest on such Securities.

"Junior Subordinated Payment" has the meaning specified in Section 13.2.

"Maturity" when used with respect to any Security means the date on which the principal of such Security becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"Moody's" means Moody's Investors Service, Inc.

"Notice of Default" means a written notice of the kind specified in Section 5.1(3).

"Officers' Certificate" means a certificate signed by the Chairman of the Board of Directors , a Vice Chairman of the Board of Directors, the President or a Vice President, and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary of the Company, and delivered to the Trustee.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Company, and who shall be acceptable to the Trustee.

"Original Issue Date" means the date of issuance specified as such in each Security.

"Outstanding" means, when used in reference to any Securities, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

(i) Securities theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(ii) Securities for whose payment money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent in trust for the Holders of such Securities; and

(iii) Securities in substitution for or in lieu of which other Securities have been authenticated and delivered or which have been paid pursuant to Section 3.6, unless proof satisfactory to the Trustee is presented that any such Securities are held by Holders in whose hands such Securities are valid, binding and legal obligations of the Company;

provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which the Trustee knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor. Upon the written request of the Trustee, the Company shall furnish to the Trustee promptly an Officers' Certificate listing and identifying all Securities, if any, known by the Company to be owned or held by or for the account of the Company, or any other obligor on the Securities or any Affiliate of the Company or such obligor, and, subject to the provisions of Section 6.1, the Trustee shall be entitled to accept such Officers' Certificate as conclusive evidence of the facts therein set forth and of the fact that all Securities not listed therein are Outstanding for the purpose of any such determination.

"Paying Agent" means the Trustee or any Person authorized by the Company to pay the principal of or interest on any Securities on behalf of the Company.

"Person" means any individual, corporation, partnership, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Place of Payment" means, with respect to the Securities of any series, the place or places where the principal of (and premium, if any) and interest on the Securities of such series are payable pursuant to Sections 3.1 and 3.11.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any security authenticated and delivered under Section 3.6 in lieu of a lost, destroyed or stolen Security shall be deemed to evidence the same debt as the lost, destroyed or stolen Security.

"Preferred Securities" has the meaning specified in the first recital of this Indenture.

"Proceeding" has the meaning specified in Section 13.2.

"Property Trustee" means, in respect of any Trust, the commercial bank or trust company identified as the "Property Trustee" in the related Trust Agreement, solely in its capacity as Property Trustee of such Trust under such Trust Agreement and not in its individual capacity, or its successor in interest in such capacity, or any successor property trustee appointed as therein provided.

"Redemption Date," when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price," when used with respect to any Security to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

"Regular Record Date" for the interest payable on any Interest Payment Date with respect to the Securities of a series means, unless otherwise provided pursuant to Section 3.1 with respect to Securities of a series, (i) in the case of Securities of a series represented by one or more Global Securities, the Business Day next preceding such Interest Payment Date and (ii) in the case of Securities of a series not represented by one or more Global Securities, the date which is fifteen days next preceding such Interest Payment Date (whether or not a Business Day).

"Responsible Officer" when used with respect to the Trustee means any officer of the Trustee assigned by the Trustee from time to time to administer its corporate trust matters.

"Rights Plan" means a plan of the Company providing for the issuance by the Company to all holders of its Common Stock of rights entitling the holders thereof to subscribe for or purchase shares of Common Stock or any class or series of preferred stock, which rights (i) are deemed to be transferred with such shares of Common Stock, (ii) are not exercisable and (iii) are also issued in respect of future issuances of Common Stock, in each case until the occurrence of a specified event or events.

"S&P" means Standard & Poor's Ratings Services.

"Securities" or "Security" means any debt securities or debt security, as the case may be, authenticated and delivered under this Indenture.

"Securities Register" and "Securities Registrar" have the respective meanings specified in Section 3.5.

"Senior Debt" means the principal of (and premium, if any) and interest, if any (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company whether or not such claim for post-petition interest is allowed in such proceeding), on Debt of the Company, whether incurred on or prior to the date of this Indenture or thereafter incurred, unless, in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such obligations are not superior in right of payment to the Securities or to other Debt which is pari passu with, or subordinated to, the Securities, provided, however, that Senior Debt shall not be deemed to include (a) any Debt of the Company which, when incurred and without respect to any election under Section 1111(b) of the Bankruptcy Reform Act of 1978, was without recourse to the Company, (b) any Debt of the Company to any of its Subsidiaries, (c) Debt to any employee of the Company, and (d) any Securities.

"Special Record Date" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 3.7.

"Stated Maturity" when used with respect to any Security or any installment of principal thereof or interest thereon means the date specified pursuant to the terms of such Security as the date on which the principal of such Security or such installment of interest is due and payable, in the case of such principal, as such date may be shortened or extended as provided pursuant to the terms of such Security and this Indenture.

"Subsidiary" means a corporation more than 50% of the outstanding voting stock of which is owned, directly or indirectly, by the Company or by one or more other Subsidiaries, or by the Company and one or more other Subsidiaries. For purposes of this definition, "voting stock" means stock which ordinarily has voting power for the election of directors, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

"Tax Event" means the receipt by a Trust of an Opinion of Counsel (as defined in the relevant Trust Agreement) experienced in such matters to the effect that, as a result of any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, or as a result of any official administrative pronouncement or judicial decision interpreting or applying such laws or regulations, which amendment or change is effective or which pronouncement or decision is announced on or after the date of issuance of the Preferred Securities of such Trust, there is more than an insubstantial risk that (i) such Trust is, or will be within 90 days of the date of such Opinion of Counsel, subject to United States Federal income tax with respect to income received or accrued on the corresponding series of Securities issued by the Company to such Trust, (ii) interest payable by the Company on such corresponding series of Securities is not, or within 90 days of the date of such Opinion of Counsel, will not be, deductible by the Company, in whole or in part, for United States Federal income tax purposes or (iii) such Trust is, or will be within 90 days of the date of such Opinion of Counsel, subject to more than a de minimis amount of other taxes, duties or other governmental charges.

"Trust" has the meaning specified in the first recital of this Indenture.

"Trust Agreement" means the Trust Agreement substantially in the form attached hereto as Annex A, as amended by the form of Amended and Restated Trust Agreement substantially in the form attached hereto as Annex B, or substantially in such form as may be specified as contemplated by Section 3.1 with respect to the Securities of any series, in each case as amended from time to time.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean or include each Person who is then a Trustee hereunder and, if at any time there is more than one such Person, "Trustee" as used with respect to the Securities of any series shall mean the Trustee with respect to Securities of that series.

"Trust Indenture Act" means the Trust Indenture Act of 1939 (15 U.S.C. " 77aaa-77bbb), as amended and as in effect on the date as of this Indenture, except as provided in Section 9.5.

"Trust Securities" has the meaning specified in the first recital of this Indenture.

"Vice President" when used with respect to the Company, means any duly appointed vice president, whether or not designated by a number or a word or words added before or after the title "vice president."

SECTION 1.2. Compliance Certificate and Opinions.

Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent (including covenants, compliance with which constitutes a condition precedent), if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent (including covenants compliance with which constitute a condition precedent), if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than the certificates provided pursuant to Section 10.5) shall include:

(1) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

SECTION 1.3. Forms of Documents Delivered to Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions, or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 1.4. Acts of Holders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given to or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments is or are delivered to the Trustee, and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 6.1) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a Person acting in other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority.

(c) The fact and date of the execution by any Person of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustee deems sufficient and in accordance with such reasonable rules as the Trustee may determine.

(d) The ownership of Securities shall be proved by the Securities Register.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the transfer thereof or in exchange therefor or in lieu thereof in respect of anything done or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

(f) The Company may set any day as a record date for the purpose of determining the Holders of Outstanding Securities of any series entitled to give, make or take any request, demand, authorization, direction, notice, consent, waiver or other action provided or permitted by this Indenture to be given, made or taken by Holders of Securities of such series, provided that the Company may not set a record date for, and the provisions of this paragraph shall not apply with respect to, the giving or making of any notice, declaration, request or direction referred to in the next paragraph. If any record date is set pursuant to this paragraph, the Holders of Outstanding Securities of the relevant series on such record date, and no other Holders, shall be entitled to take the relevant action, whether or not such Holders remain Holders after such record date, provided that no such action shall be effective hereunder unless taken on or prior to the applicable Expiration Date by Holders of the requisite principal amount of Outstanding Securities of such series on such record date. Nothing in this paragraph shall be construed to prevent the Company from setting a new record date for any action for which a record date has previously been set pursuant to this paragraph (whereupon the record date previously set shall automatically and with no action by any Person be cancelled and of no effect), and nothing in this paragraph shall be construed to render ineffective any action taken by Holders of the requisite principal amount of Outstanding Securities of the relevant series on the date such action is taken. Promptly after any record date is set pursuant to this paragraph, the Company, at its own expense, shall cause notice of such record date, the proposed action by Holders and the applicable Expiration Date to be given to the Trustee in writing and to each Holder of Securities of the relevant series in the manner set forth in Section 1.6.

The Trustee may set any day as a record date for the purpose of determining the Holders of Outstanding Securities of any series entitled to join in the giving or making of (i) any Notice of Default, (ii) any declaration of acceleration referred to in Section 5.2, (iii) any request to institute proceedings referred to in Section 5.7(2) or (iv) any direction referred to in Section 5.12, in each case with respect to Securities of such series. If any record date is set pursuant to this paragraph, the Holders of Outstanding Securities of such series on such record date, and no other Holders, shall be entitled to join in such notice, declaration, request or direction, whether or not such Holders remain Holders after such record date, provided that no such action shall be effective hereunder unless taken on or prior to the applicable Expiration Date by Holders of the requisite principal amount of Outstanding Securities of such series on such record date. Nothing in this paragraph shall be construed to prevent the Trustee from setting a new record date for any action for which a record date has previously been set pursuant to this paragraph (whereupon the record date previously set shall automatically and with no action by any Person be cancelled and of no effect), and nothing in this paragraph shall be construed to render ineffective any action taken by Holders of the requisite principal amount of Outstanding Securities of the relevant series on the date such action is taken. Promptly after any record date is set pursuant to this paragraph, the Trustee, at the Company's expense, shall cause notice of such record date, the proposed action by Holders and the applicable Expiration Date to be given to the Company in writing and to each Holder of Securities of the relevant series in the manner set forth in Section 1.6.

With respect to any record date set pursuant to this Section, the party hereto which sets such record dates may designate any day as the "Expiration Date" and from time to time may change the Expiration Date to any earlier or later day, provided that no such change shall be effective unless notice of the proposed new Expiration Date is given to the other party hereto in writing, and to each Holder of Securities of the relevant series in the manner set forth in Section 10.6, on or prior to the existing Expiration Date. If an Expiration Date is not designated with respect to any record date set pursuant to this Section, the party hereto which set such record date shall be deemed to have initially designated the 180th day after such record date as the Expiration Date with respect thereto, subject to its right to change the Expiration Date as provided in this paragraph. Notwithstanding the foregoing, no Expiration Date shall be later than the 180th day after the applicable record date.

(g) Without limiting the foregoing, a Holder entitled hereunder to take any action hereunder with regard to any particular Security may do so with regard to all or any part of the principal amount of such Security or by one or more duly appointed agents each of which may do so pursuant to such appointment with regard to all or any part of such principal amount.

SECTION 1.5. Notices, Etc. to Trustee and Company.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder, any holder of Preferred Securities or the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust office, or

(2) the Company by the Trustee, any Holder or any holder of Preferred Securities shall be sufficient for every purpose (except as otherwise provided in Section 5.1) hereunder if in writing and mailed, first class, postage prepaid, to the Company addressed to it at the address of its principal office specified in the first paragraph of this instrument or at any other address previously furnished in writing to the Trustee by the Company.

SECTION 1.6. Notice to Holders; Waiver.

Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first class postage prepaid, to each Holder affected by such event, at the address of such Holder as it appears in the Securities Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 1.7. Conflict with Trust Indenture Act.

If any provision of this Indenture limits, qualifies or conflicts with the duties imposed by any of Sections 310 to 317, inclusive, of the Trust Indenture Act through operation of Section 318(c) thereof, such imposed duties shall control.

SECTION 1.8. Effect of Headings and Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.9. Successors and Assigns.

All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 1.10. Separability Clause.

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 1.11 Benefits of Indenture.

Nothing in this Indenture or in the Securities, express or implied, shall give to any Person, other than the parties hereto and their successors and assigns, the holders of Senior Debt, the Holders of the Securities and, to the extent expressly provided in Sections 5.2, 5.8, 5.9, 5.11, 5.13, 9.1 and 9.2, the holders of Preferred Securities, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 1.12. Governing Law.

This Indenture and the Securities shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 1.13. Non-Business Days.

In any case where any Interest Payment Date, Redemption Date or Stated Maturity of any Security shall not be a Business Day, then (notwithstanding any other provision of this Indenture or the Securities) payment of interest or principal (and premium, if any) need not be made on such date, but may be made on the next succeeding Business Day (and no interest shall accrue for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be, until such next succeeding Business Day except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day (in each case with the same force and effect as if made on the Interest Payment Date or Redemption Date or at the Stated Maturity).

ARTICLE II

SECURITY FORMS

SECTION 2.1. Forms Generally.

The Securities of each series and the Trustee's certificate of authentication shall be in substantially the forms set forth in this Article, or in such other form or forms as shall be established by or pursuant to a Board Resolution or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with applicable tax laws or the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such securities, as evidenced by their execution of the Securities. If the form of Securities of any series is established by action taken pursuant to a Board Resolution, a copy of an appropriate record of such action shall be certified by the Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Company Order contemplated by Section 3.3 with respect to the authentication and delivery of such Securities.

The Trustee's certificates of authentication shall be substantially in the form set forth in this Article.

The definitive Securities shall be printed, lithographed or engraved or produced by any combination of these methods, if required by any securities exchange on which the Securities may be listed, on a steel engraved border or steel engraved borders or may be produced in any other manner permitted by the rules of any securities exchange on which the Securities may be listed, all as determined by the officers executing such Securities, as evidenced by their execution of such securities.

SECTION 2.2. Form of Face of Security.

THE CHASE MANHATTAN CORPORATION
% JUNIOR SUBORDINATED DEFERRABLE INTEREST DEBENTURES

No. $

THE CHASE MANHATTAN CORPORATION, a corporation organized and existing under the laws of the state of Delaware (hereinafter called the "Company", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to , or registered assigns, the principal sum of Dollars on , 2026; provided that the Company may (i) shorten the Stated Maturity of the principal of this Security to a date not earlier than , 2001 and (ii) extend the Stated Maturity of the principal of this Security at any time on one or more occasions, subject to certain conditions specified in Section 3.14 of the Indenture, but in no event to a date later than , 2045. The Company further promises to pay interest on said principal sum from , or from the most recent interest payment date (each such date, an "Interest Payment Date") on which interest has been paid or duly provided for, quarterly (subject to deferral as set forth herein) in arrears on March 31, June 30, September 30 and December 31 of each year, commencing March 31, 1997, at the rate of % per annum, until the principal hereof shall have become due and payable, plus Additional Interest, if any, until the principal hereof is paid or duly provided for or made available for payment and on any overdue principal and (without duplication and to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest at the rate of % per annum, compounded quarterly. The amount of interest payable for any period shall be computed on the basis of twelve 30-day months and a 360-day year. The amount of interest payable for any partial period shall be computed on the basis of the number of days elapsed in a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on this Security is not a Business Day, then a payment of the interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on the date the payment was originally payable. A "Business Day" shall mean any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions in The City of New York are authorized or required by law or exective order to remain closed or (iii) a day on which the Corporate Trust Office of the Trustee or the Property Trustee under the Trust Agreement hereinafter referred to for Chase Capital I, is closed for business. The interest installment so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities is registered at the close of business on the Regular Record Date for such interest installment, which shall be, unless otherwise provided pursuant to Section 3.1 of the Junior Subordinated Indenture, dated as of , 199 (herein called the "Indenture") between the Company and The Bank of New York, as Trustee (herein called the

"Trustee", which term includes any successor trustee under the Indenture), with respect to Securities of a series, (i) in the case of Securities of a series represented by one or more Global Securities, the Business Day next preceding such Interest Payment Date and (ii) in the case of Securities of a series not represented by one or more Global Securities, the date which is fifteen days next preceding such Interest Payment Date (whether or not a Business Day). Any such interest installment not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

So long as no Event of Default has occurred and is continuing, the Company shall have the right at any time during the term of this Security to defer payment of interest on this Security, at any time or from time to time, for up to 20 consecutive quarterly interest payment periods with respect to each deferral period (each an "Extension Period"), during which Extension Periods the Company shall have the right to make partial payments of interest on any Interest Payment Date, and at the end of which the Company shall pay all interest then accrued and unpaid (together with Additional Interest thereon to the extent permitted by applicable law); provided, however, that no Extension Period shall extend beyond the Stated Maturity of the principal of this Security; provided, further, that during any such Extension Period, the Company shall not, and shall not permit any Subsidiary of the Company to, (i) declare or pay any dividends or distributions or redeem, purchase, acquire or make a liquidation payment with respect to, any of the Company's capital stock or (ii) make any payment of principal of or interest or premium, if any, on or repay, repurchase or redeem any debt security of the Company that ranks pari passu with or junior in interest to this Security or make any guarantee payments with respect to any guarantee by the Company of the debt securities of any Subsidiaries of the Company if such guarantee ranks pari passu with or junior in interest to this Security (other than (a) dividends or distributions in Common Stock, (b) any declaration of a dividend in connection with the implementation of a Rights Plan, the issuance of any Common Stock or any class or series of preferred stock of the Company under any Rights Plan or the repurchase of any rights distributed pursuant to a Rights Plan, (c) payments under any Guarantee, and (d) purchases of Common Stock related to the issuance of Common Stock under any of the Company's benefit plans for its directors, officers or employees. Prior to the termination of any such Extension Period, the Company may further extend the interest payment period, provided that no Extension Period shall exceed beyond the Stated Maturity of the principal of this Security. Upon the termination of any such Extension Period and upon the payment of all accrued and unpaid interest and any Additional Interest then due, the Company may elect to begin a new Extension Period, subject to the above requirements. No interest shall be due and payable during an Extension Period except at the end thereof. The Company shall give the Holder of this Security and the Trustee notice of its election to begin any Extension Period at least one Business Day prior to the next succeeding Interest Payment Date on which interest on this Security would be payable but for such deferral or, with respect to the Securities issued to a Trust, so long as such

Securities are held by such Trust, prior to the earlier of (i) the next succeeding date on which Distributions on the Preferred Securities would be payable but for such deferral or (ii) the date the Administrative Trustees are required to give notice to any securities exchange or other applicable self-regulatory organization or to holders of such Preferred Securities of the record date or the date such Distributions are payable, but in any event not less than one Business Day prior to such record date.

Payment of the principal of (and premium, if any) and interest on this Security will be made at the office or agency of the Company maintained for that purpose in the United States, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts [if applicable, insert C; provided, however, that at the option of the Company payment of interest may be made (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the Securities Register or (ii) by wire transfer in immediately available funds at such place and to such account as may be designated by the Person entitled thereto as specified in the Securities Register].

The indebtedness evidenced by this Security is, to the extent provided in the Indenture, subordinate and subject in right of payments to the prior payment in full of all Senior Debt, and this Security is issued subject to the provisions of the Indenture with respect thereto. Each Holder of this Security, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee on his behalf to take such actions as may be necessary or appropriate to effectuate the subordination so provided and (c) appoints the Trustee his attorney-in-fact for any and all such purposes. Each Holder hereof, by his acceptance hereof, waives all notice of the acceptance of the subordination provisions contained herein and in the Indenture by each holder of Senior Debt, whether now outstanding or hereafter incurred, and waives reliance by each such holder upon said provisions.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

THE CHASE MANHATTAN CORPORATION

By:-----------------------------
[President or Vice President]

Attest:

- ---
[Secretary or Assistant Secretary]

SECTION 2.3. Form of Reverse of Security.

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and to be issued in one or more series under the Indenture, to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Trustee, the Company and the Holders of the Securities, and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof [, limited in aggregate principal amount to $].

All terms used in this Security that are defined in the Indenture or in the Amended and Restated Trust Agreement, dated as of , 1996, as amended (the "Trust Agreement"), for Chase Capital I among The Chase Manhattan Corporation, as Depositor, and the Trustees named therein, shall have the meanings assigned to them in the Indenture or the Trust Agreement, as the case may be.

The Company may at any time, at its option, on or after , , and subject to the terms and conditions of Article XI of the Indenture, redeem this Security in whole at any time or in part from time to time, without premium or penalty, at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest, including Additional Interest, if any to the Redemption Date.

Upon the occurrence and during the continuation of a Tax Event in respect of a Trust, the Company may, at its option, at any time within 90 days of the occurrence of such Tax Event redeem this Security, in whole but not in part, subject to the provisions of Section 11.7 and the other provisions of Article XI of the Indenture, at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest, including Additional Interest, if any, to the Redemption Date.

In the event of redemption of this Security in part only, a new Security or Securities of this series for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

The Indenture contains provisions for satisfaction and discharge of the entire indebtedness of this Security upon compliance by the Company with certain conditions set forth in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the Company and the Trustee at any time to enter into a supplemental indenture or indentures for the purpose of modifying in any manner the rights and obligations of the Company and of the Holders of the Securities, with the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities of each series to be affected by such supplemental indenture. The Indenture also contains provisions permitting Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all

Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in and subject to the provisions of the Indenture, if an Event of Default with respect to the Securities of this series at the time Outstanding occurs and is continuing, then and in every such case the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities of this series may declare the principal amount of all the Securities of this series to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), provided that, in the case of the Securities of this series issued to a Trust, if upon an Event of Default, the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities of this series fails to declare the principal of all the Securities of this series to be immediately due and payable, the holders of at least 25% in aggregate Liquidation Amount of the Preferred Securities then outstanding shall have such right by a notice in writing to the Company and the Trustee; and upon any such declaration the principal amount of and the accrued interest (including any Additional Interest) on all the Securities of this series shall become immediately due and payable, provided that the payment of principal and interest (including any Additional Interest) on such Securities shall remain subordinated to the extent provided in Article XIII of the Indenture.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Securities Register, upon surrender of this Security for registration of transfer at the office or agency of the Company maintained under Section 10.2 of the Indenture duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Securities Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees. No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Securities of this series are issuable only in registered form without coupons in denominations of $25.00 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of such series of a different authorized denomination, as requested by the Holder surrendering the same.

The Company and, by its acceptance of this Security or a beneficial interest therein, the Holder of, and any Person that acquires a beneficial interest in, this Security agree that for United States Federal, state and local tax purposes it is intended that this Security constitute indebtedness.

THE INDENTURE AND THIS SECURITY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF.

SECTION 2.4. Additional Provisions Required in Global Security.

Any Global Security issued hereunder shall, in addition to the provisions contained in Sections 2.2 and 2.3, bear a legend in substantially the following form:

"This Security is a Global Security within the meaning of the Indenture hereinafter referred to and is registered in the name of a Depositary or a nominee of a Depositary. This Security is exchangeable for Securities registered in the name of a person other than the Depositary or its nominee only in the limited circumstances described in the Indenture and may not be transferred except as a whole by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary."

SECTION 2.5. Form of Trustee's Certificate of Authentication.

This is one of the Securities referred to in the within mentioned Indenture.

Dated:

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as Trustee

By:

Authorized officer

ARTICLE III

THE SECURITIES

SECTION 3.1. Title and Terms.

The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited.

The Securities may be issued in one or more series. There shall be established in or pursuant to a Board Resolution, and set forth in an Officers' Certificate, or established in one or more indentures supplemental hereto, prior to the issuance of Securities of a series:

(a) the title of the securities of such series, which shall distinguish the Securities of the series from all other Securities;

(b) the limit, if any, upon the aggregate principal amount of the Securities of such series which may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of the series pursuant to Section 3.4, 3.5, 3.6, 9.6 or 11.6 and except for any Securities which, pursuant to Section 3.3, are deemed never to have been authenticated and delivered hereunder); provided, however, that the authorized aggregate principal amount of such series may be increased above such amount by a Board Resolution to such effect;

(c) the Stated Maturity or Maturities on which the principal of the Securities of such series is payable or the method of determination thereof;

(d) the rate or rates, if any, at which the Securities of such series shall bear interest, if any, the rate or rates and extent to which Additional Interest, if any, shall be payable in respect of any Securities of such series, the Interest Payment Dates on which such interest shall be payable, the right, pursuant to Section 3.11 or as otherwise set forth therein, of the Company to defer or extend an Interest Payment Date, and the Regular Record Date for the interest payable on any Interest Payment Date or the method by which any of the foregoing shall be determined;

(e) the place or places where the principal of (and premium, if any) and interest on the Securities of such series shall be payable, the place or places where the Securities of such series may be presented for registration of transfer or exchange, and the place or places where notices and demands to or upon the Company in respect of the Securities of such series may be made;

(f) the period or periods within or the date or dates on which, if any, the price or prices at which and the terms and conditions upon which the Securities of such series may be redeemed, in whole or in part, at the option of the Company;

(g) the obligation or the right, if any, of the Company to redeem, repay or purchase the Securities of such series pursuant to any sinking fund, amortization or analogous provisions, or at the option of a Holder thereof, and the period or periods within which, the price or prices at which, the currency or currencies (including currency unit or units) in which and the other terms and conditions upon which Securities of the series shall be redeemed, repaid or purchased, in whole or in part, pursuant to such obligation;

(h) the denominations in which any Securities of such series shall be issuable, if other than denominations of $25 and any integral multiple thereof;

(i) if other than Dollars, the currency or currencies (including currency unit or units) in which the principal of (and premium, if any) and interest, if any, on the Securities of the series shall be payable, or in which the Securities of the series shall be denominated;

(j) the additions, modifications or deletions, if any, in the Events of Default or covenants of the Company set forth herein with respect to the Securities of such series;

(k) if other than the principal amount thereof, the portion of the principal amount of Securities of such series that shall be payable upon declaration of acceleration of the Maturity thereof;

(l) the additions or changes, if any, to this Indenture with respect to the Securities of such series as shall be necessary to permit or facilitate the issuance of the Securities of such series in bearer form, registrable or not registrable as to principal, and with or without interest coupons;

(m) any index or indices used to determine the amount of payments of principal of and premium, if any, on the Securities of such series or the manner in which such amounts will be determined;

(n) whether the Securities of the series, or any portion thereof, shall initially be issuable in the form of a temporary Global Security representing all or such portion of the Securities of such series and provisions for the exchange of such temporary Global Security for definitive Securities of such series;

(o) if applicable, that any Securities of the series shall be issuable in whole or in part in the form of one or more Global Securities and, in such case, the respective Depositaries for such Global Securities, the form of any legend or legends which shall be borne by any such Global Security in addition to or in lieu of that set forth in Section 2.4 and any circumstances in addition to or in lieu of those set forth in Section 3.5 in which any such Global Security may be exchanged in whole or in part for Securities registered, and any transfer of such Global Security in whole or in part may be registered, in the name or names of Persons other than the Depositary for such Global Security or a nominee thereof;

(p) the appointment of any Paying Agent or Agents for the Securities of such series;

(q) the terms of any right to convert or exchange Securities of such series into any other securities or property of the Company, and the additions or changes, if any, to this Indenture with respect to the Securities of such series to permit or facilitate such conversion or exchange;

(r) the form or forms of the Trust Agreement, Amended and Restated Trust Agreement and Guarantee Agreement, if different from the forms attached hereto as Annexes A, B and C, respectively;

(s) the relative degree, if any, to which the Securities of the series shall be senior to or be subordinated to other series of Securities in right of payment, whether such other series of Securities are Outstanding or not; and

(t) any other terms of the Securities of such series (which terms shall not be inconsistent with the provisions of this Indenture).

All Securities of any one series shall be substantially identical except as to denomination and except as may otherwise be provided herein or in or pursuant to such Board Resolution and set forth in such Officers' Certificate or in any such indenture supplemental hereto.

If any of the terms of the series are established by action taken pursuant to a Board Resolution, a copy of an appropriate record of such action shall be certified by the Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Officers' Certificate setting forth the terms of the series.

The Securities shall be subordinated in right of payment to Senior Debt as provided in Article XIII.

SECTION 3.2. Denominations.

The Securities of each series shall be in registered form without coupons and shall be issuable in denominations of $25 and any integral multiple thereof, unless otherwise specified as contemplated by Section 3.1.

SECTION 3.3. Execution, Authentication, Delivery and Dating.

The Securities shall be executed on behalf of the Company by its President or one of its Vice Presidents under its corporate seal reproduced or impressed thereon and attested by its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities. At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities of any series executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Securities, and the Trustee in accordance with the Company Order shall authenticate and deliver such Securities. If the form or terms of the Securities of the series have been established by or pursuant to one or more Board Resolutions as permitted by Sections 2.1 and 3.1, in authenticating such Securities, and accepting the additional responsibilities under this Indenture in relation to such Securities, the Trustee shall be entitled to receive, and (subject to Section 6.1) shall be fully protected in relying upon, an Opinion of Counsel stating,

(1) if the form of such Securities has been established by or pursuant to Board Resolution as permitted by Section 2.1, that such form has been established in conformity with the provisions of this Indenture;

(2) if the terms of such Securities have been established by or pursuant to Board Resolution as permitted by Section 3.1, that such terms have been established in conformity with the provisions of this Indenture; and

(3) that such Securities, when authenticated and delivered by the Trustee and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and legally binding obligations of the Company enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

If such form or terms have been so established, the Trustee shall not be required to authenticate such Securities if the issue of such Securities pursuant to this Indenture will affect the Trustee's own rights, duties or immunities under the Securities and this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustee.

Notwithstanding the provisions of Section 3.1 and of the preceding paragraph, if all Securities of a series are not to be originally issued at one time, it shall not be necessary to deliver the Officers' Certificate otherwise required pursuant to Section 3.1 or the Company Order and Opinion of Counsel otherwise required pursuant to such preceding paragraph at or prior to the authentication of each Security of such series if such documents are delivered at or prior to the authentication upon original issuance of the first Security of such series to be issued.

Each Security shall be dated the date of its authentication.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee by the manual signature of one of its authorized officers, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder. Notwithstanding the foregoing, if any Security shall have been authenticated and delivered hereunder but never issued and sold by the Company, and the Company shall deliver such Security to the Trustee for cancellation as provided in Section 3.9, for all purposes of this Indenture such Security shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits of this Indenture.

SECTION 3.4. Temporary Securities.

Pending the preparation of definitive Securities of any series, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any denomination, substantially of the tenor of the definitive Securities of such series in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities.

If temporary Securities of any series are issued, the Company will cause definitive Securities of such series to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary Securities shall be exchangeable for definitive Securities upon surrender of the temporary Securities at the office or agency of the Company designated for that purpose without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor one or more definitive Securities of the same series, of any authorized denominations having the same Original Issue Date and Stated Maturity and having the same terms as such temporary Securities. Until so exchanged, the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of such series.

SECTION 3.5. Registration, Transfer and Exchange.

The Company shall cause to be kept at the Corporate Trust Office of the Trustee a register in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities and of transfers of Securities. Such register is herein sometimes referred to as the "Securities Register." The Trustee is hereby appointed "Securities Registrar" for the purpose of registering Securities and transfers of Securities as herein provided.

Upon surrender for registration of transfer of any Security at the office or agency of the Company designated for that purpose the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of the same series of any authorized denominations, of a like aggregate principal amount, of the same Original Issue Date and Stated Maturity and having the same terms.

At the option of the Holder, Securities may be exchanged for other Securities of the same series of any authorized denominations, of a like aggregate principal amount, of the same Original Issue Date and Stated Maturity and having the same terms, upon surrender of the Securities to be exchanged at such office or agency. Whenever any securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

All Securities issued upon any transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such transfer or exchange.

Every Security presented or surrendered for transfer or exchange shall (if so required by the Company or the Securities Registrar) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Securities Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made to a Holder for any transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Securities.

The provisions of Clauses (1), (2), (3) and (4) below shall apply only to Global Securities:

(1) Each Global Security authenticated under this Indenture shall be registered in the name of the Depositary designated for such Global Security or a nominee thereof and delivered to such Depositary or a nominee thereof or custodian therefor, and each such Global Security shall constitute a single Security for all purposes of this Indenture.

(2) Notwithstanding any other provision in this Indenture, no Global Security may be exchanged in whole or in part for Securities registered, and no transfer of a Global Security in whole or in part may be registered, in the name of any Person other than the Depositary for such Global Security or a nominee thereof unless (A) such Depositary (i) has notified the Company that it is unwilling or unable to continue as Depositary for such Global Security or (ii) has ceased to be a clearing agency registered under the Exchange Act at a time when the Depositary is required to be so registered to act as depositary, in each case unless the Company has approved a successor Depositary within 90 days, (B) there shall have occurred and be continuing an Event of Default with respect to such Global Security, (C) the Company in its sole discretion determines that such Global Security will be so exchangeable or transferable or (D) there shall exist such circumstances, if any, in addition to or in lieu of the foregoing as have been specified for this purpose as contemplated by Section 3.1.

(3) Subject to Clause (2) above, any exchange of a Global Security for other Securities may be made in whole or in part, and all Securities issued in exchange for a Global Security or any portion thereof shall be registered in such names as the Depositary for such Global Security shall direct.

(4) Every Security authenticated and delivered upon registration of transfer of, or in exchange for or in lieu of, a Global Security or any portion thereof, whether pursuant to this Section, Section 3.4, 3.6, 9.6 or 11.6 or otherwise, shall be authenticated and delivered in the form of, and shall be, a Global Security, unless such Security is registered in the name of a Person other than the Depositary for such Global Security or a nominee thereof.

Neither the Company nor the Trustee shall be required, pursuant to the provisions of this Section, (a) to issue, transfer or exchange any Security of any series during a period beginning at the opening of business 15 days before the day of selection for redemption of Securities pursuant to Article XI and ending at the close of business on the day of mailing of notice of redemption or (b) to transfer or exchange any Security so selected for redemption in whole or in part, except, in the case of any Security to be redeemed in part, any portion thereof not to be redeemed.

SECTION 3.6. Mutilated, Destroyed, Lost and Stolen Securities.

If any mutilated Security is surrendered to the Trustee together with such security or indemnity as may be required by the Company or the Trustee to save each of them harmless, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of the same issue and series of like tenor and principal amount, having the same Original Issue Date and Stated Maturity, and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and to the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security, and (ii) such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute and upon its request the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Security, a new Security of the same issue and series of like tenor and principal amount, having the same Original Issue Date and Stated Maturity as such destroyed, lost or stolen Security, and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security issued pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

SECTION 3.7. Payment of Interest; Interest Rights Preserved.

Interest on any Security of any series which is payable, and is punctually paid or duly provided for, on any Interest Payment Date, shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest in respect of Securities of such series, except that, unless otherwise provided in the Securities of such series, interest payable on the Stated Maturity of the principal of a Security shall be paid to the Person to whom principal is paid. The initial payment of interest on any Security of any series which is issued between a Regular Record Date and the related Interest Payment Date shall be payable as provided in such Security or in the Board Resolution pursuant to Section 3.1 with respect to the related series of Securities.

Any interest on any Security which is payable, but is not timely paid or duly provided for, on any Interest Payment Date for Securities of such series (herein called "Defaulted Interest"), shall forthwith cease to be payable to the registered Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in Clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities of such series in respect of which interest is in default (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this Clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class, postage prepaid, to each Holder of a Security of such series at the address of such Holder as it appears in the Securities Register not less than 10 days prior to such Special Record Date. The Trustee may, in its discretion, in the name and at the expense of the Company, cause a similar notice to be published at least once in a newspaper, customarily published in the English language on each Business Day and of general circulation in the Borough of Manhattan, The City of New York, but such publication shall not be a condition precedent to the establishment of such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered on such Special Record Date and shall no longer be payable pursuant to the following Clause (2).

(2) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of the series in respect of which interest is in default may be listed and, upon such notice as may be required by such exchange (or by the Trustee if the Securities are not listed), if, after notice given by the Company to the Trustee of the proposed payment pursuant to this Clause, such payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section, each Security delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

SECTION 3.8. Persons Deemed Owners.

The Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name any Security is registered as the owner of such Security for the purpose of receiving payment of principal of and (subject to Section 3.7) any interest on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

SECTION 3.9. Cancellation.

All Securities surrendered for payment, redemption, transfer or exchange shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee, and any such Securities and Securities surrendered directly to the Trustee for any such purpose shall be promptly canceled by it. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Securities so delivered shall be promptly canceled by the Trustee. No Securities shall be authenticated in lieu of or in exchange for any Securities canceled as provided in this Section, except as expressly permitted by this Indenture. All canceled Securities shall be destroyed by the Trustee and the Trustee shall deliver to the Company a certificate of such destruction.

SECTION 3.10. Computation of Interest.

Except as otherwise specified as contemplated by Section 3.1 for Securities of any series, interest on the Securities of each series for any period shall be computed on the basis of a 360- day year of twelve 30-day months and interest on the Securities of each series for any partial period shall be computed on the basis of the number of days elapsed in a 360-day year of twelve 30-day months.

SECTION 3.11. Deferrals of Interest Payment Dates.

If specified as contemplated by Section 2.1 or Section 3.1 with respect to the Securities of a particular series, so long as no Event of Default has occurred and is continuing, the Company shall have the right, at any time during the term of such series, from time to time to defer the payment of interest on such Securities for such period or periods as may be specified as contemplated by Section 3.1 (each, an "Extension Period") during which Extension Periods the Company shall have the right to make partial payments of interest on any Interest Payment Date. No Extension Period shall end on a date other than an Interest Payment Date. At the end of any such Extension Period the Company shall pay all interest then accrued and unpaid on the Securities (together with Additional Interest thereon, if any, at the rate specified for the Securities of such series to the extent permitted by applicable law); provided, however, that no Extension Period shall extend beyond the Stated Maturity of the principal of the Securities of such series; provided, further, that during any such Extension Period, the Company shall not, and shall not permit any Subsidiary to, (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of the Company's capital stock, or (ii) make any payment of principal of or interest or premium, if any, on or repay, repurchase or redeem any debt security of the Company that ranks pari passu with or junior in interest to the Securities of such series or make any guarantee payments with respect to any guarantee by the Company of the debt securities of any Subsidiary of the Company that by their terms rank pari passu with or junior in interest to the securities of such series (other than (a) dividends or distributions in Common Stock, (b) any declaration of a dividend in connection with the implementation of a Rights Plan, the issuance of any Common Stock of any class or series of preferred stock of the Company under any Rights Plan or the repurchase of any rights distributed pursuant to a Rights Plan, (c) payments under any Guarantee, and (d) purchases of Common Stock related to the issuance of Common Stock under any of the Company's benefit plans for its directors, officers or employees). Prior to the termination of any such Extension Period, the Company may further extend the interest payment period, provided that no Extension Period shall exceed the period or periods specified in such Securities or extend beyond the Stated Maturity of the principal of such Securities. Upon termination of any Extension Period and upon the payment of all accrued and unpaid interest and any Additional Interest then due on any Interest Payment Date, the Company may elect to begin a new Extension Period, subject to the above requirements. No interest shall be due and payable during an Extension Period, except at the end thereof. The Company shall give the Holders of the Securities of such series and the Trustee notice of its election to begin any such Extension Period at least one Business Day prior to the next succeeding Interest Payment Date on which interest on Securities of such series would be payable but for such deferral or, with respect to the Securities of a series issued to a Trust, so long as such Securities are held by such Trust, prior to the earlier of (i) the next succeeding date on which Distributions on the Preferred Securities of such Trust would be payable but for such deferral or (ii) the date the Administrative Trustees of such Trust are required to give notice to any securities exchange or other applicable self-regulatory organization or to holders of such Preferred Securities of the record date or the date such Distributions are payable, but in any event not less than one Business Day prior to such record date.

The Trustee shall promptly give notice of the Company's election to begin any such Extension Period to the Holders of the Outstanding Securities of such series.

SECTION 3.12. Right of Set-Off.

With respect to the Securities of a series issued to a Trust, notwithstanding anything to the contrary in the Indenture, the Company shall have the right to set-off any payment it is otherwise required to make thereunder in respect of any such Security to the extent the Company has theretofore made, or is concurrently on the date of such payment making, a payment under the Guarantee relating to such Security or under Section 5.8 of the Indenture.

SECTION 3.13. Agreed Tax Treatment.

Each Security issued hereunder shall provide that the Company and, by its acceptance of a Security or a beneficial interest therein, the Holder of, and any Person that acquires a beneficial interest in, such Security agree that for United States Federal, state and local tax purposes it is intended that such Security constitute indebtedness.

SECTION 3.14. Shortening or Extension of Stated Maturity.

If specified as contemplated by Section 2.1 or Section 3.1 with respect to the Securities of a particular series, the Company shall have the right to (i) shorten the Stated Maturity of the principal of the Securities of such series at any time to any date not earlier than the first date on which the Company has the right to redeem the Securities of such series, and (ii) extend the Stated Maturity of the principal of the Securities of such series at any time at its election for one or more periods, but in no event to a date later than the 49th anniversary of the first Interest Payment Date following the Original Issue Date of the Securities of such series; provided that, if the Company elects to exercise its right to extend the Stated Maturity of the principal of the Securities of such series pursuant to clause (ii), above, at the time such election is made and at the time of extension (A) the Company is not in bankruptcy, otherwise insolvent or in liquidation, (B) the Company is not in default in the payment of any interest or principal on such Securities, (C) in the case of any series of Securities issued to a Trust, such Trust is not in arrears on payments of Distributions on the Preferred Securities issued by such Trust and no deferred Distributions are accumulated and (D) such Securities are rated not less than BBB- by S&P or Baa3 by Moody's or the equivalent by any other nationally recognized statistical rating organization. In the event the Company elects to shorten or extend the Stated Maturity of the Series A Subordinated Debentures, it shall give notice to the Trustee, and the Trustee shall give notice of such shortening or extension to the Holders, no less than 30 and no more than 60 days prior to the effectiveness thereof.

SECTION 3.15. CUSIP Numbers.

The Company in issuing the Securities may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers.

ARTICLE IV

SATISFACTION AND DISCHARGE

SECTION 4.1. Satisfaction and Discharge of Indenture.

This Indenture shall, upon Company Request, cease to be of further effect (except as to any surviving rights of registration of transfer or exchange of Securities herein expressly provided for and as otherwise provided in this Section 4.1) and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when

(1) either

(A) all Securities theretofore authenticated and delivered (other than (i) Securities which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 3.6 and (ii) Securities for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 10.3) have been delivered to the Trustee for cancellation; or

(B) all such Securities not theretofore delivered to the Trustee for cancellation

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year of the date of deposit, or

(iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of Clause (B) (i), (ii) or (iii) above, has deposited or caused to be deposited with the Trustee as trust funds in trust for such purpose an amount in the currency or currencies in which the Securities of such series are payable sufficient to pay and discharge the entire indebtedness on such Securities not theretofore delivered to the Trustee for cancellation, for principal (and premium, if any) and interest (including any Additional Interest) to the date of such deposit (in the case of Securities which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 6.7, the obligations of the Trustee to any Authenticating Agent under Section 6.14 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of clause (1) of this Section, the obligations of the Trustee under Section 4.2 and the last paragraph of Section 10.3 shall survive.

SECTION 4.2. Application of Trust Money.

Subject to the provisions of the last paragraph of Section 10.3, all money deposited with the Trustee pursuant to Section 4.1 shall be held in trust and applied by the Trustee, in accordance with the provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for the payment of which such money or obligations have been deposited with or received by the Trustee.

ARTICLE V

REMEDIES

SECTION 5.1. Events of Default.

"Event of Default", wherever used herein with respect to the Securities of any series, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) default in the payment of any interest upon any Security of that series, including any Additional Interest in respect thereof, when it becomes due and payable, and continuance of such default for a period of 30 days (subject to the deferral of any due date in the case of an Extension Period); or

(2) default in the payment of the principal of (or premium, if any, on) any Security of that series at its Maturity; or

(3) default in the performance, or breach, in any material respect, of any covenant or warranty of the Company in this Indenture (other than a covenant or warranty a default in the performance of which or the breach of which is elsewhere in this Section specifically dealt with), and continuance of such default or breach for a period of 90 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee

by the Holders of at least 25% in principal amount of the Outstanding Securities of that series a written notice specifying such default or breach and requiring it to be remedied; or

(4) the entry of a decree or order by a court having jurisdiction in the premises adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law, or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or of any substantial part of its property or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(5) the institution by the Company of proceedings to be adjudicated a bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or of any substantial part of its property, or the making by it of an assignment for the benefit for creditors, or the admission by it in writing of its inability to pay its debts generally as they become due and its willingness to be adjudicated a bankrupt, or the taking of corporate action by the Company in furtherance of any such action; or

(6) any other Event of Default provided with respect to Securities of that series.

SECTION 5.2. Acceleration of Maturity; Rescission and Annulment.

If an Event of Default (other than an Event of Default specified in Section 5.1(4) or 5.1(5)) with respect to Securities of any series at the time Outstanding occurs and is continuing, then and in every such case the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities of that series may declare the principal amount (or, if the Securities of that series are Discount Securities, such portion of the principal amount as may be specified in the terms of that series) of all the Securities of that series to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), provided that, in the case of the Securities of a series issued to a Trust, if, upon an Event of Default, the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities of that series fail to declare the principal of all the Securities of that series to be immediately due and payable, the holders of at least 25% in aggregate liquidation amount of the corresponding series of Preferred Securities then outstanding shall have such right by a notice in writing to the Company and the Trustee; and upon any such declaration such principal amount (or specified portion thereof) of and the accrued interest (including any Additional Interest) on all the Securities of such series shall become immediately due and payable. Payment of principal and interest (including any Additional Interest) on such Securities shall remain subordinated to the extent provided in Article XIII notwithstanding that such amount shall become immediately due and payable as herein provided. If an Event of Default specified in Section 5.1(4) or 5.1(5) with respect to Securities of any series at the time Outstanding occurs, the principal amount of all the

Securities of that series (or, if the Securities of that series are Discount Securities, such portion of the principal amount of such Securities as may be specified by the terms of that series) shall automatically, and without any declaration or other action on the part of the Trustee or any Holder, become immediately due and payable.

At any time after such a declaration of acceleration with respect to Securities of any series has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in principal amount of the Outstanding Securities of that series, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if:

(1) the Company has paid or deposited with the Trustee a sum sufficient to pay:

(A) all overdue installments of interest (including any Additional Interest) on all Securities of that series,

(B) the principal of (and premium, if any, on) any Securities of that series which have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Securities, and

(C) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and

(2) all Events of Default with respect to Securities of that series, other than the non-payment of the principal of Securities of that series which has become due solely by such acceleration, have been cured or waived as provided in Section 5.13.

In the case of Securities of a series issued to a Trust, the holders of a majority in aggregate Liquidation Amount (as defined in the Trust Agreement under which such Trust is formed) of the related series of Preferred Securities issued by such Trust shall also have the right to rescind and annul such declaration and its consequences by written notice to the Company and the Trustee, subject to the satisfaction of the conditions set forth in Clauses (1) and (2) above of this Section 5.2.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

SECTION 5.3. Collection of Indebtedness and Suits for Enforcement by Trustee.

The Company covenants that if:

(1) default is made in the payment of any installment of interest (including any Additional Interest) on any Security when such interest becomes due and payable and such default continues for a period of 30 days, or

(2) default is made in the payment of the principal of (and premium, if any, on) any Security at the Maturity thereof,

the Company will, upon demand of the Trustee, pay to the Trustee, for the benefit of the Holders of such Securities, the whole amount then due and payable on such Securities for principal, including any sinking fund payment or analogous obligations (and premium, if any) and interest (including any Additional Interest); and, in addition thereto, all amounts owing the Trustee under Section 6.7.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, and may prosecute such proceeding to judgment or final decree, and may enforce the same against the Company or any other obligor upon the Securities and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon the Securities, wherever situated.

If an Event of Default with respect to Securities of any series occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such series by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 5.4. Trustee May File Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or of such other obligor or their creditors,

(a) the Trustee (irrespective of whether the principal of the Securities of any series shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal (and premium, if any) or interest (including any Additional Interest)) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(i) to file and prove a claim for the whole amount of principal (and premium, if any) and interest (including any Additional Interest) owing and unpaid in respect to the Securities and to file such other papers or documents as may be necessary or advisable and to take any and all actions as are authorized under the Trust Indenture Act in order to have the claims of the Holders and any predecessor to the Trustee under Section 6.7 allowed in any such judicial proceedings; and

(ii) in particular, the Trustee shall be authorized to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same in accordance with Section 5.6; and

(b) any custodian, receiver, assignee, trustee, liquidator, sequestrator (or other similar official) in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee for distribution in accordance with Section 5.6, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it and any predecessor Trustee under Section 6.7.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding; provided, however, that the Trustee may, on behalf of the Holders, vote for the election of a trustee in bankruptcy or similar official and be a member of a creditors' or other similar committee.

SECTION 5.5. Trustee May Enforce Claim Without Possession of Securities.

All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of all the amounts owing the Trustee and any predecessor Trustee under Section 6.7, its agents and counsel, be for the ratable benefit of the Holders of the Securities in respect of which such judgment has been recovered.

SECTION 5.6. Application of Money Collected.

Any money or property collected or to be applied by the Trustee with respect to a series of Securities pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money or property on account of principal (or premium, if any) or interest (including any Additional Interest), upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee and any predecessor Trustee under Section 6.7;

SECOND: Subject to Article XIII, to the payment of the amounts then due and unpaid upon such series of Securities for principal (and premium, if any) and interest (including any Additional Interest), in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such series of Securities for principal (and premium, if any) and interest (including any Additional Interest), respectively; and

THIRD: The balance, if any, to the Person or Persons entitled thereto.

SECTION 5.7. Limitation on Suits.

No Holder of any Securities of any series shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture or for the appointment of a receiver, assignee, trustee, liquidator, sequestrator (or other similar official) or for any other remedy hereunder, unless:

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Securities of that series;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities of that series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities of that series;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing itself of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders of Securities, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all such Holders.

SECTION 5.8. Unconditional Right of Holders to Receive Principal, Premium and Interest; Direct Action by Holders of Preferred Securities.

Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and (subject to Section 3.7) interest (including any Additional Interest) on such Security on the respective Stated Maturities expressed in such Security (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder. In the case of Securities of a series issued to a Trust, any holder of the corresponding series of Preferred Securities issued by such Trust shall have the right, upon the occurrence of an Event of Default described in Section 5.1(1) or 5.1(2), to institute a suit directly against the Company for enforcement of payment to such holder of principal of (premium, if any) and (subject to Section 3.7) interest (including any Additional Interest) on the Securities having a principal amount equal to the aggregate Liquidation Amount (as defined in the Trust Agreement under which such Trust is formed) of such Preferred Securities of the corresponding series held by such holder.

SECTION 5.9. Restoration of Rights and Remedies.

If the Trustee, any Holder or any holder of Preferred Securities has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee, such Holder or such holder of Preferred Securities, then and in every such case the Company, the Trustee, the Holders and such holder of Preferred Securities shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee, the Holders and the holders of Preferred Securities shall continue as though no such proceeding had been instituted.

SECTION 5.10. Rights and Remedies Cumulative.

Except as otherwise provided in the last paragraph of Section 3.6, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 5.11. Delay or Omission Not Waiver.

No delay or omission of the Trustee, any Holder of any Security or any holder of any Preferred Security to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein.

Every right and remedy given by this Article or by law to the Trustee or to the Holders and the right and remedy given to the holders of Preferred Securities by Section 5.8 may be exercised from time to time, and as often as may be deemed expedient, by the Trustee, the Holders or the holders of Preferred Securities, as the case may be.

SECTION 5.12. Control by Holders.

The Holders of a majority in principal amount of the Outstanding Securities of any series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, with respect to the Securities of such series, provided that:

(1) such direction shall not be in conflict with any rule of law or with this Indenture,

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and

(3) subject to the provisions of Section 6.1, the Trustee shall have the right to decline to follow such direction if a Responsible Officer or Officers of the Trustee shall, in good faith, determine that the proceeding so directed would be unjustly prejudicial to the Holders not joining in any such direction or would involve the Trustee in personal liability.

SECTION 5.13. Waiver of Past Defaults.

The Holders of not less than a majority in principal amount of the Outstanding Securities of any series and, in the case of any Securities of a series issued to a Trust, the holders of Preferred Securities issued by such Trust may waive any past default hereunder and its consequences with respect to such series except a default:

(1) in the payment of the principal of (or premium, if any) or interest (including any Additional Interest) on any Security of such series, or

(2) in respect of a covenant or provision hereof which under Article IX cannot be modified or amended without the consent of the Holder of each Outstanding Security of such series affected.

Any such waiver shall be deemed to be on behalf of the Holders of all the Securities of such series or, in the case of a waiver by holders of Preferred Securities issued by such Trust, by all holders of Preferred Securities issued by such Trust.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 5.14. Undertaking for Costs.

All parties to this Indenture agree, and each Holder of any Security by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the Outstanding Securities of any series, or to any suit instituted by any Holder for the enforcement of the payment of the principal of (or premium, if any) or interest (including any Additional Interest) on any Security on or after the respective Stated Maturities expressed in such Security.

SECTION 5.15. Waiver of Usury, Stay or Extension Laws.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any usury, stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE VI

THE TRUSTEE

SECTION 6.1. Certain Duties and Responsibilities.

(a) Except during the continuance of an Event of Default,

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct except that

(1) this Subsection shall not be construed to limit the effect of Subsection (a) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of Holders pursuant to Section 5.12 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture with respect to the Securities of such series.

(d) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if there shall be reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(e) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 6.2. Notice of Defaults.

Within 90 days after actual knowledge by a Responsible Officer of the Trustee of the occurrence of any default hereunder with respect to the Securities of any series, the Trustee shall transmit by mail to all Holders of Securities of such series, as their names and addresses appear in the Securities Register, notice of such default, unless such default shall have been cured or waived; provided, however, that, except in the case of a default in the payment of the principal of (or premium, if any) or interest (including any Additional Interest) on any Security of such series, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Holders of Securities of such series; and provided, further, that, in the case of any default of the character specified in Section 5.1(3), no such notice to Holders of Securities of such series shall be given until at least 30 days after the occurrence thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default with respect to Securities of such series.

SECTION 6.3. Certain Rights of Trustee.

Subject to the provisions of Section 6.1:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, Security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(d) the Trustee may consult with counsel and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, indenture, Security or other paper or document, but the Trustee in its discretion may make such inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney; and

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

SECTION 6.4. Not Responsible for Recitals or Issuance of Securities.

The recitals contained herein and in the Securities, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and neither the Trustee nor any Authenticating Agent assumes any responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities. Neither the Trustee nor any Authenticating Agent shall be accountable for the use or application by the Company of the Securities or the proceeds thereof.

SECTION 6.5. May Hold Securities.

The Trustee, any Authenticating Agent, any Paying Agent, any Securities Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Sections 6.8 and 6.13, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Authenticating Agent, Paying Agent, Securities Registrar or such other agent.

SECTION 6.6. Money Held in Trust.

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company.

SECTION 6.7. Compensation and Reimbursement.

The Company agrees

(1) to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder in such amounts as the Company and the Trustee shall agree from time to time (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense (including the reasonable compensation and the expenses and disbursements of its agents and counsel) incurred without negligence or bad faith, arising out of or in connection with the acceptance or administration of this trust or the performance of its duties hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. This indemnification shall survive the termination of this Agreement.

To secure the Company's payment obligations in this Section, the Company and the Holders agree that the Trustee shall have a lien prior to the Securities on all money or property held or collected by the Trustee. Such lien shall survive the satisfaction and discharge of this Indenture.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 5.1(4) or (5) occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under the Bankruptcy Reform Act of 1978 or any successor statute.

SECTION 6.8. Disqualification; Conflicting Interests.

The Trustee for the Securities of any series issued hereunder shall be subject to the provisions of Section 310(b) of the Trust Indenture Act. Nothing herein shall prevent the Trustee from filing with the Commission the application referred to in the second to last paragraph of said Section 310(b).

SECTION 6.9. Corporate Trustee Required; Eligibility.

There shall at all times be a Trustee hereunder which shall be

(a) a corporation organized and doing business under the laws of the United States of America or of any State or Territory or the District of Columbia, authorized under such laws to exercise corporate trust powers and subject to supervision or examination by Federal, State, Territorial or District of Columbia authority, or

(b) a corporation or other Person organized and doing business under the laws of a foreign government that is permitted to act as Trustee pursuant to a rule, regulation or order of the Commission, authorized under such laws to exercise corporate trust powers, and subject to supervision or examination by authority of such foreign government or a political subdivision thereof substantially equivalent to supervision or examination applicable to United States institutional trustees, in either case having a combined capital and surplus of at least $50,000,000, subject to supervision or examination by Federal or State authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then, for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article. Neither the Company nor any Person directly or indirectly controlling, controlled by or under common control with the Company shall serve as Trustee for the Securities of any series issued hereunder.

SECTION 6.10. Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 6.11.

(b) The Trustee may resign at any time with respect to the Securities of one or more series by giving written notice thereof to the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(c) The Trustee may be removed at any time with respect to the Securities of any series by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series, delivered to the Trustee and to the Company.

(d) If at any time:

(1) the Trustee shall fail to comply with Section 6.8 after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months, or

(2) the Trustee shall cease to be eligible under Section 6.9 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company, acting pursuant to the authority of a Board Resolution, may remove the Trustee with respect to all Securities, or (ii) subject to Section 5.14, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Securities and the appointment of a successor Trustee or Trustees.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause with respect to the Securities of one or more series, the Company, by a Board Resolution, shall promptly appoint a successor Trustee with respect to the Securities of that or those series. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Securities of any series shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee with respect to the Securities of such series and supersede the successor Trustee appointed by the Company. If no successor Trustee with respect to the Securities of any series shall have been so appointed by the Company or the Holders and accepted appointment in the manner hereinafter provided, any Holder who has been a bona fide Holder of a Security for at least six months may, subject to Section 5.14, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(f) The Company shall give notice of each resignation and each removal of the Trustee with respect to the Securities of any series and each appointment of a successor Trustee with respect to the Securities of any series by mailing written notice of such event by first-class mail, postage prepaid, to the Holders of Securities of such series as their names and addresses appear in the Securities Register. Each notice shall include the name of the successor Trustee with respect to the Securities of such series and the address of its Corporate Trust Office.

SECTION 6.11. Acceptance of Appointment by Successor.

(a) In case of the appointment hereunder of a successor Trustee with respect to all Securities, every such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

(b) In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the retiring Trustee and each successor Trustee with respect to the Securities of one or more series shall execute and deliver an indenture supplemental hereto wherein each successor Trustee shall accept such appointment and which (1) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, (2) if the retiring Trustee is not retiring with respect to all Securities, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (3) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee; and upon the execution and delivery of such supplemental indenture the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates; but, on request of the Company or any successor Trustee, such retiring Trustee shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to the Securities of that or those series to which the appointment of such successor Trustee relates.

(c) Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all rights, powers and trusts referred to in paragraph (a) or (b) of this Section, as the case may be.

(d) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 6.12. Merger, Conversion, Consolidation or Succession to Business.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated, and in case any Securities shall not have been authenticated, any successor to the Trustee may authenticate such Securities either in the name of any predecessor Trustee or in the name of such successor Trustee, and in all cases the certificate of authentication shall have the full force which it is provided anywhere in the Securities or in this Indenture that the certificate of the Trustee shall have.

SECTION 6.13. Preferential Collection of Claims Against Company.

If and when the Trustee shall be or become a creditor of the Company (or any other obligor upon the Securities), the Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of claims against the Company (or any such other obligor).

SECTION 6.14. Appointment of Authenticating Agent.

The Trustee may appoint an Authenticating Agent or Agents with respect to one or more series of Securities which shall be authorized to act on behalf of the Trustee to authenticate Securities of such series issued upon original issue and upon exchange, registration of transfer or partial redemption thereof or pursuant to Section 3.6, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall at all times be a corporation organized and doing business under the laws of the United States of America, or of any State or Territory or the District of Columbia, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than $50,000,000 and subject to supervision or examination by Federal or State authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of an Authenticating Agent shall be the successor Authenticating Agent hereunder, provided such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and to the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall give notice of such appointment in the manner provided in Section 1.6 to all Holders of Securities of the series with respect to which such Authenticating Agent will serve. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provision of this Section.

The Trustee agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section, and the Trustee shall be entitled to be reimbursed for such payments, subject to the provisions of Section 6.7.

If an appointment with respect to one or more series is made pursuant to this Section, the Securities of such series may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternative certificate of authentication in the following form:

This is one of the Securities referred to in the within mentioned Indenture.

Dated:

As Trustee

By:--------------------------------
As Authenticating Agent

By:--------------------------------
Authorized Officer

ARTICLE VII

HOLDER'S LISTS AND REPORTS BY TRUSTEE AND COMPANY

SECTION 7.1. Company to Furnish Trustee Names and Addresses of Holders.

The Company will furnish or cause to be furnished to the Trustee:

(a) semi-annually, not more than 15 days after   and in each year, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders as of such   and   , and

(b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished,

excluding from any such list names and addresses received by the Trustee in its capacity as Securities Registrar.

SECTION 7.2. Preservation of Information, Communications to Holders.

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the most recent list furnished to the Trustee as provided in Section 7.1 and the names and addresses of Holders received by the Trustee in its capacity as Securities Registrar. The Trustee may destroy any list furnished to it as provided in Section 7.1 upon receipt of a new list so furnished.

(b) The rights of Holders to communicate with other Holders with respect to their rights under this Indenture or under the Securities, and the corresponding rights and privileges of the Trustee, shall be as provided in the Trust Indenture Act.

(c) Every Holder of Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either of them shall be held accountable by reason of the disclosure of information as to the names and addresses of the Holders made pursuant to the Trust Indenture Act.

SECTION 7.3. Reports by Trustee.

(a) The Trustee shall transmit to Holders such reports concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act, at the times and in the manner provided pursuant thereto.

(b) Reports so required to be transmitted at stated intervals of not more than 12 months shall be transmitted no later than   in each calendar year, commencing with the first   after the first issuance of Securities under this Indenture.

(c) A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each stock exchange upon which any Securities are listed and also with the Commission. The Company will notify the Trustee when any Securities are listed on any stock exchange.

SECTION 7.4. Reports by Company.

The Company shall file with the Trustee and with the Commission, and transmit to Holders, such information, documents and other reports, and such summaries thereof, as may be required pursuant to the Trust Indenture Act at the times and in the manner provided in the Trust Indenture Act; provided that any such information, documents or reports required to be filed with the Commission pursuant to Section 13 or Section 15(d) of the Exchange Act shall be filed with the Trustee within 15 days after the same is required to be filed with the Commission. Notwithstanding that the Company may not be required to remain subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company shall continue to file with the Commission and provide the Trustee with the annual reports and the information, documents and other reports which are specified in Sections 13 and 15(d) of the Exchange Act. The Company also shall comply with the other provisions of Trust Indenture Act Section 314(a).

ARTICLE VIII

CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

SECTION 8.1. Company May Consolidate, Etc., Only on Certain Terms.

The Company shall not consolidate with or merge into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, and no Person shall consolidate with or merge into the Company or convey, transfer or lease its properties and assets substantially as an entirety to the Company, unless:

(1) in case the Company shall consolidate with or merge into another Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, the corporation formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Company substantially as an entirety shall be a corporation, partnership or trust organized and existing under the laws of the United States of America or any State or the District of Columbia and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of (and premium, if any) and interest (including any Additional Interest) on all the Securities and the performance of every covenant of this Indenture on the part of the Company to be performed or observed;

(2) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time, or both, would become an Event of Default, shall have happened and be continuing;

(3) in the case of the Securities of a series issued to a Trust, such consolidation, merger, conveyance, transfer or lease is permitted under the related Trust Agreement and Guarantee and does not give rise to any breach or violation of the related Trust Agreement or Guarantee; and

(4) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and any such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with; and the Trustee, subject to Section 6.1, may rely upon such Officers' Certificate and Opinion of Counsel as conclusive evidence that such transaction complies with this Section 8.1.

SECTION 8.2. Successor Corporation Substituted.

Upon any consolidation or merger by the Company with or into any other Person, or any conveyance, transfer or lease by the Company of its properties and assets substantially as an entirety to any Person in accordance with Section 8.1, the successor corporation formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein; and in the event of any such conveyance, transfer or lease the Company shall be discharged from all obligations and covenants under the Indenture and the Securities and may be dissolved and liquidated.

Such successor Person may cause to be signed, and may issue either in its own name or in the name of the Company, any or all of the Securities issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee; and, upon the order of such successor Person instead of the Company and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and shall deliver any Securities which previously shall have been signed and delivered by the officers of the Company to the Trustee for authentication pursuant to such provisions and any Securities which such successor Person thereafter shall cause to be signed and delivered to the Trustee on its behalf for the purpose pursuant to such provisions. All the Securities so issued shall in all respects have the same legal rank and benefit under this Indenture as the Securities theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Securities had been issued at the date of the execution hereof.

In case of any such consolidation, merger, sale, conveyance or lease, such changes in phraseology and form may be made in the Securities thereafter to be issued as may be appropriate.

ARTICLE IX

SUPPLEMENTAL INDENTURES

SECTION 9.1. Supplemental Indentures without Consent of Holders.

Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another Person to the Company, and the assumption by any such successor of the covenants of the Company herein and in the Securities contained; or

(2) to convey, transfer, assign, mortgage or pledge any property to or with the Trustee or to surrender any right or power herein conferred upon the Company; or

(3) to establish the form or terms of Securities of any series as permitted by Sections 2.1 or 3.1; or

(4) to add to the covenants of the Company for the benefit of the Holders of all or any series of Securities (and if such covenants are to be for the benefit of less than all series of Securities, stating that such covenants are expressly being included solely for the benefit of such series) or to surrender any right or power herein conferred upon the Company; or

(5) to add any additional Events of Default for the benefit of the Holders of all or any series of Securities (and if such additional Events of Default are to be for the benefit of less than all series of Securities, stating that such additional Events of Default are expressly being included solely for the benefit of such series); or

(6) to change or eliminate any of the provisions of this Indenture, provided that any such change or elimination shall become effective only when there is no Security Outstanding of any series created prior to the execution of such supplemental indenture which is entitled to the benefit of such provision; or

(7) to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture, provided that such action pursuant to this clause (7) shall not adversely affect the interest of the Holders of Securities of any series in any material respect or, in the case of the Securities of a series issued to a Trust and for so long as any of the corresponding series of Preferred Securities issued by such Trust shall remain outstanding, the holders of such Preferred Securities; or

(8) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 6.11(b); or

(9) to comply with the requirements of the Commission in order to effect or maintain the qualification of this Indenture under the Trust Indenture Act.

SECTION 9.2. Supplemental Indentures with Consent of Holders.

With the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities of each series affected by such supplemental indenture, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders of Securities of such series under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security affected thereby,

(1) except to the extent permitted by Section 3.11 or as otherwise specified as contemplated by Section 2.1 or Section 3.1 with respect to the deferral of the payment of interest on the Securities of any series, change the Stated Maturity of the principal of, or any installment of interest (including any Additional Interest) on, any Security, or reduce the principal amount thereof or the rate of interest thereon or reduce any premium payable upon the redemption thereof, or reduce the amount of principal of a Discount Security that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 5.2, or change the place of payment where, or the coin or currency in which, any Security or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or

(2) reduce the percentage in principal amount of the Outstanding Securities of any series, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture, or

(3) modify any of the provisions of this Section, Section 5.13 or Section 10.5, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Security affected thereby; or

(4) modify the provisions in Article XIII of this Indenture with respect to the subordination of Outstanding Securities of any series in a manner adverse to the Holders thereof;

provided, further, that, in the case of the Securities of a series issued to a Trust, so long as any of the corresponding series of Preferred Securities issued by such Trust remains outstanding, (i) no such amendment shall be made that adversely affects the holders of such Preferred Securities in any material respect, and no termination of this Indenture shall occur, and no waiver of any Event of Default or compliance with any covenant under this Indenture shall be effective, without the prior consent of the holders of at least a majority of the aggregate liquidation preference of such Preferred Securities then outstanding unless and until the principal (and premium, if any) of the Securities of such series and all accrued and, subject to Section 3.7, unpaid interest (including any Additional Interest) thereon have been paid in full and (ii) no amendment shall be made to Section 5.8 of this Indenture that would impair the rights of the holders of Preferred Securities provided therein without the prior consent of the holders of each Preferred Security then outstanding unless and until the principal (and premium, if any) of the Securities of such series and all accrued and (subject to Section 3.7) unpaid interest (including any Additional Interest) thereon have been paid in full.

A supplemental indenture that changes or eliminates any covenant or other provision of this Indenture that has expressly been included solely for the benefit of one or more particular series of Securities or Preferred Securities, or which modifies the rights of the Holders of Securities or holders of Preferred Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities or holders of Preferred Securities of any other series.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

SECTION 9.3. Execution of Supplemental Indentures.

In executing or accepting the additional trusts created by any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 6.1) shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture, and that all conditions precedent have been complied with. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

SECTION 9.4. Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 9.5. Conformity with Trust Indenture Act.

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act as then in effect.

SECTION 9.6. Reference in Securities to Supplemental Indentures.

Securities authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Company, bear a notation in form approved by the Company as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities of any series so modified as to conform, in the opinion of the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities of such series.

ARTICLE X

COVENANTS

SECTION 10.1. Payment of Principal, Premium and Interest.

The Company covenants and agrees for the benefit of each series of securities that it will duly and punctually pay the principal of (and premium, if any) and interest on the Securities of that series in accordance with the terms of such Securities and this Indenture.

SECTION 10.2. Maintenance of Office or Agency.

The Company will maintain in each Place of Payment for any series of Securities, an office or agency where Securities of that series may be presented or surrendered for payment and an office or agency where Securities of that series may be surrendered for transfer or exchange and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served. The Company initially appoints the Trustee, acting through its Corporate Trust Office, as its agent for said purposes. The Company will give prompt written notice to the Trustee of any change in the location of any such office or agency. If at any time the Company shall fail to maintain such office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies where the Securities may be presented or surrendered for any or all of such purposes, and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in each Place of Payment for Securities of any series for such purposes. The Company will give prompt written notice to the Trustee of any such designation and any change in the location of any such office or agency.

SECTION 10.3. Money for Security Payments to be Held in Trust.

If the Company shall at any time act as its own Paying Agent with respect to any series of Securities, it will, on or before each due date of the principal of (and premium, if any) or interest on any of the Securities of such series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal (and premium, if any) or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided, and will promptly notify the Trustee of its failure so to act.

Whenever the Company shall have one or more Paying Agents, it will, prior to 10:00 a.m. New York City time on each due date of the principal of or interest on any Securities, deposit with a Paying Agent a sum sufficient to pay the principal (and premium, if any) or interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal and premium (if any) or interest, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its failure so to act.

The Company will cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

(1) hold all sums held by it for the payment of the principal of (and premium, if any) or interest on Securities in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(2) give the Trustee notice of any default by the Company (or any other obligor upon the Securities) in the making of any payment of principal (and premium, if any) or interest;

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent; and

(4) comply with the provisions of the Trust Indenture Act applicable to it as a Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of (and premium, if any) or interest on any Security and remaining unclaimed for two years after such principal (and premium, if any) or interest has become due and payable shall (unless otherwise required by mandatory provision of applicable escheat or abandoned or unclaimed property law) be paid on Company Request to the Company, or (if then held by the Company) shall (unless otherwise required by mandatory provision of applicable escheat or abandoned or unclaimed property law) be discharged from such trust; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in the Borough of Manhattan, The City of New York, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 10.4. Statement as to Compliance.

The Company shall deliver to the Trustee, within 120 days after the end of each calendar year of the Company ending after the date hereof, an Officers' Certificate covering the preceding calendar year, stating whether or not to the best knowledge of the signers thereof the Company is in default in the performance, observance or fulfillment of or compliance with any of the terms, provisions, covenants and conditions of this Indenture, and if the Company shall be in default, specifying all such defaults and the nature and status thereof of which they may have knowledge. For the purpose of this Section 10.4, compliance shall be determined without regard to any grace period or requirement of notice provided pursuant to the terms of this Indenture.

SECTION 10.5. Waiver of Certain Covenants.

The Company may omit in any particular instance to comply with any covenant or condition provided pursuant to Section 3.1, 9.1(3) or 9.1(4) with respect to the Securities of any series, if before or after the time for such compliance the Holders of at least a majority in principal amount of the Outstanding Securities of such series shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such covenant or condition, but no such waiver shall extend to or affect such covenant or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company in respect of any such covenant or condition shall remain in full force and effect.

SECTION 10.6. Additional Sums.

In the case of the Securities of a series issued to a Trust, so long as no Event of Default has occurred and is continuing and except as otherwise specified as contemplated by Section 2.1 or Section 3.1, in the event that (i) a Trust is the Holder of all of the Outstanding Securities of such series, (ii) a Tax Event in respect of such Trust shall have occurred and be continuing and (iii) the Company shall not have (A) redeemed the Securities of such series pursuant to Section 11.7(b) or (B) terminated such Trust pursuant to Section 9.2(b) of the related Trust Agreement, the Company shall pay to such Trust (and its permitted successors or assigns under the related Trust Agreement) for so long as such Trust (or its permitted successor or assignee) is the registered holder of any Securities of such series, such additional amounts as may be necessary in order that the amount of Distributions (including any Additional Amounts (as defined in such Trust Agreement)) then due and payable by such Trust on the related Preferred Securities and Common Securities that at any time remain outstanding in accordance with the terms thereof shall not be reduced as a result of any Additional Taxes (the "Additional Sums"). Whenever in this Indenture or the Securities there is a reference in any context to the payment of principal of or interest on the Securities, such mention shall be deemed to include mention of the payments of the Additional Sums provided for in this paragraph to the extent that, in such context, Additional Sums are, were or would be payable in respect thereof pursuant to the provisions of this paragraph and express mention of the payment of Additional Sums (if applicable) in any provisions hereof shall not be construed as excluding Additional Sums in those provisions hereof where such express mention is not made; provided, however, that the deferral of the payment of interest pursuant to Section 3.11 or the Securities shall not defer the payment of any Additional Sums that may be due and payable.

SECTION 10.7. Additional Covenants.

The Company covenants and agrees with each Holder of Securities of each series that it shall not, and it shall not permit any Subsidiary of the Company to, (a) declare or pay any dividends or distributions on, or redeem purchase, acquire or make a liquidation payment with respect to, any shares of the Company's capital stock, or (b) make any payment of principal of or interest or premium, if any, on or repay, repurchase or redeem any debt securities of the Company that rank pari passu with or junior in interest to the Securities of such series or make any guarantee payments with respect to any guarantee by the Company of debt securities of any subsidiary of the Company if such guarantee ranks pari passu with or junior in interest to the Securities (other than (a) dividends or distributions in Common Stock, (b) any declaration of a dividend in connection with the implementation of a Rights Plan, the issuance of any rights, of any Common Stock or any class or series of preferred stock of the Company or of any other property under any Rights Plan or the repurchase of any rights distributed pursuant to a Rights Plan, (c) payments under any Guarantee, and (d) purchases of Common Stock related to the issuance of Common Stock under any of the Company's benefit plans for its directors, officers or employees) if at such time (i) there shall have occurred any event of which the Company has actual knowledge that (A) with the giving of notice or the lapse of time or both, would constitute an Event of Default with respect to the Securities of such series and (B) in respect of which the Company shall not have taken reasonable steps to cure, (ii) if the Securities of such series are held by a Trust, the Company shall be in default with respect to its payment of any obligations under the Guarantee relating to the Preferred Securities issued by such Trust or (iii) the Company shall have given notice of its election to begin an Extension Period with respect to the Securities of such series as provided herein and shall not have rescinded such notice, or such Extension Period, or any extension thereof, shall be continuing.

The Company also covenants with each Holder of Securities of a series issued to a Trust (i) to maintain directly or indirectly 100% ownership of the Common Securities of such Trust; provided, however, that any permitted successor of the Company hereunder may succeed to the Company's ownership of such Common Securities, (ii) not to voluntarily terminate, wind-up or liquidate such Trust, except (a) in connection with a distribution of the Securities of such series to the holders of Preferred Securities in liquidation of such Trust or (b) in connection with certain mergers, consolidations or amalgamations permitted by the related Trust Agreement and (iii) to use its reasonable efforts, consistent with the terms and provisions of such Trust Agreement, to cause such Trust to remain classified as a grantor trust and not an association taxable as a corporation for United States federal income tax purposes.

ARTICLE XI

REDEMPTION OF SECURITIES

SECTION 11.1. Applicability of This Article.

Redemption of Securities of any series (whether by operation of a sinking fund or otherwise) as permitted or required by any form of Security issued pursuant to this Indenture shall be made in accordance with such form of Security and this Article; provided, however, that if any provision of any such form of Security shall conflict with any provision of this Article, the provision of such form of Security shall govern. Except as otherwise set forth in the form of Security for such series, each Security of such series shall be subject to partial redemption only in the amount of $25 or, in the case of the Securities of a series issued to a Trust, $25, or integral multiples thereof.

SECTION 11.2. Election to Redeem; Notice to Trustee.

The election of the Company to redeem any Securities shall be evidenced by or pursuant to a Board Resolution. In case of any redemption at the election of the Company of less than all of the Securities of any particular series and having the same terms, the Company shall, not less than 30 nor more than 60 days prior to the Redemption Date (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such date and of the principal amount of Securities of that series to be redeemed. In the case of any redemption of Securities prior to the expiration of any restriction on such redemption provided in the terms of such Securities, the Company shall furnish the Trustee with an Officers' Certificate and an Opinion of Counsel evidencing compliance with such restriction.

SECTION 11.3. Selection of Securities to be Redeemed.

If less than all the Securities of any series are to be redeemed (unless all the Securities of such series and of a specified tenor are to be redeemed or unless such redemption affects only a single Security), the particular Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Securities of such series not previously called for redemption, by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of a portion of the principal amount of any Security of such series, provided that the unredeemed portion of the principal amount of any Security shall be in an authorized denomination (which shall not be less than the minimum authorized denomination) for such Security. If less than all the Securities of such series and of a specified tenor are to be redeemed (unless such redemption affects only a single Security), the particular Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Securities of such series and specified tenor not previously called for redemption in accordance with the preceding sentence.

The Trustee shall promptly notify the Company in writing of the Securities selected for partial redemption and the principal amount thereof to be redeemed. For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of

Securities shall relate, in the case of any Security redeemed or to be redeemed only in part, to the portion of the principal amount of such Security which has been or is to be redeemed. If the Company shall so direct, Securities registered in the name of the Company, any Affiliate or any Subsidiary thereof shall not be included in the Securities selected for redemption.

SECTION 11.4. Notice of Redemption.

Notice of redemption shall be given by first-class mail, postage prepaid, mailed not later than the thirtieth day, and not earlier than the sixtieth day, prior to the Redemption Date, to each Holder of Securities to be redeemed, at the address of such Holder as it appears in the Securities Register.

With respect to Securities of each series to be redeemed, each notice of redemption shall state:

(a) the Redemption Date;

(b) the Redemption Price;

(c) if less than all Outstanding Securities of such particular series and having the same terms are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the particular Securities to be redeemed;

(d) that on the Redemption Date, the Redemption Price will become due and payable upon each such Security or portion thereof, and that interest thereon, if any, shall cease to accrue on and after said date;

(e) the place or places where such Securities are to be surrendered for payment of the Redemption Price; and

(f) that the redemption is for a sinking fund, if such is the case.

Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company and shall not be irrevocable. The notice if mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice. In any case, a failure to give such notice by mail or any defect in the notice to the Holder of any Security designated for redemption as a whole or in part shall not affect the validity of the proceedings for the redemption of any other Security.

SECTION 11.5. Deposit of Redemption Price.

Prior to 10:00 a.m. New York City time on the Redemption Date specified in the notice of redemption given as provided in Section 11.4, the Company will deposit with the Trustee or with one or more Paying Agents (or if the Company is acting as its own Paying Agent, the Company will segregate and hold in trust as provided in Section 10.3) an amount of money sufficient to pay the Redemption Price of, and any accrued interest (including Additional Interest) on, all the Securities which are to be redeemed on that date.

SECTION 11.6. Payment of Securities Called for Redemption.

If any notice of redemption has been given as provided in Section 11.4, the Securities or portion of Securities with respect to which such notice has been given shall become due and payable on the date and at the place or places stated in such notice at the applicable Redemption Price. On presentation and surrender of such Securities at a Place of Payment in said notice specified, the said securities or the specified portions thereof shall be paid and redeemed by the Company at the applicable Redemption Price, together with accrued interest (including any Additional Interest) to the Redemption Date; provided, however, that, unless otherwise specified as contemplated by Section 3.1, installments of interest whose Stated Maturity is on or prior to the Redemption Date will be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 3.7.

Upon presentation of any Security redeemed in part only, the Company shall execute and the Trustee shall authenticate and deliver to the Holder thereof, at the expense of the Company, a new Security or Securities of the same series, of authorized denominations, in aggregate principal amount equal to the unredeemed portion of the Security so presented and having the same Original Issue Date, Stated Maturity and terms. If a Global Security is so surrendered, such new Security will also be a new Global Security.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal of and premium, if any, on such Security shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in the Security.

SECTION 11.7. Right of Redemption of Securities Initially Issued to a Trust.

In the case of the Securities of a series initially issued to a Trust, except as otherwise specified as contemplated by Section 3.1, the Company, at its option, may redeem such Securities (i) on or after the date five years after the Original Issue Date of such Securities, in whole at any time or in part from time to time, or (ii) upon the occurrence and during the continuation of a Tax Event, at any time within 90 days following the occurrence of such Tax Event in respect of such Trust, in whole (but not in part), in each case at a Redemption Price equal to 100% of the principal amount thereof.

ARTICLE XII

SINKING FUNDS

SECTION 12.1. Applicability of Article.

The provisions of this Article shall be applicable to any sinking fund for the retirement of Securities of any series except as otherwise specified as contemplated by Section 3.1 for such Securities.

The minimum amount of any sinking fund payment provided for by the terms of any Securities of any series is herein referred to as a "mandatory sinking fund payment", and any sinking fund payment in excess of such minimum amount which is permitted to be made by the terms of such Securities of any series is herein referred to as an "optional sinking fund payment". If provided for by the terms of any Securities of any series, the cash amount of any sinking fund payment may be subject to reduction as provided in Section 12.2. Each sinking fund payment shall be applied to the redemption of Securities of any series as provided for by the terms of such Securities.

SECTION 12.2. Satisfaction of Sinking Fund Payments with Securities.

In lieu of making all or any part of a mandatory sinking fund payment with respect to any Securities of a series in cash, the Company may at its option, at any time no more than 16 months and no less than 30 days prior to the date on which such sinking fund payment is due, deliver to the Trustee Securities of such series (together with the unmatured coupons, if any, appertaining thereto) theretofore purchased or otherwise acquired by the Company, except Securities of such series that have been redeemed through the application of mandatory or optional sinking fund payments pursuant to the terms of the Securities of such series, accompanied by a Company Order instructing the Trustee to credit such obligations and stating that the Securities of such series were originally issued by the Company by way of bona fide sale or other negotiation for value; provided that the Securities to be so credited have not been previously so credited. The Securities to be so credited shall be received and credited for such purpose by the Trustee at the redemption price for such Securities, as specified in the Securities so to be redeemed, for redemption through operation of the sinking fund and the amount of such sinking fund payment shall be reduced accordingly.

SECTION 12.3. Redemption of Securities for Sinking Fund.

Not less than 60 days prior to each sinking fund payment date for any series of Securities, the Company will deliver to the Trustee an Officers' Certificate specifying the amount of the next ensuing sinking fund payment for such Securities pursuant to the terms of such Securities, the portion thereof, if any, which is to be satisfied by payment of cash in the currency in which the Securities of such series are payable (except as provided pursuant to Section 3.1) and the portion thereof, if any, which is to be satisfied by delivering and crediting Securities pursuant to Section 12.2 and will also deliver to the Trustee any Securities to be so delivered. Such Officers' Certificate shall be irrevocable and upon its delivery the Company shall be obligated to make the cash payment or payments therein referred to, if any, on or before the succeeding sinking fund payment date. In the case of the failure of the Company to deliver such Officers' Certificate (or, as required by this Indenture, the Securities and coupons, if any, specified in such Officers' Certificate), the sinking fund payment due on the succeeding sinking fund payment date for such series shall be paid entirely in cash and shall be sufficient to redeem the principal amount of the Securities of such series subject to a mandatory sinking fund payment without the right to deliver or credit securities as provided in Section 12.2 and without the right to make the optional sinking fund payment with respect to such series at such time.

Any sinking fund payment or payments (mandatory or optional) made in cash plus any unused balance of any preceding sinking fund payments made with respect to the Securities of any particular series shall be applied by the Trustee (or by the Company if the Company is acting as its own Paying Agent) on the sinking fund payment date on which such payment is made (or, if such payment is made before a sinking fund payment date, on the sinking fund payment date immediately following the date of such payment) to the redemption of Securities of such series at the Redemption Price specified in such Securities with respect to the sinking fund. Any sinking fund moneys not so applied or allocated by the Trustee (or, if the Company is acting as its own Paying Agent, segregated and held in trust by the Company as provided in Section 10.3) for such series and together with such payment (or such amount so segregated) shall be applied in accordance with the provisions of this Section 12.3. Any and all sinking fund moneys with respect to the Securities of any particular series held by the Trustee (or if the Company is acting as its own Paying Agent, segregated and held in trust as provided in Section 10.3) on the last sinking fund payment date with respect to Securities of such series and not held for the payment or redemption of particular Securities of such series shall be applied by the Trustee (or by the Company if the Company is acting as its own Paying Agent), together with other moneys, if necessary, to be deposited (or segregated) sufficient for the purpose, to the payment of the principal of the Securities of such series at Maturity. The Trustee shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 11.3 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in Section 11.4. Such notice having been duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Section 11.6. On or before each sinking fund payment date, the Company shall pay to the Trustee (or, if the Company is acting as its own Paying Agent, the Company shall segregate and hold in trust as provided in Section 10.3) in cash a sum in the currency in which Securities of such series are payable (except as provided pursuant to Section 3.1) equal to the principal and any interest accrued to the Redemption Date for Securities or portions thereof to be redeemed on such sinking fund payment date pursuant to this Section 12.3.

Neither the Trustee nor the Company shall redeem any Securities of a series with sinking fund moneys or mail any notice of redemption of Securities of such series by operation of the sinking fund for such series during the continuance of a default in payment of interest, if any, on any Securities of such series or of any Event of Default (other than an Event of Default occurring as a consequence of this paragraph) with respect to the Securities of such series, except that if the notice of redemption shall have been provided in accordance with the provisions hereof, the Trustee (or the Company, if the Company is then acting as its own Paying Agent) shall redeem such Securities if cash sufficient for that purpose shall be deposited with the Trustee (or segregated by the Company) for that purpose in accordance with the terms of this Article XII. Except as aforesaid, any moneys in the sinking fund for such series at the time when any such default or Event of Default shall occur and any moneys thereafter paid into such sinking fund shall, during the continuance of such default or Event of Default, be held as security for the payment of the Securities and coupons, if any, of such series; provided, however, that in case such default or Event of Default shall have been cured or waived herein, such moneys shall thereafter be applied on the next sinking fund payment date for the Securities of such series on which such moneys may be applied pursuant to the provisions of this Section 12.3.

ARTICLE XIII

SUBORDINATION OF SECURITIES

SECTION 13.1. Securities Subordinate to Senior Debt.

The Company covenants and agrees, and each Holder of a Security, by its acceptance thereof, likewise covenants and agrees, that, to the extent and in the manner hereinafter set forth in this Article, the payment of the principal of (and premium, if any) and interest (including any Additional Interest) on each and all of the Securities are hereby expressly made subordinate and subject in right of payment to the prior payment in full of all Senior Debt.

SECTION 13.2. Payment Over of Proceeds Upon Dissolution, Etc.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company (each such event, if any, herein sometimes referred to as a "Proceeding"), then the holders of Senior Debt shall be entitled to receive payment in full of all Allocable Amounts of such Senior Debt, or provision shall be made for such payment in cash or cash equivalents or otherwise in a manner satisfactory to the holders of Senior Debt, before the Holders of the Securities are entitled to receive or retain any payment or distribution of any kind or character, whether in cash, property or securities (including any payment or distribution which may be payable or deliverable by reason of the payment of any other Debt of the Company (including any series of the Securities) subordinated to the payment of the Securities, such payment or distribution being hereinafter referred to as a "Junior Subordinated Payment"), on account of principal of (or premium, if any) or interest (including any Additional Interest) on the Securities or on account of the purchase or other acquisition of Securities by the Company or any Subsidiary and to that end the holders of Senior Debt shall be entitled to receive, for application to the payment thereof, any payment or distribution of any kind or character, whether in cash, property or securities, including any Junior Subordinated Payment, which may be payable or deliverable in respect of the Securities in any such Proceeding.

In the event that, notwithstanding the foregoing provisions of this Section, the Trustee or the Holder of any Security shall have received any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, including any Junior Subordinated Payment, before all Allocable Amounts of all Senior Debt are paid in full or payment thereof is provided for in cash or cash equivalents or otherwise in a manner satisfactory to the holders of Senior Debt, and if such fact shall, at or prior to the time of such payment or distribution, have been made known to the Trustee or, as the case may be, such Holder, then and in such event such payment or distribution shall be paid over or delivered forthwith to the trustee in bankruptcy, receiver, liquidating trustee, custodian, assignee, agent or other Person making payment or distribution of assets of the Company for application to the payment of all Allocable Amounts of all Senior Debt remaining unpaid, to the extent necessary to pay all Allocable Amounts of all Senior Debt in full, after giving effect to any concurrent payment or distribution to or for the holders of Senior Debt.

For purposes of this Article only, the words "any payment or distribution of any kind or character, whether in cash, property or securities" shall not be deemed to include shares of stock of the Company as reorganized or readjusted, or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment which securities are subordinated in right of payment to all then outstanding Senior Debt to substantially the same extent as the Securities are so subordinated as provided in this Article. The consolidation of the Company with, or the merger of the Company into, another Person or the liquidation or dissolution of the Company following the sale of all or substantially all of its properties and assets as an entirety to another Person upon the terms and conditions set forth in Article VIII shall not be deemed a Proceeding for the purposes of this Section if the Person formed by such consolidation or into which the Company is merged or the Person which acquires by sale such properties and assets as an entirety, as the case may be, shall, as a part of such consolidation, merger, or sale comply with the conditions set forth in Article VIII.

SECTION 13.3. Prior Payment to Senior Debt Upon Acceleration of Securities.

In the event that any Securities are declared due and payable before their Stated Maturity, then and in such event the holders of the Senior Debt outstanding at the time such Securities so become due and payable shall be entitled to receive payment in full of all Allocable Amounts due on or in respect of such Senior Debt (including any amounts due upon acceleration), or provision shall be made for such payment in cash or cash equivalents or otherwise in a manner satisfactory to the holders of Senior Debt, before the Holders of the Securities are entitled to receive any payment or distribution of any kind or character, whether in cash, properties or securities (including any Junior Subordinated Payment) by the Company on account of the principal of (or premium, if any) or interest (including any Additional Interest) on the Securities or on account of the purchase or other acquisition of Securities by the Company or any Subsidiary; provided, however, that nothing in this Section shall prevent the satisfaction of any sinking fund payment in accordance with this Indenture or as otherwise specified as contemplated by Section 3.1 for the Securities of any series by delivering and crediting pursuant to Section 12.2 or as otherwise specified as contemplated by Section 3.1 for the Securities of any series Securities which have been acquired (upon redemption or otherwise) prior to such declaration of acceleration.

In the event that, notwithstanding the foregoing, the Company shall make any payment to the Trustee or the Holder of any Security prohibited by the foregoing provisions of this Section, and if such fact shall, at or prior to the time of such payment, have been made known to the Trustee or, as the case may be, such Holder, then and in such event such payment shall be paid over and delivered forthwith to the Company.

The provisions of this Section shall not apply to any payment with respect to which Section 13.2 would be applicable.

SECTION 13.4. No Payment When Senior Debt in Default.

(a) In the event and during the continuation of any default in the payment of principal of (or premium, if any) or interest on any Senior Debt, or in the event that any event of default with respect to any Senior Debt shall have occurred and be continuing and shall have resulted in such Senior Debt becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable, unless and until such event of default shall have been cured or waived or shall have ceased to exist and such acceleration shall have been rescinded or annulled, or (b) in the event any judicial proceeding shall be pending with respect to any such default in payment or such event or default, then no payment or distribution of any kind or character, whether in cash, properties or securities (including any Junior Subordinated Payment) shall be made by the Company on account of principal of (or premium, if any) or interest (including any Additional Interest), if any, on the Securities or on account of the purchase or other acquisition of Securities by the Company or any Subsidiary, in each case unless and until all Allocable Amounts of such Senior Debt are paid in full; provided, however, that nothing in this Section shall prevent the satisfaction of any sinking fund payment in accordance with this Indenture or as otherwise specified as contemplated by Section 3.1 for the Securities of any series by delivering and crediting pursuant to Section 12.2 or as otherwise specified as contemplated by Section 3.1 for the Securities of any series Securities which have been acquired (upon redemption or otherwise) prior to such default in payment or event of default.

In the event that, notwithstanding the foregoing, the Company shall make any payment to the Trustee or the Holder of any Security prohibited by the foregoing provisions of this Section, and if such fact shall, at or prior to the time of such payment, have been made known to the Trustee or, as the case may be, such Holder, then and in such event such payment shall be paid over and delivered forthwith to the Company.

The provisions of this Section shall not apply to any payment with respect to which Section 13.2 would be applicable.

SECTION 13.5. Payment Permitted If No Default.

Nothing contained in this Article or elsewhere in this Indenture or in any of the Securities shall prevent (a) the Company, at any time except during the pendency of any Proceeding referred to in Section 13.2 or under the conditions described in Sections 13.3 and 13.4, from making payments at any time of principal of (and premium, if any) or interest (including Additional Interest) on the Securities, or (b) the application by the Trustee of any money deposited with it hereunder to the payment of or on account of the principal of (and premium, if any) or interest (including any Additional Interest) on the Securities or the retention of such payment by the Holders, if, at the time of such application by the Trustee, it did not have knowledge that such payment would have been prohibited by the provisions of this Article.

SECTION 13.6. Subrogation to Rights of Holders of Senior Debt.

Subject to the payment in full of all amounts due or to become due on all Senior Debt, or the provision for such payment in cash or cash equivalents or otherwise in a manner satisfactory to the holders of Senior Debt, the Holders of the Securities shall be subrogated to the extent of the payments or distributions made to the holders of such Senior Debt pursuant to the provisions of this Article (equally and ratably with the holders of all indebtedness of the Company which by its express terms is subordinated to Senior Debt of the Company to substantially the same extent as the Securities are subordinated to the Senior Debt and is entitled to like rights of subrogation by reason of any payments or distributions made to holders of such Senior Debt) to the rights of the holders of such Senior Debt to receive payments and distributions of cash, property and securities applicable to the Senior Debt until the principal of (and premium, if any) and interest on the Securities shall be paid in full. For purposes of such subrogation, no payments or distributions to the holders of the Senior Debt of any cash, property or securities to which the Holders of the Securities or the Trustee would be entitled except for the provisions of this Article, and no payments over pursuant to the provisions of this Article to the holders of Senior Debt by Holders of the Securities or the Trustee, shall, as among the Company, its creditors other than holders of Senior Debt, and the Holders of the Securities, be deemed to be a payment or distribution by the Company to or on account of the Senior Debt.

SECTION 13.7. Provisions Solely to Define Relative Rights.

The provisions of this Article are and are intended solely for the purpose of defining the relative rights of the Holders of the Securities on the one hand and the holders of Senior Debt on the other hand. Nothing contained in this Article or elsewhere in this Indenture or in the Securities is intended to or shall (a) impair, as between the Company and the Holders of the Securities, the obligations of the Company, which are absolute and unconditional, to pay to the Holders of the Securities the principal of (and premium, if any) and interest (including any Additional Interest) on the Securities as and when the same shall become due and payable in accordance with their terms; or (b) affect the relative rights against the Company of the Holders of the Securities and creditors of the Company other than their rights in relation to the holders of Senior Debt; or (c) prevent the Trustee or the Holder of any Security from exercising all remedies otherwise permitted by applicable law upon default under this Indenture including, without limitation, filing and voting claims in any Proceeding, subject to the rights, if any, under this Article of the holders of Senior Debt to receive cash, property and securities otherwise payable or deliverable to the Trustee or such Holder.

SECTION 13.8. Trustee to Effectuate Subordination.

Each Holder of a Security by his or her acceptance thereof authorizes and directs the Trustee on his or her behalf to take such action as may be necessary or appropriate to acknowledge or effectuate the subordination provided in this Article and appoints the Trustee his or her attorney-in-fact for any and all such purposes.

SECTION 13.9. No Waiver of Subordination Provisions.

No right of any present or future holder of any Senior Debt to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Company with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof that any such holder may have or be otherwise charged with.

Without in any way limiting the generality of the immediately preceding paragraph, the holders of Senior Debt may, at any time and from to time, without the consent of or notice to the Trustee or the Holders of the Securities, without incurring responsibility to the Holders of the Securities and without impairing or releasing the subordination provided in this Article or the obligations hereunder of the Holders of the Securities to the holders of Senior Debt, do any one or more of the following: (i) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, Senior Debt, or otherwise amend or supplement in any manner Senior Debt or any instrument evidencing the same or any agreement under which Senior Debt is outstanding; (ii) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing Senior Debt; (iii) release any Person liable in any manner for the collection of Senior Debt; and (iv) exercise or refrain from exercising any rights against the Company and any other Person.

SECTION 13.10. Notice to Trustee.

The Company shall give prompt written notice to the Trustee of any fact known to the Company which would prohibit the making of any payment to or by the Trustee in respect of the Securities. Notwithstanding the provisions of this Article or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts which would prohibit the making of any payment to or by the Trustee in respect of the Securities, unless and until the Trustee shall have received written notice thereof from the Company or a holder of Senior Debt or from any trustee, agent or representative therefor; provided, however, that if the Trustee shall not have received the notice provided for in this Section at least two Business Days prior to the date upon which by the terms hereof any monies may become payable for any purpose (including, without limitation, the payment of the principal of (and premium, if any) or interest (including any Additional Interest) on any Security), then, anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to receive such monies and to apply the same to the purpose for which they were received and shall not be affected by any notice to the contrary which may be received by it within two Business Days prior to such date.

Subject to the provisions of Section 6.1, the Trustee shall be entitled to rely on the delivery to it of a written notice by a Person representing himself to be a holder of Senior Debt (or a trustee therefor) to establish that such notice has been given by a holder of Senior Debt (or a trustee therefor). In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any Person as a holder of Senior Debt to participate in any payment or distribution pursuant to this Article, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Debt held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Article, and if such evidence is not furnished, the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

SECTION 13.11. Reliance on Judicial Order or Certificate of Liquidating Agent.

Upon any payment or distribution of assets of the Company referred to in this Article, the Trustee, subject to the provisions of Section 6.1, and the Holders of the Securities shall be entitled to rely upon any order or decree entered by any court of competent jurisdiction in which such Proceeding is pending, or a certificate of the trustee in bankruptcy, receiver, liquidating trustee, custodian, assignee for the benefit of creditors, agent or other Person making such payment or distribution, delivered to the Trustee or to the Holders of Securities, for the purpose of ascertaining the Persons entitled to participate in such payment or distribution, the holders of the Senior Debt and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article.

SECTION 13.12. Trustee Not Fiduciary for Holders of Senior Debt.

The Trustee, in its capacity as trustee under this Indenture, shall not be deemed to owe any fiduciary duty to the holders of Senior Debt and shall not be liable to any such holders if it shall in good faith mistakenly pay over or distribute to Holders of Securities or to the Company or to any other Person cash, property or securities to which any holders of Senior Debt shall be entitled by virtue of this Article or otherwise.

SECTION 13.13. Rights of Trustee as Holder of Senior Debt; Preservation of Trustee's Rights.

The Trustee in its individual capacity shall be entitled to all the rights set forth in this Article with respect to any Senior Debt which may at any time be held by it, to the same extent as any other holder of Senior Debt, and nothing in this Indenture shall deprive the Trustee of any of its rights as such holder.

SECTION 13.14. Article Applicable to Paying Agents.

In case at any time any Paying Agent other than the Trustee shall have been appointed by the Company and be then acting hereunder, the term "Trustee" as used in this Article shall in such case (unless the context otherwise requires) be construed as extending to and including such Paying Agent within its meaning as fully for all intents and purposes as if such Paying Agent were named in this Article in addition to or in place of the Trustee.

SECTION 13.15. Certain Conversions or Exchanges Deemed Payment.

For the purposes of this Article only, (a) the issuance and delivery of junior securities upon conversion or exchange of Securities shall not be deemed to constitute a payment or distribution on account of the principal of (or premium, if any) or interest (including any Additional Interest) on Securities or on account of the purchase or other acquisition of Securities, and (b) the payment, issuance or delivery of cash, property or securities (other than junior securities) upon conversion or exchange of a Security shall be deemed to constitute payment on account of the principal of such security. For the purposes of this Section, the term "junior securities" means (i) shares of any stock of any class of the Company and (ii) securities of the Company which are subordinated in right of payment to all Senior Debt which may be outstanding at the time of issuance or delivery of such securities to substantially the same extent as, or to a greater extent than, the Securities are so subordinated as provided in this Article.

* * * *

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

THE CHASE MANHATTAN CORPORATION

By:-------------------------------

Attest:

THE BANK OF NEW YORK
as Trustee

By:-------------------------------

Exhibit 10.3

THE CHASE MANHATTAN CORPORATION

Post-Retirement Compensation Plan for Non-Employee Directors
(As amended and restated effective May 21, 1996.)

SECTION 1. Plan. This plan is the Chase Manhattan Corporation Post-Retirement Compensation Plan for Non-Employee Directors.

SECTION 2. Definitions. For purposes of the Plan, the following terms shall have the meanings specified below:

"Administrator" shall mean the person appointed by the Chief Executive Officer of the Corporation to administer the Plan.

"Board" shall mean the Board of Directors of the Corporation.

"Common Stock" shall mean the shares of common stock, par value $1 per share, of the Corporation.

"Corporation" shall mean The Chase Manhattan Corporation, a Delaware corporation.

"Director" shall mean a person serving as a director of the Corporation.

"Fair Market Value" shall mean the mean between the high and low selling prices of Common Stock on the date as of which such value is being determined.

"Outside Director" shall mean any Director of the Corporation who has never been an employee or officer of the Corporation or a Subsidiary.

"Participant" shall have the meaning assigned to such term in Section 3.

"Subsidiary" shall mean any corporation which at the time qualifies as a subsidiary of the Corporation under the definition of "subsidiary corporation" in Section 425(f) of the Internal Revenue Code of 1986, as the same may be amended from time to time.

"Unit" shall mean a unit which is equal in value to the Fair Market Value of a share of Common Stock.

SECTION 3. Participants. Effective as of May 21, 1996, the term "Participant" shall be limited to those Outside Directors who were participating in the Plan and on such date, the Plan shall be frozen, and no further amounts shall accrue in respect of any Participant, except as set forth in Section 4(b).

SECTION 4. Compensation. (a) Commencing upon a Participant's retirement, resignation or removal from service as a Director on the Board, or any failure of a Participant to be reelected as a Director after accepting a nomination for election, in each case (i) after attaining the age of 70 (or such other age as may be established from time to time by the Board as the retirement age), (ii) with the consent of the Board or (iii) because of disability or health reasons, the Corporation shall pay on May 1 of each year (or on such other date or dates as the Administrator shall so designate in his sole discretion) during the Participant's lifetime to each Participant an amount equal to the dollar value of the annual retainer fee (such dollar value to be determined by the Administrator from time to time) payable to Directors of the Corporation at the date the Participant retires, resigns, or is removed from service as a Director or is not reelected as a Director after accepting a nomination for election, which amount shall be not less than $25,000 for Participants ceasing to serve the Corporation in the capacity of Director on or after January 1, 1990; provided, however, such amount shall be reduced for each Participant with fewer than ten years of service to the Board as an Outside Director by ten percent for each year, or part thereof, less than ten years of service. In calculating the number of years a Participant has served on the Board, all years served prior to the effectiveness of this Plan and for Participants who were Directors of Manufacturers Hanover Corporation or who were Directors of The Chase Manhattan Corporation at the time of its merger with Chemical Banking Corporation, all years such Participants had served as directors of such corporation prior to becoming Directors of the Corporation. shall be included in the calculation.

(b) For purposes of determining the amount payable hereunder to any Participant retiring, resigning or being removed on or after May 20, 1996, the following rules shall apply:

(i) any Participant retiring, resigning or being removed on May 20, 1996, shall be permitted to elect to (A) receive the compensation set forth in Section 4(a), except that the age specified in Section 4(a) (i) shall be 65 and such Participant shall be deemed to have performed ten years of service to the Board as an Outside Director (regardless of his or her actual years of service); or (B) be treated in the manner set forth in Section 4(b) (ii) below;

(ii) any Participant retiring, resigning, being removed or otherwise terminating service as an Outside Director after May 20, 1996 shall, in lieu of the compensation payable under this Section 4(a), receive an amount determined pursuant to Section 5; provided that in determining the amount to be initially credited to the Participant's account under Section 5, each Participant shall be considered to have performed ten years of service to the Board as an Outside Director (regardless of his or her actual years of service).

SECTION 5. Deferred Account. (a) The compensation otherwise payable under Section 4(a) to Participants described in Section 4(b) (ii) or electing to be so treated under the provisions of Section 4(b) (i) shall be converted to a present value dollar amount, based on actuarial assumptions satisfactory to the Administrator, and such dollar amount converted into a number of Units by dividing such dollar amount by the average of the Fair Market Value of the Common Stock during the period commencing July 18, 1996 and ending August 5, 1996, inclusive.

(b) The amount so determined pursuant to Section 5(a) shall be treated as deferred in accordance with Appendix A hereto.

SECTION 6. Nontransferability. No amount due to any Participant shall be assignable or transferable by a Participant, except by will or the laws of descent and distribution, and no right or interest of any Participant shall be subject to any lien, obligation or liability. Any attempted assignment or alienation of payments hereunder shall be void and of no force or effect.

SECTION 7. Amendment. The Board may amend, suspend or terminate the Plan or any portion hereof at any time; provided, however, no right under the Plan of any Participant (including the right to receive future compensation in specified amounts) immediately prior to any amendment of the Plan shall in any way be amended, modified, suspended or terminated without such Participant's prior written consent.

SECTION 8. Withholding. The Corporation shall have the right to deduct from any and all amounts paid to any Participant under this Plan any taxes required by law to be withheld therefrom.

SECTION 9. Administration. The Plan shall be administered by the Administrator who shall have the authority to adopt rules and regulations for carrying out the Plan, and who shall interpret, construe and implement the provisions of the Plan.

SECTION 10. Participant's Rights Unsecured. The right of any Participant to receive future payments under the provisions of the Plan shall be an unsecured claim against the general assets of the Corporation.

SECTION 11. Effective Date. This Plan became effective on May 13, 1988.

SECTION A1. Participants' Account Balances. The Corporation shall maintain an individual book account under the Plan for each Participant having a deferred account. Each Participant shall initially have credited to his or her account the number of Units calculated in respect of such Participant pursuant to Section 5 hereof. Such account shall continue to be expressed in Units until an Outside Director has ceased to render services to the Corporation as an Outside Director. Any dividends paid on Common Stock shall be credited to a Participant's account in respect of each Unit and deemed to be reinvested in additional Units based on the Fair Market Value of Common Stock on the dividend payment date. In addition, the number of Units allocated to a Participant's account shall be adjusted to reflect stock dividends, splits and reclassifications, and similar transactions affecting the value of Common Stock. At the time that the Participant's services as an Outside Director cease, subject to Section 5 hereof, the account balance will, until such time as it is paid to the Participant in accordance with the Participant's payment elections, be allocated among the hypothetical investments permitted under the Plan for Participants who have ceased to render service as an Outside Director, as such allocation may be elected by the Participant.

SECTION A2. Payment Elections. (a) General Provisions. In connection with the commencement of participation in this Plan, each Participant shall make an election (the "Payment Election") concerning the timing and form of distribution of the amounts credited to his or her Plan account. Any payment from the Plan shall commence following termination of the Participant's services to the Corporation as an Outside Director, but in no event prior to one year after receipt by the Corporation of the Outside Director's initial Payment Election. The forms of benefit available under the Plan shall be a lump sum payment or quarterly, semi-annual or annual installments over a period not to exceed 15 years from the earliest date the director may commence receiving payments hereunder.

(b) Special Rules. (i) Subsequent Payment Elections may be made by a Participant, which shall supersede the initial Payment Election, but any such subsequent Payment Election shall not be valid unless it is made prior to May of the calendar year preceding the calendar year in which payments to the Director hereunder are otherwise due to commence.

(ii) If a Participant has elected to receive installment payments of the amount in his or her account, the Participant may, at the Participant's option, elect to allocate the account, on or after the date on which he or she ceases to perform services as an Outside Director, among such forms of hypothetical investment as may be made available hereunder by the Administrator with reference to the hypothetical investments made available under the Deferred Compensation Plan for Non-Employee Directors of The Chase Manhattan Corporation (the "Deferred Compensation Plan"). Reallocations may be made among hypothetical investments on the same basis as is permitted under the Deferred Compensation Plan.

SECTION A3. Payments to a Deceased Participant's Estate. (a) In the event of a Participant's death before the balance of his or her account is fully paid, payment of the balance of the Participant's account shall then be made to his or her estate in accordance with the manner selected by the Participant prior to death, which manner shall provide that: (i) payment shall be made to the Participant's estate in the same manner as provided with respect to the payments to the Participant or (ii) the balance of the Participant's account shall be determined as soon as practicable following his or her death and this amount shall be paid in a single payment to the Participant's estate as soon as reasonably practicable thereafter. In the event no election has been made, payment shall be made in accordance with clause (ii) of the preceding sentence.

(b) In the event of a Participant's death before the balance of his or her account is fully paid to the estate in installments, the Administrator may, upon consideration of the application of the duly appointed administrator or executor of the Participant's estate, direct that the balance of the Participant's account be paid to the estate in a single payment. The payment shall be made at the time specified by the Administrator.

JPMORGAN CHASE & CO.
2005 DEFERRED COMPENSATION PLAN
Restated Effective as of December 31, 2008

PREAMBLE

Effective January 1, 2005, JPMorgan Chase & Co ("Company") established the JPMorgan Chase & Co. 2005 Deferred Compensation Plan ("Plan"). The purpose of the Plan is to provide Participants with an opportunity to defer payment of a portion their compensation as a means of saving for their retirement or other purposes.

The Plan applies to deferrals or vesting of deferrals that occurred on or after January 1, 2005. Pursuant to final and proposed Treasury Regulations and Internal Revenue Service Notice 2005-1 promulgated under Section 409A of the Code, the Plan has been interpreted and operated in good faith compliance with Section 409A through December 31, 2008. Effective December 31, 2008, this Plan has been amended to reflect changes in tax laws as mandated by Section 409A of the Code. The Plan, dated January 1, 2005 and employee communications through December 31, 2008 shall constitute the plan for the interim period of good faith compliance. All sections of the Plan shall be interpreted in such a manner as to comply with Section 409A

At all times, this Plan is entirely unfunded, both for tax purposes and for purposes of Title I of ERISA. This Plan is maintained primarily for the purpose of providing non-qualified deferred compensation for a select group of eligible management and highly compensated employees and is not a qualified plan within the meaning of Section 401(a) of the Code. Further, the Plan is not subject to any of the ERISA provisions regarding participation, vesting, funding or fiduciary responsibility.

Vested amounts deferred under the JPMorgan Chase Deferred Compensation Program prior to January 1, 2005 (" Prior Program"), as well as investment experience thereon, are separately accounted for and remain subject to the terms and conditions of that Program as in effect on that date. No change to the operations or terms of the Program occurred after October 3, 2004 (other than with respect to Investment Options to be offered in calendar year 2006). The Prior Program will not comply with Section 409A of the Code, unless there is a material modification of such Program

ARTICLE l — DEFINITIONS

When the context so indicates, the singular or the plural number and the masculine or feminine gender shall be deemed to include the other, the terms "he," "his," and "him" shall refer to a Participant or a Beneficiary of a Participant, as the case may be, unless the context otherwise requires, the capitalized terms shall have the following meanings:

1.1 **“Account”** means the bookkeeping account established by the Company with respect to a Participant under Article IV of the Plan. Such Account shall be credited with Deferred Amounts, including investment experience thereon, in accordance with the Participant’s Deferral Election and any investment experience from Deemed Investments. Within an Account, each Deferred Amount, including investment experience, shall be separately accounted for; and each Deferred Amount shall be subject to separate Distribution Elections.

1.2 “**Annual Installments**” shall mean an amount payable annually on a Distribution Date or Initial Distribution Date based on value of the Account as of the Valuation Date. The amount of each installment shall be calculated by multiplying such Account balance by a fraction the numerator is 1 and denominator is the remaining installments. Each installment shall be a separate payment for purposes of the Treasury Regulations issued pursuant to Section 409A of the Code.

1.3 **“Administrator**” means the individual holding the title “Compensation and Benefits Executive” of the Company or such other individual designated by the Committee, who shall be responsible for those functions assigned to him under the Plan; provided that the term “Administrator” shall mean the Committee with respect to any discretionary act hereunder which affects any person subject to Section 16(a) of the Securities Exchange Act of 1934, as amended.

1.4 **“Affiliate**” means any corporation that is included in a controlled group of corporations (within the meaning of Section 414(b)of the Code). This would include the Company, any trade or business (whether or not incorporated) under common control with the Company (within the meaning of Section 414(c) of the Code), any organization that is part of the same affiliated service group (within the meaning of Section 414(m) of the Code) as the Company and any other entity required to be aggregated with the Company pursuant to the Treasury Regulations under Section 414(o) of the Code; provided that for this purpose, the Plan shall retain the 80% benchmark in defining an Affiliate.

1.5 “**Allocation/Transfer Election**” means an election by a Participant in accordance with the provisions of Article V of the Plan as to the allocation, reallocation or the transfer of the Participant’s future deferrals and/or existing Account balances among the Investment Options.

1.6 “**Allocation/Transfer Election Form**” means such form or other designated means by which the Participant makes an Allocation Election. Such “other designated means” may include, but not be limited to, interactive voice response, internet, intranet and other electronic means.

1.7 **“Bank**” means JPMorgan Chase Bank National Association.

1.8 "**Beneficiary" or "Beneficiaries**" means, with respect to a Participant, any natural person(s), estate or trust(s) designated by the Participant on the form provided by the Administrator to receive the benefits specified under the Plan in the event of the Participant's death. The Participant's estate shall be the Beneficiary if: (i) the Participant has not designated any natural person(s) or trust(s) as Beneficiary, or (ii) all designated Beneficiaries have predeceased the Participant. Designations made under the Program or under Bank One Corporation Deferred Compensation Plan shall apply to amounts deferred under the Plan until a new designation is filed.

1.9 "**Board**" shall mean the Board of Directors of the Company; provided that any action taken by a duly authorized committee of the Board of Directors within the scope of authority delegated to it by the Board shall be considered an action of the Board of Directors for the purpose of this Plan.

1.10 "**Bonus**" means the annual incentive compensation payable in the form of an annual cash bonus pursuant to a calendar year performance program, including any Performance-Based Bonus but before reduction for taxes and any other amounts as the Administrator may specify.

1.11 "**Code**" means the Internal Revenue Code of 1986, as it may be amended from time to time, as well as Treasury Regulations promulgated thereunder.

1.12 "**Commissions**" means commissions and production overrides earned by a Participant for services rendered, but before reduction for (i) taxes, (ii) any before-tax contributions made on the Participant's behalf under any tax-qualified employee benefit plans established by the Company and (iii) any amount not included in the Participant's income pursuant to Section 125, 129, or 132 of the Code. Base salary shall be considered part of "Commissions" for these purpose, except that it shall include base salary earned for the month December.

1.13 "**Committee**" means the Compensation and Management Development Committee of the Board.

1.14 "**Deemed Investment**" or **"Deemed Invested**" means the notional conversion of the balance held in a Participant's Account into shares or units of the Investment Options that are used as measuring devices for determining the value of a Participant's Account.

1.15 "**Deferral Election**" means an election by a Participant to defer a portion of the Participant's Commissions, Bonus and/or Other Compensation in accordance with Article III of the Plan.

1.16 "**Deferral Election Form**" means such form or other designated means by which a Participant elects the amount of Commissions, Bonus and/or Other Compensation to defer (in dollar amount or percentage). Such "other designated means" may include, but not be limited to, an offer letter, interactive voice response, internet, intranet, and other electronic means.

1.17 “**Deferred Amounts**” means, with respect to a Participant, the Commissions, Bonus and Other Compensation amounts that the Participant has elected to defer under the Plan and includes investment experience following the date of deferral.

1.18 “**Distribution Election**” means elections by the Participant made at the same time as his/her Deferral Election (i) as to the form of payment of the Deferred Amount (including investment experience thereon) subject to the Deferral Election and (ii) date(s) when such payments shall commence.

1.19 “**Distribution Election Form**” means such form or other designated means by which a Participant makes a Distribution Election. Such other “designated means” may include, but not be limited to, an offer letter, interactive voice response, internet, intranet, and other electronic means.

1.20 “**DSIB**” means the Deferred Supplemental Income Benefit Investment Option, which was only available for Deferred Amounts attributable to deferrals credited to such Deemed Investment in January 2005. See Appendix B for a full description of this Deemed Investment.

1.21 “**Distribution Date**” means any time during the calendar year (i) for which a Participant elected a specified year for a distribution or (ii) the calendar year following the Initial Distribution Date.

1.22 “**Eligible Employee**” means an Employee who is designated by the Administrator as eligible to participate in the Plan in accordance with Section II hereof, provided that a rehired Employee who was a Participant shall not become Eligible Employee for purposes of 30 day rule set forth in Section 3.1 until 24 months have elapsed.

1.23 “**Employee**” means an individual whose employment classification is that of a regular full-time employee and who is on a United States payroll of a Participating Company.

1.24 “**ERISA**” means the Employee Retirement Income Security Act of 1974, as it may be amended from time to time, as well as Treasury Regulations promulgated thereunder.

1.25 **“FICA Amount**” means Federal Insurance Contributions Act tax imposed under Section 3101, Section 3121(a) and Section 3121(v)(2) of the Code, where applicable, on Deferred Amounts.

1.26 “**Full Career Eligibility**” means a Separation from Service that occurs on or after the completion of 15 years of recognized service with the Company as set forth in the Company’s human resource data basis relating to service related policies.

1.27 “**Initial Distribution Date**” means the calendar year immediately following the calendar year in which a Separation from Service occurs with respect to a Participant who:

- did not made a Distribution Election with respect to a Deferred Amount,
- elected a lump sum or Installment following Separation from Service with respect to a Deferred Amount,
- is subject to automatic distribution rules of Section 7.7(a) with respect to a Deferred Amount, including investment experience, or
- made a Distribution Election of a specific year that immediately precedes the calendar year of the Participant's Separation from Service.

Notwithstanding anything in this Plan to the contrary, any distribution hereunder resulting from a Separation from Service with respect to a Specified Employee shall occur on the later of the Initial Distribution Date or six months from date of his/her Separation from Service.

1.28 "**Investment Options**" mean the hypothetical securities or other investments as may be provided, from time to time, under the Plan, from which a Participant may select to be used as measuring devices to determine the Deemed Investment earnings or losses of the Participant's Account. A Participant shall have no real or beneficial ownership in the security or other investment represented by the Investment Options.

1.29 "**Other Compensation**" means compensation to which an Employee has a legal binding right within the meaning Section 409A of the Code and which is payable in a future calendar year. Other Compensation may include awards of restricted stock units and dividends thereon that are not subject to a substantial risk of forfeiture as defined by Section 409A of the Code. It may also include Deferral Elections and Distribution Elections set forth in letters offering employment; provided that the Employee does not have a legally binding right to such amounts prior to accepting such offer of employment.

1.30 "**Participant**" means an Eligible Employee who has elected to make Commission and/or Bonus deferrals in accordance with the Plan.

1.31 "**Participating Employer"** means the Company and any Affiliate that has been authorized by the Administrator to have its Employees eligible to participate in the Plan.

1.32 "**Performance-Based Bonus**" means any performance-based Bonus that meets the requirements of Section 409A of the Code with respect to performance-based compensation based on services performed over a period of at least twelve months.

1.33 “**Plan**” means this JPMorgan Chase & Co. 2005 Deferred Compensation Plan as documented herein and as may be amended from time to time hereafter. In employee communications, it is referred to as the Voluntary Bonus Deferral Plan and/or Voluntary Compensation Deferral Plan.

1.34 “**Plan Year**” means the twelve-month period beginning each January 1 and ending each December 31.

1.35 “**Prior Program**” means the JPMorgan Chase Deferred Compensation Program as in effect through December 31, 2004 with respect to amounts deferred and vested on or prior to December 31, 2004.

1.36 “**Separation from Service**” means a termination of employment with the Company or an Affiliate as set forth in Treasury Regulation 1.409A-1(h), using the 20% bench mark set forth therein. For purposes of a good faith compliance with Section 409A of the Code and Notice 2005-1 and period through December 31, 2008, it means a termination of employment as set forth on the books and records of the Company.

1.37 “**Specified Employee**” means a “specified employee” as defined in Section 409A (a)(2)(B)(i) of the Code. For this purpose and all other plans of deferred compensation, the specified employee identification date for determining a whether a Participant is a Specified Employee shall be each December 31st and W-2 compensation for that year, as permitted by Treasury Regulation 1.409A-1(i)(2), shall be used. An individual who is a Specified Employee on the specified identification date shall be considered to be in such status from the April 1 immediately following the identification date up to and including the next March 31s provided that a non-resident alien employee of an Affiliate shall not be included**.** The Plan determines specified employees based on the top paid fifty employees.

1.38 “**2005 Deferred Amount**” means, for purposes of Article VI, any vested amount credited to a Participant’s Account with respect to Bonus, Commissions and Other Compensation deferred during calendar year 2005, including investment experience thereon; provided that the investment experience for any 2005 Deferred Amount treated as if invested in DSIB and the Private Equity Investment Options shall be the rate of return of the Short-Term Investment Option and the investment experience for the Multi-Strategy Investment Option shall be credited through October 31, 2005.

1.39 “**Unforeseeable Emergency**” means a severe financial hardship of the Participant resulting from an illness or accident of the Participant or beneficiary, the Participant’s spouse, or the Participant’s dependent (as defined in Section 152(a) of the Cole); loss of the Participant’s property due to casualty; or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, as determined under Section 409A.

1.40 “**Valuation Date**” means any date specified by the Administrator with respect to valuing an Account of a Participant for purposes of a distribution during that month, which shall be the fifth business day in which a distribution occurs; provided that if a dividend has been declared on the common stock of the Company during a month in which a distribution shall occur, the Valuation Date shall be the dividend record date plus one day.

ARTICLE II—PARTICIPATION

2.1 **Eligibility**. An Employee shall be eligible to participate in the Plan for any Plan Year only if such Employee is

- designated by the Administrator or his delegatee as an officer and/or other key employee of a Participating Company, and
- notified in writing by the Administrator or his delegatee that he or she is eligible to participate in the Plan.

2.2 **Participant.** An Eligible Employee shall become a Participant on the last business day of any enrollment period (or other period specified by Article III) if he or she makes a Deferral Election in accordance with Article III. With respect to amounts not subject to an annual enrollment period, he or she shall become a Participant when the Deferral Election is irrevocable.

ARTICLE III—DEFERRAL AND DISTRIBUTION ELECTIONS

3.1 **Timing of Deferral**

(a) **General Rule**. An Eligible Employee for any Plan Year may make a Deferral Election by completing and submitting a Deferral Election Form during the annual enrollment period established by the Administrator with respect to Bonuses and, subject to an election being made available, Commissions; provided that in the case of the first Plan Year in which an Employee becomes an Eligible Employee in accordance with Article II, such Deferral Election may be made with respect to services to be performed subsequent to the date of the Deferral Election within thirty (30) days after the Employee becomes an Eligible Employee; provided further that with respect to Other Compensation, the Deferral Election Form shall be submitted and returned in accordance with the period established by the Administrator and as provided in Section 3.1 (d) below. See definition

(b) **Commission Deferrals**. Subject to an election being made available, with respect to Commissions to be earned in any Plan Year, a Participant may make a Deferral Election during the enrollment period which shall occur on or before December 31st of the year prior to the Plan Year to which the Deferral Election relates.

(c) **Bonus Deferrals**. A Participant may elect to defer a portion of any Bonus amounts to be earned in a performance year by completing and submitting a Deferral Election Form during an annual enrollment period which shall occur no later than December 31st prior to the calendar year to which the Deferral Election relates; provided that if the Administrator determines that a Bonus is a Performance Based Bonus, a Participant may elect to defer a portion of any Performance-Based Bonus by making a Deferral Election during the enrollment period which shall occur at least six months prior to the end of the performance period to which such Performance-Based Bonus relates. Notwithstanding the foregoing, with respect to a Bonus earned in the 2004 performance year, a Participant may be permitted to make a later enrollment election in good faith reliance on Internal Revenue Service Notice 2005-1.

(d) **Other Compensation Deferrals**. The Plan Administrator in his discretion may permit an Eligible Employee who has been awarded Other Compensation to make an election to defer such Other Compensation which election shall occur no later than the 30th day after the Eligible Employee obtains the legally binding right to the Other Compensation; provided that such election shall be made at least 12 months in advance of the earliest date at which a substantial risk of forfeiture within the meaning of Section 409A of the Code could lapse; provided further that prior to having a legally binding right to Other Compensation, a Participant may elect to defer all or a portion of such amount. With respect to Other Compensation awarded in the form of restricted stock units for performance year 2004, Eligible Employees were permitted to make an election on or before March 15, 2005 to defer either the dividend equivalents associated with such units or the units themselves in good faith reliance on Internal Revenue Service Notice 2005-1.

3.2 **Amount of Deferrals**.

(a) **Commissions.** Subject to an election being made available, a Participant may elect to defer a percentage of his/her Commissions with respect to the Plan Year to which the Deferral Election relates in whole percentages only. The Administrator may specify the maximum and minimum percentage or amount that the Participant may defer with respect to a Plan Year, which may be different as among Participants.

(b) **Bonus.** A Participant may elect to defer a (i) percentage (in whole percentages only), (ii) a dollar amount or (iii) such combination of a dollar amount and percentage (as the Administrator may specify) of the Participant's Bonus with respect to the calendar year to which the Deferral Election relates. The Administrator may specify a minimum amount or maximum amount that a Participant may defer for any Plan Year; provided that if the percentage (or combination dollar amount and percentage elected) would result in a deferral of (i)an amount less than the minimum amount of $5000, the lesser of the specified minimum or 100% of the Bonus will be deferred or (ii) an amount more than the maximum annual deferral amount of $1 million, the Deferral Election shall not be effective for the Plan Year to the extent of the excess over the maximum annual amount; provided, further, that with respect to a newly Eligible Employee, any portion of a Bonus attributable to services rendered after date of eligibility shall be the maximum amount deferral hereunder. See Appendices A and C for the maximum and minimums applicable to 2005 and 2006.

(c) **Other Compensation**. A Participant may elect to defer a percentage or dollar amount of his/her Other Compensation to which the Deferral Election relates. The Administrator may specify the minimum and maximum dollar amount that a Participant may defer.

(d) **Adjustment for Taxes**. In the event that a Participant's Deferral Election with respect to any compensations results in insufficient non-deferred compensation from which the Company may withhold taxes FICA and other payroll taxes , the Participant's Deferral Election shall be reduced by the amount necessary to allow the Company to satisfy such withholding requirements.

(e) **Maximum Deferral**. The Administrator may specify an aggregate maximum amount that can be deferred by any Participant under the Plan. Commencing with calendar/performance year 2006, the maximum aggregate Deferred Amounts of any Participant shall be $10 million. A Participant's Deferral Election for any calendar year shall be reduced, when it combined with other previous Deferred Amounts, exceeds $10 million. See Sections 3.2(b) and (c) regarding reductions in a Deferred Amount when an annual maximum is exceeded.

3.3 **Distribution Elections**

(a) **Form of Payment**. At the same time that a Participant makes a Deferral Election, the Participant may make a Distribution Election on a Distribution Election Form as to the form of payment. Such Participant may elect to receive the Deferred Amount (including investment experience) subject to the Deferral Election either in a lump sum or in up to 15 Annual Installments.

(b) **Date of Distribution**. At same time that a Participant makes a Deferral Election, the Participant may make a Distribution Election on a Distribution Election Form as to when the Deferred Amount (including investment experience) subject to the Deferral Election is to be distributed. Such Participant may elect to commence receiving such amount either following a Separation from Service and/or in a specific year. If a specific year is elected, such year shall not be (i) earlier than the second anniversary following the date that the Deferred Amount is credited to the Participant's Account assuming the Participant is an Employee on such date and (ii) with respect to the DSIB Investment Option, later than the than the Participant's sixty-five birthday, provided the Participant has a Separation from Service. See Appendix B.

(c) **Changes in Form and Date of Distribution**. In his discretion, the Administrator may permit a particular Participant to change the form and time of distribution in accordance with Section 409A (a)(4) of the Code and the final Treasury Regulations issued thereunder.

(d) **Special Limitations On Distributions of Certain Investment Options**. Notwithstanding Sections 3.3 (a) and (b) or any Distribution Election to the contrary, the following applies:

(i) Deferred Amounts treated as invested in the DSIB Investment Option shall be paid in 15 equal annual installments and shall only be distributed following a Separation from Service. If a Participant has selected a specific year to commence distribution of the DSIB Investment Option and is employed on such date by the Company or one of its Affiliates, then such amounts shall be payable following a Separation from Service on the Initial Distribution Date. If Participant has incurred a Separation from Service and has selected a date of distribution beyond his/her sixty-fifth birthday, the election shall be disregarded; and the first installment shall commence on the Initial Distribution Date following the Participant's sixty fifth birthday. See Appendices B and D.

(ii) Any investment experience allocated to a Participant' Account with respect to a Deemed Investment in the Private Equity Investment Option shall be separately tracked and accounted for, and a Participant may elect to have the amount of such investment experience treated as if invested in any Investment Option (other than Private Equity). Such amount (including subsequent investment experience from other Investment Options) attributable to Private Equity investment experience, irrespective of any other distribution election shall be distributed to a Participant in a lump sum in calendar year 2012. If there is any balance in a Participant's Account associated with the Deemed Investment in the Private Equity Investment Option as of the Distribution Date, then such balance shall be increased or decreased using the average rate of return with respect to the Private Equity Investment Option up to the Distribution Date.

(e) **Failure to Make A Distribution Election**. Unless Section 3.3 (c) applies, if a Participant fails to make a Distribution Election with respect to any Deferred Amount for a particular Plan Year, the Participant shall receive the Participant's Account balance attributable to that Deferred Amount in a lump sum on the Initial Distribution Date applicable to that Participant; except as provided above with respect to Deferred Amounts treated as invested in DSIB and Private Equity Investment Option.

3.4 **Effective Date and Irrevocability**. Unless the Administrator otherwise determines or Section 3.2 applies with respect to maximum deferrals, a Deferral Election and Distribution Election shall become effective upon the last business day of the enrollment period with respect to the Plan Year to which they relate, or in the case of Other Compensation as of the date that such Deferral and Distribution Election are received by the Administrator. With respect to Bonus and Commissions, a Deferral Election shall be effective for the Plan Year to which it relates and shall expire at the end of such Plan Year. A Deferral Election and Distribution Election shall be irrevocable when they becomes effective and may not be modified, except in the case of the 2005 Deferred Amount as provided in Article VI, in the event of an Unforeseeable Emergency as provided in Article VII or a subsequent election as provided in Section 3.3(c).

3.5 **Mandatory Deferrals**. Nothing in this Plan should be construed from prohibiting the Company from imposing a mandatory deferral; provided that such deferral and distribution thereof complies with the requirements of Section 409A of the Code.

ARTICLE IV—PARTICIPANT ACCOUNTS

The Company shall establish an Account with respect to each Participant. The Company shall credit a Participant's Deferred Amounts to his/her Account in accordance with the Participant's Deferral Election Form. The Company shall credit the Deferred Amounts to the Participant's Account as of the date on which the amounts would have been paid by the Company or other such other date as may be specified with respect Other Compensation, unless otherwise determined by the Administrator. Within an Account, each Deferred Amount, including investment experience shall be separately accounted for; and each Deferred Amount shall be subject to separate Distribution Elections.

ARTICLE V—INVESTMENT ACCOUNTS

5.1 **Allocation/Transfer Election**. A Participant shall elect Investment Options to be used to determine the value of a Participant's Account. A Participant shall use the Allocation/Transfer Election to specify his/her allocations/transfers among the Investment Options. In the event that the Participant fails to make an Allocation/Transfer Election with respect to a Deferred Amount or with respect to a credit from the Private Equity Investment while a Participant is employed by the Company or one of its Affiliates, such Deferred Amount shall be automatically treated as allocated or transferred to the Short-Term Investment Option, unless the Administrator otherwise directs. See Appendices A and C for certain restrictions.

5. 2 **Continuation of Investment Election**. With respect to Commissions, an Allocation/Transfer Election submitted by a Participant during the annual enrollment shall be a continuing Allocation Election with respect to the allocation of future Deferred Amounts during the Plan Year until a new Allocation/Transfer Election is submitted by the Participant. In the event that the Participant fails to make an Allocation/Transfer Election with respect to a Deferred Amount, it shall be automatically treated as allocated or transferred to the Short-Term Investment Option, unless the Administrator otherwise directs.

5.3 **Reallocation/Transfer Among Investment Options**. A Participant may reallocate or transfer his Account balances among the Investment Options by submitting a new Allocation/Transfer Election in such form and at such time or times as may be specified by the Administrator. The Administrator may, in his sole and absolute discretion, restrict transfer, allocation or reallocation by Participants into or out of specified Investment Options or specify minimum or maximum amounts that may be allocated or transferred by Participants. See Appendices A and C for the restrictions applicable to the 2005 and 2006.

5.4 **Changes in Investment Options**. The Administrator, in his sole and absolute discretion, shall be permitted to add or remove Investment Options; provided that any such addition or removal of Investment Options shall not be effective with respect to the investment experience credited prior to the effective date of the change. In the event that the Administrator removes or replaces an Investment Option, the Administrator may direct the transfer of balances previously allocated to that Investment Option to other Investment Options.

5.5 **DSIB Investment Option.** . Effective as of February 1, 2005, DSIB was no longer an Investment Option under the Plan. See Appendix B for a full description of the DSIB Investment Option. Deferred Amounts treated as invested in the DSIB Investment Option shall earn the rate of return specified by the Administrator for that year and future years as may be specified by the Administrator. DSIB rate of return shall not be applicable if employment of a Participant terminates with less than five years of service, or before age 65 with respect to deferrals made within 12 month of termination of employment. In such circumstances, that portion of the Account shall receive, in lieu of the DSIB rate, the rate provided by the Stable Value Investment Option for calendar year 2005 and thereafter the rate provided by the Short-Term Investment Option

5.6 **JPMorgan Chase Common Stock Investment Option** . As of the date that any Deferred Amount is treated as invested in the JPMorgan Chase Common Stock Investment Option, the number of hypothetical shares to be allocated to a Participant's Account shall be determined by using the New York Stock Exchange Closing Price for that day if such credit, transfer, or allocation is received prior to closing of the New York Stock Exchange. If the Exchange is closed, the next business day's closing price shall be used. Dividend equivalents on such hypothetical shares allocated to an Account shall be converted into additional shares on a similar basis.

5.7 **Account Valuation**. As of a Valuation Date, a Participant's Account shall be valued as the sum of the value of all Deemed Investments of the Account minus any withdrawals or distributions from such Account. Investment experience with respect to each Investment Option will be credited and debited to, or otherwise reflected in, the balance of such Account.

5.8 **No Ownership**. A Participant's election of Investment Options as measuring devices for determining the value of a Participant's Account does not represent actual ownership of, or any ownership rights in or to, the investments to which the Investment Options refer, nor is the Company or Bank, as applicable, in any way bound or directed to make actual investments corresponding to Deemed Investments. A Participant's Allocation/Transfer Election shall be used solely for purposes of determining the value of such Participant's Account.

5.9 **Life Insurance**. In the event that, in its discretion, the Company or Bank, as applicable, purchases an insurance policy or policies insuring the life of a Participant to allow the Company or Bank to recover the cost of providing the benefits hereunder, neither the Participant, Participant's Beneficiary, nor any other person shall have or acquire any rights whatsoever in such policy or policies or in the proceeds therefrom, and the Participant shall cooperate with the Company and Bank in the acquisition of such life insurance policy.

ARTICLE VI—SPECIAL TRANSITION RULES

6.1 **Special Elections for 2005**. (a) With respect to the 2005 Deferred Amount, a Participant was permitted to elect during a special election period in 2005 to receive his/her 2005 Deferred Amount on or before December 31, 2005. Elections to receive a partial distribution of the 2005 Deferred Amount were not permitted. By way of further clarification, the election shall not apply to any vested deferral under the Prior Program. It shall only apply to amounts subject to Section 409A of the Code.

(b) For Participants electing to receive their 2005 Deferred Amount, Accounts were valued as of November 30, 2005.

(c) If a Participant retained his/her 2005 Deferred Amount in the Plan, then such Participant, during the special enrollment period referred to in Section 6.1 , may make a Distribution Election as described Section 3.3. Any Distribution Election made prior to the special enrollment with respect to the 2005 Deferred Amount shall be null and void.

6.2 **Distribution Election For 2005, 2006 and 2007 Deferred Amounts**. Notwithstanding any prior election, Participants who had not incurred a Separation from Service prior to November 23, 2007 were permitted to make a new distribution election applicable to Deferred Amounts for calendar years 2005, 2006 and 2007, provided that no amounts from such deferrals were payable in 2007. The distribution election was only effective if the Participant remained employed through December 31, 2007. If a Participant did not make a new election, then his/her prior distribution elections remained in effect.

ARTICLE VII—DISTRIBUTIONS

7. 1 **Distribution Events**. In accordance with Section 409A of the Code and the terms of this Plan, distribution of Deferred Amounts, including investment experience, may not occur earlier than the :

(a) date of Separation from Service of a Participant;

(b) death of the Participant;

(c) specific year elected by the Participant pursuant to a Distribution Election; or

(d) occurrence of an Unforeseeable Emergency.

7.2 **Form of Distribution**. Except with respect to Deferred Amounts treated as if invested in the JPMorgan Chase Common Stock Investment Option, all distribution shall be in cash. Distributions attributable to the JPMorgan Chase Common Stock Investment Option shall be distributed in the form of JPMorgan Chase Common Stock and shall be based on the number of hypothetical shares allocated to the Account. References herein to a lump sum mean cash and such stock.

7.3 **Distribution Upon Separation From Service**. (a) If a Participant has a Separation from Service (for reasons other than death) and has satisfied the definition of Full Career Eligibility as of the date of such Separation from Service, the Participant shall receive a distribution of the Participant's Deferred Amounts in accordance with the Participant's applicable Distribution Elections except as otherwise provided for in this Article VII and by Section 7.3(c). (If a Participant failed to make a Distribution Election with respect to any Deferred Amount, it shall be distributed as a lump sum on an Initial Distribution Date in accordance with Section 3.3(e).) Subject to the Distribution Election, distributions will commence on the Initial Distribution Date or the Distribution Date, in either case as specified in the applicable election. See Appendices A and C for prior rules.

(b) If a Participant has a Separation from (for reasons other than death) and has not satisfied the definition of Full Career Eligibility, the Participant shall receive lump sum distribution of his or her Account balance on the Initial Distribution Date.

(c) Notwithstanding Section 7.3(a), if the Participant's Account balance as of the Initial Distribution Date immediately following the date of Separation from Service is less than $15,000, the Participant's Account shall be distributed as a lump sum as of the Initial Distribution Date.

(d) See Appendices A and C for distributions on Separation From Service occurring on or before January 1, 2008.

7. 4 **Distribution Upon Death**. (a) Irrespective of any Distribution Election made, if a Participant dies, the Plan shall distribute the balance of the Participant's Account to the Participant's Beneficiary in a lump sum (other than for Private Equity and DSIB Investment Options) on or before the later of the end of the calendar year in which the date of death occurred or two half months after such date. Distribution of balances attributable to Private Equity shall be paid to the Beneficiary in conformity with Section 3.3(d).

(b) In the event of the death of a Participant prior to the Participant's receipt of installments from the DSIB Investment Option, then the Beneficiary shall receive survivor benefits to the Beneficiary as provided pursuant to such Option. Such survivor benefits shall commence on or before the later of the end of the calendar year in which the date of death occurred or two half months after such date and subsequently on each annual Distribution Date following the initial distribution of the survivor benefits. In the event of death after distribution of the benefits under DSIB Investment Option have commenced, the Beneficiary shall receive any remaining installment payments in accordance with the schedule applicable to the Participant. See Appendix B.

7.5 **Distribution on a Specific Year**. Subject to Section 7.1 and Section 7.6, a Participant who has elected a specific year to receive a distribution of a Deferred Amount shall receive such distribution during the calendar year elected.

7.6 **Priority Rules.** If a Participant has elected a specific year(s) of distribution and incurs a Separation from Service while there are remaining amounts to be distributed pursuant to his/her Distribution Election, the Participant shall receive balance of the Deferred Amount in a lump sum on the Initial Distribution Date irrespective of the election made under Section 7.5, unless the Participants has satisfied the definition of Full Career Eligibility as of date of his or her Separation from Service in which case he or she receive such payment in accordance with the applicable Distribution Election.

7.7 **Unforeseeable Emergency Distribution.** Upon the Participant’s request and the submission of evidence of demonstrating an Unforeseeable Emergency, the Administrator may, in his sole and absolute discretion, determine that a Participant has incurred an Unforeseeable Emergency. If such a determination is made, the Administrator may cancel a Deferral Election for the balance of the Plan Year and, taking into account the dollar value of such cancellation to the Participant, shall authorize a distribution limited to the amount reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any Federal, state, or local income taxes or penalties reasonably anticipated to result from the distribution). (For these purposes, a distribution shall not be allowed to the extent that the hardship may be relieved through reimbursement or compensation by insurance or otherwise, or by liquidation of the Participant’s assets (to the extent such liquidation would not itself cause a severe financial hardship).) Any such distribution shall be made within 90 days immediately following the receipt of the request from receipt of the Participant’s requests.

7.8 **Acceleration of Distributions**.

(a) **FICA Amount**. The Plan, at the discretion of Administrator, may permit the acceleration of an amount equal to the (i) FICA Amount with respect to any Participant (ii) the income tax at source on wages imposed under Section 3401 of the Code or the corresponding withholding provisions of applicable state, local, or foreign tax laws as a result of the payment of the FICA Amount, and (iii) the additional income tax at source on wages attributable to the pyramiding Section 3401 wages and taxes. However, the total payment under this Section shall not exceed the aggregate of the FICA Amount, and the income tax withholding related to such FICA Amount.

(b) **Payments Upon Income Inclusion Under Section 409A**. The Plan, at the discretion of Administrator, may permit the acceleration of the time or schedule of a payment to a Participant under the Plan at any time the Plan or any arrangement that is aggregated with the Plan under Treasury Regulations fails to meet the requirements of Section 409A of the Code with respect to such Participant. Such payment shall not exceed the amount required to be included in income as a result of the failure to comply with the requirements of Section 409A of the Code and Treasury Regulations.

(c) **Prohibition On Acceleration of Distributions**. Other than provided for in Articles III and VII, the Plan shall not permit the acceleration of the time or schedule of any payment under the Plan except as provided by the Code or Treasury Regulations.

7.9 **Delaying Payment for Security laws violation**. If, in the reasonable judgment of the Administrator distribution of a Deferred Amount would violate Federal securities laws or other applicable laws, then such distribution shall be delayed to the date at which the Administrator reasonably anticipates that the payment of the amount will not cause such violation. For this purpose, the distribution of a Deferred Amount that would cause an inclusion in gross income or the application of any penalty provision or other provision of the Code shall not be deemed a violation of applicable laws.

ARTICLE VIII—LIABILITY AND FUNDING

8.1 **Unsecured Creditor**. The right of any Participant or Beneficiary to receive future payments under the provisions of the Plan shall be an unsecured claim against the general assets of (i) the Bank if the Participating Company employing the Participant at the time that his/her compensation is deferred was a bank or a bank subsidiary, or (ii) the Company, if the Participating Company employing the Participant at the time his/her compensation is deferred was not a bank or a bank subsidiary.

8.2 **No Funding.** All benefits in respect of a Participant under this Plan shall be paid directly from either the general funds of the Company or Bank, as applicable. No special or separate fund shall be established and no other segregation of assets shall be made to assure payment of any benefits hereunder. No Participant or Beneficiary shall have any right, title or interest whatsoever in or to any investments which the Company or Bank, as applicable, may make to aid the Company or Bank, as applicable, in meeting their obligation hereunder. Nothing contained in this Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship, between the Company or Bank and any Participant or Beneficiary.

ARTICLE IX—AMENDMENT AND TERMINATION

9.1 **Amendment and Plan Termination**. The Administrator, Committee or the Board may at any time modify, amend or terminate the Plan. Any such modification, amendment or termination shall not cancel, reduce or otherwise adversely affect the amount of benefits of any Participant accrued. Any termination shall conform to Section 409A of the Code.

9.2 **Compliance with Law**. It is intended that this Plan comply with all provisions of the Code and Treasury Regulations and rulings in effect from time to time regarding the permissible deferral of compensation and taxes thereon, and it is understood that this Plan does so comply. It shall be so interpreted to fullest extent permitted by law.

ARTICLE X—ADMINISTRATION

10.1 **Administrato**r. Except as otherwise provided herein, the Plan shall be administered by the Administrator who shall have the authority to adopt rules and regulations for carrying out the provisions of the Plan, who shall interpret, construe and implement the provisions of the Plan, and whose determinations shall be conclusive and binding. In carrying out his responsibilities hereunder, the Administrator may appoint such delegates as he/she deems appropriate. Such appointment need not be in writing.

10.2 **Decision Binding**. Any decision made or action taken by the Board, the Committee, the Administrator or the Company, arising out of, or in connection with, the construction, administration, interpretation and effect of the Plan shall be within their absolute discretion, and will be conclusive and binding on all parties. Neither the Administrator nor a member of the Board or the Committee shall be liable for any act or action hereunder, whether of omission or commission, by any other member or employee or by any agent to whom duties in connection with the administration of the Plan have been delegated or, except in circumstances involving bad faith, for anything done or omitted to be done in connection with this Plan.

ARTICLE XI—MISCELLANEOUS

11.1 **No Right to Assign**. Other than by will, the laws of descent and distribution, or by appointing a Beneficiary, no right, title or interest of any kind in the Plan shall be transferable or assignable by a Participant (or his Beneficiary) or be subject to alienation, anticipation, sale, pledge, encumbrance, garnishment, attachment, levy, execution or other legal or equitable process, nor be subject to the debts, contracts, liabilities or engagements, or torts of any Participant or his Beneficiary. Any attempt to alienate, sell, transfer, assign, pledge, garnish, attach or take any other action subject to legal or equitable process or encumber or dispose of any interest in the Plan shall be void.

11.2 **Successors**. The provisions of Plan shall bind and inure to the benefit of the Company and its successors and assigns. The term successor as used herein shall include any corporate or other business entity which shall, by merger, consolidation, purchase or otherwise, acquire all or substantially all of the business and assets of the Company and successors of any such corporation or other business entity.

11.3 **No Employment Rights Conferred**. Nothing contained in the Plan shall (i) confer upon any Participant any right with respect to continuation of employment with the Company or any Affiliate, (ii) interfere in any way with the right of the Company or any Affiliate to terminate a Participant's employment at any time, or (iii) confer upon any Participant or other person any claim or right to any distribution under the Plan except in accordance with its terms.

11.4 **Location Of Participants**. Each Participant shall keep the Company informed of his current address and the current address of his Beneficiary. The Company shall not be obligated to search for any person.

11.5. **Statements; Errors in Statements or Distributions**. The Administrator will furnish to a Participant, in such manner as the Administrator shall determine, a statement reflecting the amounts credited to the Participant's Account and any transactions therein from time to time.

11.6 **Receipt and Release**. Distributions to any Participant or Beneficiary (or any legal representative thereof) in accordance with the provisions of the Plan shall, to the extent thereof, be in full satisfaction of all claims for Deferred Amounts and relating to any Account to which the distributions relate against the Company or Bank, as applicable, and the Company or the Bank, as applicable, may require such Participant or Beneficiary (or any legal representative thereof), as a condition to such distributions, to execute a receipt and release to such effect.

11.7 **Plan Expenses**. The value of a Participant's Account may be adjusted to reflect a charge for a pro rata share of the fees and expenses (including, but not limited to, administrative expenses, audit fees, trustee fees, trust administration fees and banking expenses) of the Company in connection with the Plan.

11.8 **Headings and Subheadings**. Headings and subheadings in the Plan are for reference only, and if there is any conflict between such headings or subheadings and the text of the Plan, the text shall control.

11.9 **Invalid or Unenforceable Provisions**. If any provision of this Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Administrator may elect in it sole and absolute discretion to construe such invalid or unenforceable provisions in a manner that conforms to applicable law or as if such provisions, to the extent invalid or unenforceable, had not been included.

11.10 **Governing Law**. This Plan and the Participant's participation in the Plan shall be interpreted and applied in accordance with the laws of the State of New York, without regard to conflicts of law principles, except to the extent superseded by applicable federal law.

APPENDIX A—2005 PROGRAM RULES

Deferral Limits for 2005

A Participant is permitted a minimum deferral of $5000 and a maximum deferral of 90% of the Bonus or $1 million. If an election were to result in a deferral of more than $1 million, the deferral will be reduced accordingly and apportioned pro rata in accordance with the percentage elections among the Investment Options.

A Participant was permitted a maximum deferral into each of the DSIB and Stable Value Investment Options of $500,000. If an investment election results in a deferral to either of these Investment Options of more than $500,000, any amounts in excess of such limits were directed to the Short-Term Fixed Income Investment Option.

Limitations on transfers and reallocations.

The following special provisions limit the reallocation or transfer of account balances in JPMorgan Chase Common Stock, Stable Value, Deferred Supplemental Income Benefit (DSIB), Private Equity, Multi-Strategy II and the International Equity Investment Options:

- A Participant can reallocate or transfer any Account balance (other than that attributable to Private Equity) from Investment Options into JPMorgan Chase Common Stock Investment Option, but may not reallocate or transfer any portion of the Account out of JPMorgan Chase Common Stock Investment Option.

- A Participant may not reallocate or transfer any of Account balances from other hypothetical Investment Options into the Stable Value, DSIB, and Private Equity Investment Options.

- No portion of the Participant’s Account balances in the DSIB and Private Equity Investment Options may be reallocated or transferred into another Investment Option.

- A Participant may not reallocate or transfer any Account balances from other hypothetical Investment Options into Multi-Strategy II Investment Option.

- If a Participant reallocates and/or transfers balances into the International Large Cap Index, International Large Cap Value, International Large Cap Core, or International Small Cap Investment Options, then no subsequent amount (including any prior balance) can be reallocated or transferred out of that particular Investment Option for 30 calendar days from the date of the initial reallocation/transfer.

APPENDIX B

PDF for DSIB

APPENDIX C—2006 PROGRAM RULES

Deferral Limits for 2006 and Years Thereafter

A Participant is permitted a minimum deferral of $5000 and a maximum deferral of 90% of the Bonus or $1 million. If an election were to result in a deferral of more than $1 million, the deferral will be reduced accordingly and apportioned pro rata in accordance with the percentage elections among the Investment Options.

Limitations on transfers and reallocations

The following special provisions limit the reallocation or transfer of account balances in the JPMorgan Chase Common Stock, Multi-Strategy II, and International Investment Options:

- A Participant can reallocate or transfer any unrestricted Account balances from other hypothetical investment Option Investments into the JPMorgan Chase Common Stock, but may not reallocate or transfer any portion of the Account balance out of the JPMorgan Chase Common Stock Investment Option;
- A Participant may not reallocate or transfer any Account balances from other hypothetical Investment Options into Multi-Strategy II.
- If a Participant reallocates and/or transfers balances into the International Investment Option, then no subsequent amount (including any prior balance) can be reallocated or transferred out of that particular Investment Option for 30 calendar days from the date of the initial reallocation/transfer.

Distribution Rules Effective for Separations from Service on or before December 31, 2007

Distributions of amounts deferred in calendar years 2006 and 2007 with respect to Separations from Service on or before December 31, 2007 shall be made in a lump sum on the applicable Initial Distribution Date(s) unless the participant satisfied either the definition of Retirement or Job Elimination. If one of those definitions was satisfied, then the Distribution Election was honored.

"**Retirement**" means a Separation from Service on or after January 1, 2006 and before January 1, 2008, after attaining age 55 with at least 15 years of cumulative service (as defined by JPMorgan Chase Retirement Plan), of which at least the last five years of service preceding the Separation from Service are continuous. Effective January 1, 2006, this definition was super- ceded by Full Career Eligibility.

"Job Elimination" means a Separation from Service pursuant to which the Participant receives the payment of severance from the Company or an Affiliate. It also includes those Separations from Service resulting from the sale of a business where employment of the Participant continues with the purchaser of business even though there is no payment of severance. Effective January 1, 2008, this definition is not applicable to distributions.

JPMorgan Chase &Co.
Excess Retirement Plan
Restated and Amended as of December 31, 2008

PREAMBLE

The purpose of this Plan is to provide an alternate means of paying benefits precluded by operation of law to certain designated executives and employees participating in the JPMorgan Chase Retirement Plan (“Retirement Plan”). The Plan is a non-qualified, unfunded deferred compensation arrangement. It is not subject to Section 401 of the Internal Revenue Code (“Code”). Further it is, generally, not subject to the Employee Retirement Income Security Act.

Effective December 31, 2004, liabilities accrued under the Bank One Corporation Supplemental Personal Pension Account Plan (“Supplemental Plan”) were transferred to this Plan and became subject to this Plan’s rules, except as otherwise noted. Participants in the Supplemental Plan who made valid distributions election prior to January 1, 2005 or prior to January 1, 2009 (if they had not incurred a Separation from Service prior to January 1, 2009), with respect to their entire Accrued Benefit that take effect on a Separation from Service shall have those election honored, notwithstanding anything in the Plan to the contrary.

The Plan has been interpreted and operated in good faith compliance with Section 409A and Internal Revenue Service Notice 2005-1 through December 31, 2008. The plan for the period of January 1, 2005 through December 31, 2008 consists of various employee communications, election and distribution forms, internal procedures and the plan document prior to its amendment and restatement to the extent not inconsistent with the foregoing documents and a good faith interpretation Section 409A.

Effective December 31, 2008, this Plan has been amended to reflect changes in tax laws as mandated by Section 409A of the Code. It shall be interpreted in such a manner as to comply with Section 409A.

The terms and conditions of this Plan prior to its amendment, as well as the Supplemental Plan, shall continue to apply to vested amounts accrued prior to January 1, 2005 with respect to Participants whose employment terminated prior to January 1, 2005 and who accrued no further benefits under the Plan on or after January 1, 2005 (other than interest credits on outstanding balances).

ARTICLE 1
DEFINITIONS

The following are defined terms wherever they appear in the Plan:

1.1 “Account’’ shall have the meaning ascribed thereto under Section 3.1.

1.2 “Administrator’’ shall mean the individual appointed by Board who shall be responsible for those functions assigned to him under the Plan.

1.3 “Alternate Benefit” shall have the meaning ascribed thereto under the Retirement Plan.

1.4 “Bank’’ shall mean JPMorgan Chase Bank National Association.

1.5 “Beneficiary” shall have the meaning ascribed thereto under the Retirement Plan.

1.6 “Board’’ shall mean the Board of Directors of the Bank or of the Corporation; provided that any action taken by a duly authorized committee of the Board (including any action pursuant to Article VII) within the scope of authority delegated to it by the Board shall be considered an action of the Board for purposes of this Plan.

1.7 “Code’’ shall mean the Internal Revenue Code of 1986.

1.8 “Committee’’ shall mean the Compensation and Management Development Committee of the Board or successor committee.

1.9 “Compensation Limit’’ shall mean the dollar limitation imposed by Section 401(a)(17) of the Code on the amount of Eligible Compensation taken into account in computing benefits under the Retirement Plan. By way of clarification, it shall not have any application to the benefit accrued by Grandfathered Morgan Participant under the Retirement Plan whose Retirement Benefit shall be subject to a Compensation Limit of $150,000.

1.14 “Corporation” shall mean JPMorgan Chase & Co.

1.15 “Credit Balance” shall have the meaning ascribed thereto under the Retirement Plan.

1.16 “Deferred Compensation Program” shall mean the 2005 Deferred Compensation Plan of JPMorgan Chase & Co.

1.17 “Eligible Compensation” shall have the meaning ascribed thereto by the Retirement Plan; provided that for purposes of this Plan, such Eligible Compensation in any calendar year shall be not more than $1 million; provided further that Eligible Compensation based on draw, commissions in excess of draw or production overrides shall be further limited to the (i) Compensation Limit for any calendar year, or (ii) in the case of Employees assigned to the Chase Home Finance division or successor business unit, 50% of the Compensation Limit for any calendar year.

1.18 “Employee’’ shall mean an individual who is an employee of an Employer and a participant accruing benefits under the Retirement Plan. By way of clarification, individuals who are not classified as employees of an Employer for purposes of its payroll system, including, without limitation, individuals employed by temporary help firms or other staffing firms or who are treated as independent contractors by the Employer (whether or not deemed to be common law employees or leased employees), are not “Employees.” In addition, in the event that any individual is re-classified as an employee for any purpose by any action of any third party or as a result of any lawsuit, action or administrative proceeding, such individual shall not be deemed an “Employee” under the Plan.

1.19 “Employer’’ shall have the meaning ascribed thereto under the Retirement Plan.

1.20 “Final Average Pay Formula” shall mean a formula (other than a cash balance formula or the Alternate Benefit formula) under the Retirement Plan.

1.21 “Final Pay Benefit” shall mean a participant’s Retirement Benefit derived from a Final Average Pay Formula pursuant to which a participant in the Retirement Plan was accruing a benefit immediately prior to his/her Separation from Service.

1.22 “Grandfathered Chase Participant” shall have the meaning ascribed thereto under the Retirement Plan.

1.23 “Grandfathered Morgan Participant” shall have the meaning ascribed thereto under the Retirement Plan.

1.24 “Heritage Morgan Cash Balance Plan” shall mean the Cash Balance Plan of Morgan Guaranty Trust Company of New York and Affiliated Companies for United States Employees as in effect immediately prior to its merger into the Retirement Plan.

1.25 “Interest Credit” shall have the meaning ascribed thereto under the Retirement Plan.

1.26 “Minimum Benefit” shall mean a Retirement Benefit derived from a Final Average Pay Formula that was frozen. By way of clarification, this is a formula under which a Participant had accrued benefits but was no longer actively accruing benefits immediately prior to the date of his/her Separation from Service, provided that it shall not include the Morgan Benefit or a frozen benefit based on an interest rate or actuarial factors.

1.27 “Morgan Benefit” shall mean a frozen benefit payable under the Retirement Plan to individuals who became Employees of Participant Companies after January 1, 2001 which benefit was derived from a Final Average Pay formula utilized by the Retirement Plan of Morgan Guaranty Trust Company of New York and Affiliated Companies for United States Employees.

1.29 “Morgan Employee” shall mean any individual employed by any member of the controlled group of corporations having J.P. Morgan & Co as the parent corporation.

1.30 “Participant’’ shall mean each Employee of an Employer who participates in the Plan in accordance with the terms and conditions set forth herein.

1.31 “Participating Company” shall mean (a) the Bank and (b) each Employer, which has been authorized by the Administrator to participate in the Plan and has agreed to comply with the provisions of the Plan.

1.32 “Pay-Based Credit” shall have the meaning ascribed thereto under the Retirement Plan; provided that it shall not include the special 3% pay credit provided to certain Morgan Employees under the Retirement Plan.

1.33 “Period of Service’’ shall have the meaning ascribed thereto under the Retirement Plan.

1.34 “Plan’’ shall mean the JPMorgan Chase Excess Retirement Plan, as amended and restated January 1, 2005.

1.35 “Prior Morgan Plan” shall mean the Retirement Plan of Morgan Guaranty Trust Company of New York and Affiliated Companies for United States Employees

1.36 “Qualified Participant” means a participant who (i) incurred a Separation from Service on or after January 1, 2005 and on or before December 31, 2005 and (ii) accrued a benefit hereunder on or after January 1, 2005.

1.37 “Retirement Benefits” shall mean the Credit Balance of the Account of a Participant under the Retirement Plan, or such other greater benefit that may be payable to the Participant under the Retirement Plan, such as the Alternative Benefit, Minimum Benefits, Morgan Benefit Final Average Pay Benefit, either case measured as of the Participant’s date of Separation from Service.

1.38 “Retirement Plan’’ shall mean the JPMorgan Chase Retirement Plan, as amended from time to time.

1.39 “Separation from Service” has the meaning set forth in the JPMorgan Chase 2005 Deferred Compensation Plan, including the definition of Related Company.

1.40 “Specified Employee” has the meaning set forth in the JPMorgan Chase 2005 Deferred Compensation Plan.

1.41 “Supplemental Plan” shall mean the Supplemental Personal Pension Account Plan of Bank One Corporation.

1.42 “Transition Interest Credit” shall have the meaning ascribed thereto by the Retirement Plan.

Article II
Participation

2.1 Eligibility for Credit Balance. Any Employee whose Eligible Compensation exceeds the Compensation Limit during any calendar year in which he or she is a participant in the Retirement Plan shall be a Participant as of such date with respect to the benefits described in Article III.

2.2 Section 415 Limits. If, as of the date that an Employee incurs a Separation from Service, an Employee's distribution of Retirement Benefits would be subject to the limitations of Section 415 of the Code (whether or not a distribution of such benefits was made on such date), such Employee, if not already a Participant, shall be a Participant as of the date of such distribution and shall be eligible for the benefits described in Section 3.5.

ARTICLE III
BENEFITS

3.1 Pay-Based Credits. (a) Each Participant described in Section 2.1 whose Eligible Compensation in any calendar month exceeds the monthly Compensation Limit shall have an amount credited to an Account under the Plan equal to the excess of the (i) amount of the Pay-Based Credit that would have been accrued under the Retirement Plan (based on the amount of Eligible Compensation recognized under this Plan) but for the application of such Compensation Limit for such calendar month over (ii) amount of the Pay-Based Credit actually credited under the Retirement Plan for such calendar month. By way of clarification, if an individual is receiving additional Pay-Based Credits under the Retirement Plan as a result of their service with Banc One Corporation, First Commerce Corporation or their subsidiaries, those credits shall be Pay-Based Credits for purposes of this Plan.

(b) Interest Credits. The Account of a Participant shall be credited with the Interest Credits that would have been provided under the Retirement Plan but for the Compensation Limit's application to the Pay-Based Credits (but based on the amount of Eligible Compensation recognized under this Plan). Any amounts attributable to the Prior Service Balance as defined in the Retirement Plan shall receive Transition Interest Credits as defined in the Retirement Plan until such date as it ceases under the Retirement Plan.

(c) Account. A bookkeeping account shall be established in the name of each Participant to which the applicable Pay-Based, Interest and Transition Interest Credits shall be recorded.

(d) Prior Accruals. If a Participant has accrued a Credit Balance with respect to this Plan prior to its amendment and restatement as of January 1, 2005, or the Supplemental Plan prior to January 1, 2005 and incurs a Separation from Service after January 1, 2005, such Credit Balance shall be part of his Account. By way of clarification, this Plan does not provide any benefits for periods of employment prior to January 1, 2002 to any individual who was a Member of the Heritage Morgan Cash Balance Plan or had an undistributed vested benefit under the Prior Morgan Plan, except as provided in Section 3.5 dealing with Code Section 415 limitations. By way of further clarification, an individual who was a participant in the Supplemental Plan shall have a Credit Balance benefit not in excess of the amount accrued on his/her behalf under the Supplemental Plan as of December 31, 2004.

3.2 Benefit Determined as of the Date of Separation from Service. Except as otherwise provided in Section 5.1(b), all such calculations/determinations under Sections 3.3, 3.4 and 3.5 shall be made as of the date that a Participant incurs a Separation from Service. The Participant is deemed to have elected receipt of his/her Retirement Benefit on such date. The benefit payable hereunder shall not be affected by the amount actually distributed to the Participant from the Retirement Plan. Any amount due under Section 3.3, 3.4 and 3.5 shall accrue Interest Credits up to the Distribution Date, as defined in the Retirement Plan.

3.3 Final Average Pay Benefit, Alternative Benefit or Minimum Benefit If it is determined that a Final Average Pay Benefit, Alternative Benefit or Minimum Benefit (other than Morgan Benefit) would be payable to a Participant under the Retirement Plan on a Separation from Service, then such Participant's benefit under this Plan, if any, shall equal the excess of (i) the amount of the Retirement Benefit that would have been accrued under Final Average Pay Formula, Minimum Benefit or Alternative Benefit of the Retirement Plan ((based on the amount of Eligible Compensation recognized under this Plan for service/accruals after December 31, 2004) but for the application of such Compensation Limit over (ii) the amount actually accrued under the Retirement Plan; and any other amount due under this Plan, including the benefit under Section 3.1, shall be forfeited, except for the amount specified in Section 3.5 so long as it is not duplicative of any amount required under another plan or program maintained by the Employer.

3.4 Morgan Benefit. If it is determined that, as of the date of Separation from Service, a Grandfathered Heritage Morgan Participant would receive his/her Retirement Benefit in the form of Morgan Benefit, then such Participant shall be entitled to receive an amount as a lump sum, if any, from this Plan equal to the excess of (i) the sum of his/her Credit Balances under the Retirement Plan and Section 3.1 of this Plan over (ii) his/her lump sum value of his/her Retirement Benefit. Any amounts under Section 3.1 in excess of the amount payable under this Section 3.4 shall be forfeited. In addition, if the amount of the Minimum Benefit for a Grandfathered Heritage Morgan Participant has been limited pursuant to amendments to the Retirement Plan limiting early retirement benefits for certain highly compensated Grandfathered Heritage Morgan Participants, then the amount so limited shall be payable hereunder.

3.5 Excess Benefits. If it is determined that, as of the Separation from Service, any distribution of Retirement Benefits would be reduced by application of the limitations of Section 415 of the Code shall receive an amount equal to the excess of the (i) Retirement Benefits without application of Section 415 of the Code over (ii) amount actually payable under the Retirement Plan; provided that once a benefit is determined in accordance with Section 3.2, no adjustment shall be made for changes to Section 415 of the Code.

3.6 Aggregate. Notwithstanding anything in this Article III to the contrary, the total value of the benefits to be received under the Plan when combined with the Retirement Benefits (measured as of the date of Separation from Service) shall never exceed the value of the Retirement Benefits that would have been payable under the Retirement Plan but for the application of Section 415 of the Code and the Compensation Limit; provided that the foregoing shall not apply to amounts credited to an Account because of the inclusion of bonuses as part of Eligible Compensation prior to January 1, 2005.

3.7 Administrative/Judicial Determinations. Nothing in this Article or the Plan shall require any amounts to be paid under this Plan, should an administrative or judicial determination require benefit formulas, including the interest crediting rate, of the Retirement Plan to be reformed or require the payment of Retirement Benefits or life annuity benefits under the Retirement Plan in excess of those paid hereunder.

Article IV
Vesting

4.1 Account. Subject to the adjustments and forfeiture rules set forth in Sections 3.3, 3.4 and 3.6, the benefits described in Sections 3.1, 3.3 and 3.4 shall vest upon the date that the benefits under the Retirement Plan vest. Benefits hereunder shall be forfeited upon the date of a termination of employment as reflected on the books and records of the Employer if such Participant is not then vested in his/her Retirement Benefits. Benefits hereunder shall not be subject to being restored upon re-employment.

4.2 Vesting 415 Benefit. The benefit described in Section 3.4 shall be deemed to accrue and vest only upon the dates or date of the Separation from Service.

ARTICLE V
DISTRIBUTIONS

5.1 Form and Date of Distribution. (a) Except as otherwise provided herein, if a Participant incurs a Separation from Service, his or her benefit under this Plan shall be distributed in a lump sum during the calendar year immediately following the calendar year in which the Separation from Service occurred, provided that a Specified Employee shall not receive a distribution from this Plan until at least six months have elapsed from the date of his/her Separation from Service.

(b)A Grandfathered Chase Participant who receives his/her Retirement Benefit under a Final Average Pay formula shall receive his/her benefit in the form of a single life month annuity commencing in the calendar year following his/her Separation from Service. The Participant may elect prior to the first annuity payment date between actuarial equivalent forms of annuity benefits. For this purpose, the form of annuities available are those specified by the Retirement Plan as applying to a Grandfathered Chase Participant and the actuarial factors set forth in the Retirement Plan shall be used.

(c) If a Participant terminated employment prior to January 1, 2005, then any vested amounts accrued prior to that date shall be subject to the terms of the Plan prior to its amendment and restatement.

(d) (i) In the case of a Qualified Participant, vested amounts accrued prior to January 1, 2005 shall be subject to the terms of the Plan prior to its amendment and restatement. Any amount accrued by a Qualified Participant after January 1, 2005 shall be subject to the election that such individual made in 2005 in accordance with the transitional rules of Section 409A.

(ii) Notwithstanding Section 5.1(d)(i) above, if a Qualified Participant fails to elect distribution of his/her Retirement Benefits by December 1, 2008, then Section 3.2 shall apply to calculate the amount of his/her benefit hereunder as of December 31, 2008. That benefit shall be distributed as a lump sum during calendar year 2009.

(e) If a Participant in the Supplemental Plan had made an election as to the form and time of payment of his or her benefit under that Plan prior to December 31, 2004?, such election shall govern the form and time of payment of benefits hereunder.

5.2 Withholding. Any payment under this Plan shall be reduced by any amount required to be withheld under applicable Federal, state and local laws.

5.3 Participant's Rights Unsecured. The right of any Participant or former Participant to receive further payments under the provisions of the Plan shall be an unsecured claim against general funds of (i) the Bank, if the Employer employing the participant at the time his/her Eligible Compensation is subject to this Plan, was a bank or a bank subsidiary or (ii) the Corporation, if the Employer employing the Participant at the time his/her Eligible Compensation is subject to this Plan, was not a bank or a bank subsidiary; provided that the Corporation shall be responsible for any amounts accrued under the Supplemental Plan. No assets shall be required to be segregated or earmarked to represent any liability for supplemental benefits hereunder, but the Corporation and Bank shall have the right to establish vehicles to assist them and the other Employers in meeting their obligations hereunder. The rights of any person to receive benefits under the Plan shall be only those of a general unsecured creditor; and such status shall not be enhanced by reason of the establishment of any funding vehicles.

5.4 Beneficiary. (a) Upon the death of a Participant who has vested benefits under this Plan and whose death occurs prior to a Participant's Separation from Service, the Beneficiary of such Participant shall receive (i) a benefit equal to the excess of Retirement Benefit available to Beneficiary without application of Section 415 of the Code over the Retirement Benefit actually received by the Beneficiary under the Retirement Plan and/or (ii) the Credit Balance of the Participant under Section 3.1. The benefit shall be distributed as a lump sum in the calendar year immediately following the calendar year in which the death occurred.

(b) Notwithstanding Section 5.4(a), upon the death of a Participant who has vested benefits under this Plan and whose death occurs prior to a Participant's Separation from Service, a Beneficiary whose survivor Retirement Benefit is based on the Final Average Pay Benefit, Alternative Benefit or Minimum Benefit shall not receive the Credit Balance under Section 3.1 of this Plan. Instead such Beneficiary shall have his/her benefit based on Section 3.3 utilizing the assumptions with respect to a survivor pre-retirement annuity as set forth in the Retirement Plan. The benefit shall be distributed as a lump sum in the calendar year immediately following the calendar year in which the death occurred.

(c) Upon the death of a Participant who has vested benefits under this Plan and whose death occurs after the Participant's Separation from Service, the Beneficiary shall receive any unpaid amount due to the Participant in the form of a lump sum in the calendar year immediately following the calendar year in which the death occurred; provided that if the Participant was receiving an annuity hereunder, the Beneficiary shall be entitled only the survivor benefit, if any, under the annuity.

(d) The distribution rules of the Plan, prior its to its amendment and restatement, shall apply to the date of distribution with respect to a Beneficiary of a Participant who incurred a Separation from Service prior to January 1, 2005.

Article VII
Amendment and Termination

6.1 Amendment. The Board or the Administrator may amend the Plan in any respect and at any time; provided, however, that no amendment shall have the effect of reducing (i) any benefit then being paid or payable to any Participant or to any Beneficiary, or (ii) the vested amount of any benefit under Sections 3.1, 3.3 and 3.4 theretofore accrued on behalf of any Participant.

6.2 Termination. The Board may terminate the Plan at any time. In the event of termination, the Plan shall continue in force with respect to any Participant, or other person entitled to receive a benefit under Sections 3.1, 3.3 and 3.4 to the extent accrued and vested under the Plan prior to its termination, and shall be binding upon any successor to substantially all the assets of the Corporation or any other Employer.

Article VIII
General Provisions

7.1 Assignability. No right to receive payments hereunder shall be transferable or assignable by a Participant except by will or by the laws of descent and distribution or by a court of competent jurisdiction. Any other attempted assignment or alienation of payments hereunder shall be void and of no force or effect.

7.2 Administration. Except as otherwise provided herein, the Plan shall be administered by the Administrator, who shall have the authority to adopt rules and regulations for carrying out the provisions of the Plan, and who shall conclusively interpret, construe and implement the provisions of the Plan, including eligibility to participate, the entitlement to benefits and the amount of such benefits.

7.3 Legal Opinions. The Administrator may consult with legal counsel, who may be counsel for the Bank or other counsel, with respect to his obligations or duties hereunder, or with respect to any action proceeding or any question of law, and shall not be liable with respect to any action taken, or omitted, by him in good faith pursuant to the advice of such counsel.

7.4 Liability. Any decision made or action taken by the Board, Committee or the Administrator arising out of, or in connection with, the construction, administration, interpretation and effect of the Plan shall be within their absolute discretion, and will be conclusive and binding on all parties. Neither the Administrator nor a member of the Board or of the Committee shall be liable for any act or action hereunder, whether of omission or commission, by any other member or employee or by any agent to whom duties in connection with the administration of the Plan have been delegated or, except in circumstances involving bad faith, for anything done or omitted to be done in connection with this Plan.

7.5 Corporate Reorganization. In the event that a corporation or unincorporated entity ceases to meet the definition of an Employer such corporation or entity shall cease to be an Employer under the plan and its employees shall cease to be Participants under the Plan, and the Plan shall be treated as though a separate plan for the benefit of its employees who were Participants in the plan to govern the accrued benefits of each such Participant (or any person entitled to benefits in respect of such a Participant).

7.6 Construction. The masculine gender, where appearing in this Plan, shall be deemed to also include the feminine gender. The singular shall also include the plural, where appropriate.

7.7 Governing Law. The Plan shall be construed and administered in accordance with the laws of the State of New York.

7.8 Not an Employment Contract. Nothing herein shall be construed to confer upon any person any legal right to continued employment with the Bank or any Related Company.

Exhibit 10.8

As Amended
December 11, 1996

1995 Stock Incentive Plan of J.P. Morgan & Co. Incorporated and Affiliated Companies

Article I

Purpose

The purpose of the 1995 Stock Incentive Plan (the "Plan") is to afford an incentive to key employees of J.P. Morgan & Co. Incorporated (the "Company") and its affiliates to acquire a proprietary interest in the Company, to encourage such employees to increase their efforts on behalf of the Company and remain in its employ, and to more closely align the interests of such key employees with those of the Company's stockholders.

Article II

Definitions

2.1. The following terms shall have the meanings described below when used in the Plan:

(a) "Award" shall refer to a Restricted Stock Award granted under Article VIII or a Stock Unit Award granted under Article IX.

(b) "Board of Directors" shall mean the Board of Directors of the Company.

(c) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(d) "Committee" shall mean the committee appointed by the Board of Directors to administer the Plan pursuant to Article III.

(e) "Common Stock" shall mean common stock, par value $2.50, of the Company.

(f) "Company" shall mean J.P. Morgan & Co. Incorporated or any successor to it in ownership of all or substantially all of its assets.

(g) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

(h) "Fair Market Value" of Common Stock on any day shall mean the average of the highest and lowest price of Common Stock as reported on the composite tape for such day, unless the Committee determines that another procedure for determining Fair Market Value would be more appropriate.

(i) "Incentive Stock Option" shall mean a stock option granted under Article VI which is intended to meet the requirements of Section 422 of the Code.

(j) "Nonqualified Stock Option" shall mean a stock option granted under Article VI which is not intended to be an Incentive Stock Option.

(k) "Option" shall mean an Incentive Stock Option or a Nonqualified Stock Option.

(l) "Optionee" shall mean a Participant who is granted an Option.

(m) "Participant" shall mean an eligible employee who has been granted an Option, Stock Appreciation Right or Award under the Plan.

(n) "Participating Company" shall mean the Company, the Trust Company or any subsidiary or other affiliated entity (whether or not incorporated).

(o) "Plan" shall mean this 1995 Stock Incentive Plan of J.P. Morgan & Co. Incorporated and Affiliated Companies.

(p) "Related Right" shall mean a Stock Appreciation Right described in Section 7.2.

(q) "Restricted Period" shall mean the period during which a Restricted Stock Award is being earned in accordance with Section 8.3.

(r) "Restricted Stock Award" shall mean an award granted under Article VIII.

(s) "Stand Alone Right" shall mean a Stock Appreciation Right described in Section 7.3.

(t) "Stock Appreciation Right" shall mean a right granted under Article VII.

(u) "Stock Unit Award" shall mean an award granted under Article IX.

(v) "Trust Company" shall mean Morgan Guaranty Trust Company of New York or any successor to it in ownership of all or substantially all of its assets.

Article III

3.1. (a) The Board of Directors shall appoint not less than three Directors to the Committee which shall administer the Plan. With respect to determinations regarding the grant, amount, acceleration or forfeiture of Options, Stock Appreciation Rights or awards with respect to an eligible employee who is a member of the Board of Directors, the Committee shall be composed of all directors of the Company who are not employees of the Company or any other Participating Company. No individual shall be a member of the Committee unless such individual is disinterested within the meaning of Rule 16b-3 under the Exchange Act. The Committee shall have full power and authority, subject to such orders or resolutions not inconsistent with the provisions of the Plan as may from time to time be issued or adopted by the Board of Directors, to grant to eligible persons Options, Stock Appreciation Rights and Awards under the Plan; to waive any restrictions or limitations, or impose additional limitations or restrictions, on previously granted Options, Stock Appreciation Rights, or Awards (within the parameters of the Plan); to interpret the provisions of the Plan and any agreements relating to Options, Stock Appreciation Rights or Awards granted under the Plan; to supervise the administration of the Plan and to delegate to senior officers of the Company or the Trust Company the power to act for the Committee as the Committee shall specify.

(b) All decisions made by the Committee (or such persons acting under a delegation by the Committee pursuant to subsection 3.1 (a)) pursuant to the provisions of the Plan and related orders of the Board of Directors shall be within the absolute discretion of the Committee or its delegate, as the case may be, and shall be conclusive and binding on all persons, including the Company, stockholders, employees and beneficiaries of employees.

Article IV

Shares Subject To The Plan

4.1. (a) Subject to adjustment pursuant to subsection 4.1 (d), the maximum number of shares of Common Stock with respect to which Options, Stock Appreciation Rights and Awards may be granted shall be 28,000,000 shares of Common Stock. Shares of Common Stock may be made available from the authorized but unissued shares of the Company or from shares reacquired by the Company, including shares purchased in the open market. If an Option, Stock Appreciation Right or Award granted under the Plan shall expire or terminate for any reason other than the exercise of a Related Right (to the extent set forth in subsection 7.2(c)), the shares subject to such Option, Stock Appreciation Right or Award shall be available for other Options, Stock Appreciation Rights and Awards to the same Participant or other eligible employees. Any shares delivered in payment of the exercise price of an Option shall be available for other Options, Stock Appreciation Rights and Awards to the same Participant or other eligible employees.

(b) Subject to adjustment pursuant to subsection 4.1 (d), of the total shares of Common Stock referred to in subsection 4.1 (a), the number of shares of Common Stock with respect to which Awards may be granted shall not exceed 7,000,000 shares of Common Stock.

(c) Subject to adjustment pursuant to subsection 4.1 (d), of the total shares of Common Stock referred to in subsection 4.1 (a), the number of shares of Common Stock with respect to which Options or Stock Appreciation Rights may be granted to any Participant during the term of the Plan shall not exceed 2,800,000 shares of Common Stock.

(d) In the event that the Committee shall determine that any stock dividend, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, exchange of shares, warrants or rights offering to purchase Common Stock at a price substantially below fair market value, or other similar corporate event affects the Common Stock such that an adjustment is required in order to preserve the benefits or potential benefits intended to be made available under this Plan, then the Committee shall, in its sole discretion, and in such manner as the Committee may deem equitable, adjust any or all of (1) the number and kind of shares which thereafter may be awarded or optioned and sold or made the subject of Stock Appreciation Rights under the Plan, (2) the number and kind of shares subject to outstanding Options, Stock Appreciation Rights and Awards, and (3) the option price with respect to any of the foregoing and/or, if deemed appropriate, make provision for a cash payment to a Participant. The number of shares subject to any Option, Stock Appreciation Right or Award shall always be a whole number.

Article V

Eligibility

5.1. The employees eligible to participate in the Plan and receive Options, Stock Appreciation Rights and Awards under the Plan shall consist of key employees of the Company and other Participating Companies.

Article VI

Stock Options

6.1. Grant of Options. Subject to the limitations of the Plan, the Committee shall, after such consultation with and consideration of the recommendations of management as the Committee considers desirable, select from eligible employees those Participants to be granted Options and determine the time when each Option shall be granted and the number of shares subject to each Option. Options may be either Incentive Stock Options or Nonqualified Stock Options and more than one Option may be granted to the same person. Options shall be evidenced in such manner as may be approved by the Committee. Options may be amended or supplemented from time to time as approved by the Committee, provided that the terms of such Options after being amended or supplemented conform to the terms of the Plan.

6.2. Option Price. The price at which shares may be purchased upon exercise of a particular Option shall be not less than 100% of the Fair Market Value of such shares on the date such Option is granted.

6.3. Medium and Time of Payment. No shares shall be delivered pursuant to any exercise of an Option until payment in full of the Option price therefor is received by the Company. Such payment shall be made in cash or, unless prohibited by the Committee, through the delivery of shares of Common Stock of the Company with a Fair Market Value equal to the total Option price or a combination of cash and shares. The Committee may prescribe additional methods of payment to the extent permitted by applicable law. Any shares so delivered shall be valued at their Fair Market Value on the exercise date, or on such other date as determined by the Committee for administrative convenience. No Optionee, transferee, legal representative, legatee or distributee of any Optionee shall be deemed to be a holder of any shares subject to any Option prior to the issuance of such shares upon exercise of such Option or any related Stock Appreciation Right.

6.4. Term and Exercisability of Options. An Option shall be exercisable ratably on each of the first three anniversaries of the date of grant of such Option or as otherwise determined by the Committee, but in no event shall such Option be exercised earlier than one year or later than ten years from the date the Option is granted. The Committee may require that an Option only be exercised upon the achievement of such performance objectives as the Committee shall designate. An Option shall be subject to earlier termination as provided in Section 6.6 with respect to death, retirement and termination of employment or as provided in Section 10.6.

6.5. Transferability of Options. (a) Except as provided in subsection (b) below, an Option may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution and, during the lifetime of the

Optionee, may be exercised only by such Optionee.

(b) Notwithstanding subsection (a) above, the Committee may determine that an Option may be transferred by the Optionee to one or more members of the Optionee's immediate family, to a partnership of which the only partners are members of the Optionee's immediate family, or to a trust established by the Optionee for the benefit of one or more members of the Optionee's immediate family. For this purpose immediate family means the Optionee's spouse, parents, children, grandchildren and the spouses of such parents, children and grandchildren. A transferee described in this subsection may not further transfer an Option. An Option transferred pursuant to this subsection shall remain subject to the provisions of the Plan, including, but not limited to, the provisions of Section 6.6 relating to the exercise of the Option upon the death, retirement or termination of employment of the Optionee, and shall be subject to such other rules as the Committee shall determine.

6.6. Death, Retirement and Termination of Employment. Subject to the condition that no Option be exercised in whole or in part after the expiration of the Option period specified by the Committee, and subject to the Committee's right to cancel any Option in accordance with Section 10.6, unless otherwise determined by the Committee:

(a) Upon termination of employment prior to an Optionee's attainment of age 55 but after the Optionee is eligible for retirement pursuant to a retirement plan of the Company or any of its subsidiaries, an Optionee or a transferee described in subsection 6.5(b), may, within three years after the date of such termination, purchase any or all of the shares subject to an Option granted at least one year prior to such termination of employment, at or after the time or times the Optionee would have been entitled to purchase such shares had the Optionee not terminated employment;

(b) Upon termination of employment on or after an Optionee's attainment of age 55 and after the Optionee is eligible for retirement pursuant to a retirement plan of the Company or any of its subsidiaries, an Optionee or a transferee described in subsection 6.5(b), may, at any time prior to the expiration of the Option period, purchase any or all of the shares subject to an Option granted at least one year prior to such termination of employment, at or after the time or times the Optionee would have been entitled to purchase such shares had the Optionee not terminated employment;

(c) Upon the death of an Optionee after a termination of employment described in subsections (a) or (b) above, the Optionee's designated beneficiary, or if none, the person or persons to whom such Optionee's rights under the Option are transferred by will or the laws of descent and distribution, or a transferee described in subsection 6.5(b), may, at any time prior to the expiration of the Option period determined under subsection (a) or (b), as the case may be, purchase any or all of the shares subject to an Option at or after the time the Optionee would have been entitled to purchase such shares had the Optionee survived;

(d) Upon the death of an Optionee while employed, the Optionee's designated beneficiary, or if none, the person or persons to whom such Optionee's rights under the Option are transferred by will or the laws of descent and distribution, or a transferee described in subsection 6.5(b), may, within three years after the date of such death, but no later than the expiration of the Option period, purchase any or all of the shares subject to an Option at or after the time the Optionee would have been entitled to purchase such shares had the Optionee survived; and

(e) Upon termination of employment for any reason other than death or retirement as aforesaid, an Optionee's Options, including any Options transferred pursuant to subsection 6.5(b), shall be cancelled to the extent not theretofore exercised. In addition, the Optionee shall repay to the Company the value of the difference between the Fair Market Value on the date of exercise over the Option price of any Options exercised within the six month period preceding the date of such termination and the value of any Related Right described in Section 7.2 exercised during such period.

Article VII

Stock Appreciation Rights

7.1. Grant of Stock Appreciation Rights. Subject to the limitations of the Plan, the Committee shall, after such consultation with and consideration of the recommendations of management as the Committee considers desirable, select from eligible employees those Participants to be granted Stock Appreciation Rights and determine the time when each Stock Appreciation Right shall be granted and such other terms of each Stock Appreciation Right pursuant to this Article VII. Stock Appreciation Rights may be granted either alone ("Stand Alone Rights") or in conjunction with all or part of any Option granted under the Plan ("Related Rights") . In the case of a Nonqualified Stock Option, Related Rights may be granted either at or after the time of the grant of the Nonqualified Stock Option. In the case of an Incentive Stock Option, Related Rights may be granted only at the time of the grant of the Incentive Stock Option.

7.2. Related Rights. (a) A Related Right shall be exercisable only at such time or times and to the extent that the Option to which it relates shall be exercisable in accordance with Article 6, provided that the Committee may, for administrative convenience, determine that, for any Related Right which can only be exercised during a limited period of time in order to satisfy rules imposed by the Securities and Exchange Commission, the exercise of any such Related Right for cash during such limited period shall be deemed to occur for all purposes hereunder on the day during such limited period on which the Fair Market Value of the Common Stock is the highest. A Related Right granted with respect to an Option shall terminate and no longer be exercisable upon the termination or exercise of the related Option, provided that, unless otherwise provided by the Committee, a Related Right granted with respect to less than the full number of shares covered by a related Option shall only be reduced if and to the extent that the number of shares covered by the exercise or termination of the related Option exceeds the number of shares not covered by the Related Right, provided further that, in the event of the death of the Participant, the Related Right shall be cancelled to the extent not theretofore exercised, whether or not the related Option is cancelled.

(b) Upon the exercise of a Related Right, a Participant shall be entitled to receive up to, but not more than, an amount in cash or shares of Common Stock equal in value to the excess of the Fair Market Value of one share of Common Stock over the Option price per share of Common Stock of the related Option multiplied by the number of shares of Common Stock in respect of which the Related Right shall have been exercised. The Committee shall have the right to determine the form of payment. Any shares delivered in payment shall be valued at their Fair Market Value on the date of exercise. No fractional shares shall be issued and the Participant shall receive cash in lieu thereof.

(c) Upon the exercise of a Related Right, the Option or part thereof to which such Related Right is related shall be deemed to have been exercised for the purpose of the limitations set forth in Section 4.1 on the number of shares of Common Stock to be issued under the Plan, but only to the extent of the number of shares of Common Stock issued under the Related Right.

7.3. Stand Alone Rights. (a) A Stand Alone Right shall be exercisable ratably on each of the first three anniversaries of the grant of such Stand Alone Right or as otherwise determined by the Committee, but in no event shall such Stand Alone Right be exercised earlier than one year or later than ten years from the date the Stand Alone Right is granted. The Committee may require that a Stand Alone Right only be exercised upon the achievement of such performance objectives as the Committee shall designate. The Committee may, for administrative convenience, determine that, for any Stand Alone Right which can only be exercised during a limited period of time in order to satisfy rules imposed by the Securities and Exchange Commission, the exercise of any such Stand Alone Right for cash during such limited period shall be deemed to occur for all purposes hereunder on the day during such limited period on which the Fair Market Value of the Common Stock is the highest. A Stand Alone Right shall be subject to earlier termination as provided in subsection 7.3(c) with respect to death, retirement and termination of employment.

(b) Upon the exercise of a Stand Alone Right, a Participant shall be entitled to receive up to, but not more than, an amount in cash or shares of Common Stock equal in value to the excess of the Fair Market Value of one share of Common Stock on the date of exercise over the Fair Market Value of one share of Common Stock on the date of grant multiplied by the number of shares in respect of which the right is being exercised. The Committee shall have the right to determine the form of payment. Any shares delivered in payment shall be valued at their Fair Market Value on the date of exercise. No fractional shares shall be issued and the

Participant shall receive cash in lieu thereof.

(c) Subject to the condition that no Stand Alone Right may be exercised in whole or in part after the expiration of the period specified by the Committee, and subject to the Committee's right to cancel any Stock Appreciation Right in accordance with Section 10.6, unless otherwise determined by the Committee:

(i) Upon termination of employment prior to a Participant's attainment of age 55 but after the Participant is eligible for retirement pursuant to a retirement plan of the Company or any of its subsidiaries, a Participant may, within three years after the date of such termination, exercise any or all of the Stand Alone Right granted at least one year prior to such termination of employment, at or after the time or times the Participant would have been entitled to exercise such Stand Alone Right had the Participant not terminated employment;

(ii) Upon termination of employment on or after a Participant's attainment of age 55 and after the Participant is eligible for retirement pursuant to a retirement plan of the Company or any of its subsidiaries, a Participant may, at any time prior to the expiration of the Stock Appreciation Right exercise period, exercise any or all of the Stand Alone Right granted at least one year prior to such termination of employment, at or after the time or times the Participant would have been entitled to exercise such Stand Alone Right had the Participant not terminated employment; and

(iii) Upon termination of employment for any reason other than retirement as aforesaid, a Participant's Stand Alone Rights shall be cancelled to the extent not theretofore exercised. In addition, except in the event of death, the Participant shall repay to the Company the value of any Stand Alone Right exercised within the six month period preceding the date of such termination.

7.4. Transfer of Stock Appreciation Rights. A Stock Appreciation Right may not be transferred to anyone and may only be exercised by the Participant to whom it is granted

Article VIII

Restricted Stock Awards

8.1. Grant of Restricted Stock Awards. Subject to the limitations of the Plan, the Committee shall, after such consultation with and consideration of the recommendations of management as the Committee considers desirable, select from eligible employees those Participants to be granted Restricted Stock Awards and determine the time when each Award shall be granted, the vesting date or vesting dates for each Award, the time or times as of which vested Awards shall be paid and the number of share credits (each of which shall be equivalent to one share of Common Stock) subject to each Award. Restricted Stock Awards shall be evidenced in such manner as may be approved by the Committee. Restricted Stock Awards may be amended or supplemented from time to time as approved by the Committee, provided that the terms of such Awards after being amended or supplemented conform to the terms of the Plan. No provision of this Plan shall be interpreted to prohibit the grant of a Restricted Stock Award hereunder in connection with awards granted pursuant to the 1995 Executive Officer Performance Plan of J.P. Morgan & Co. Incorporated and Affiliated Companies or any other plan of the Company, provided that any such Award conforms to the terms of this Plan.

8.2. Number of Share Credits. Each Restricted Stock Award shall state the number of share credits to be subject to the Award.

8.3. Restrictions. A Restricted Stock Award may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution, for a period of five years from the date of grant of the Award or such other period as the Committee shall determine, and for such further period as the payment of Awards may be deferred pursuant to Section 8.5. The Committee may define the Restricted Period in terms of the passage of time, the satisfaction of performance criteria, a combination of time and performance, or in any other manner it deems appropriate. Restricted Stock Awards shall not be paid until the successful completion of the Restricted Period except as may be otherwise provided in circumstances of death or retirement pursuant to Section 8.4, or until the end of any deferral period described in subsection 8.5(b).

8.4. Death, Retirement and Termination of Employment. Unless otherwise determined by the Committee:

(a) Upon termination of a Participant's employment prior to the end of the Restricted Period for any reason except for death, as described below, the Participant's Awards shall be forfeited and the Participant shall have no right with respect to such Award.

(b) Upon the death of a Participant, an Award granted to such Participant shall be (i) 100% (or such other percentage as the Committee shall have determined at the time of grant of such Award) vested and nonforfeitable and (ii) shall be payable to the Participant's beneficiary, or if none, the person or persons to whom such Participant's rights under the Award are transferred by will or the laws of descent and distribution, subject to any further deferral of the Award in accordance with subsection 8.5(b), provided that with respect to an Award subject to performance restrictions, the Committee shall make such determination with respect to such Award as it deems appropriate.

8.5. Payment of Awards. (a) Subject to the provisions of subsection (b) hereof, as soon as practicable after the successful completion of the Restricted Period, such Award shall be paid to the Participant or, in the case of the death of the Participant, the Participant's beneficiary, or if none, the person or persons to whom such Participant's rights under the

Award are transferred by will or the laws of descent and distribution.

(b) The Committee may, in its discretion, provide that payment of Awards be deferred until such time or times as the Committee shall specify, or such time or times as the Participant may elect. Any election of a Participant pursuant to the preceding sentence shall be filed with the Committee in accordance with such rules and regulations, including any deadline for the making of such an election, as the Committee may provide.

(c) Except as otherwise determined pursuant to subsection 8.6(c), payments pursuant to this Section 8.5, including any dividend equivalents determined under subsection 8.6(b), shall be made in shares of Common Stock, except there may be paid in cash the value of any partial shares of Common Stock and that part of the total payment determined by the Company to be necessary to satisfy tax withholding requirements.

8.6. Dividend Equivalents. (a) Except as may be otherwise determined by the Committee, in addition to the payment provided for in Section 8.5, each Participant (or beneficiary) entitled to payment under Section 8.5 shall receive the dividend equivalent amount calculated under subsection (b) hereof.

(b) The dividend equivalent amount is the number of additional share credits attributable to the number of share credits awarded plus additional share credits calculated hereunder. Such additional share credits shall be determined and credited as of the end of each calendar year by dividing (1) the aggregate cash dividends which would have been paid had the share credits awarded or credited under this subsection (b), as the case may be, been actual shares of Common Stock on the record date for each such dividend during such calendar year by (2) the average market prices per shares of Common Stock on the last trading day of each calendar month during the 12 months ending on the November 30 preceding the date such determination is being made. For this purpose, the market price on any day shall be the average of the highest and lowest price of a share of Common Stock as reported on the composite tape for such day. The Committee may designate any other manner for determining and crediting dividend equivalents as it deems appropriate.

(c) In such cases as the Committee may deem advisable, the Committee may, in lieu of the crediting provided for in subsection (b), determine to pay all or part of the dividend equivalent amount in cash or stock as dividends are actually paid on Common Stock, or at such other time or times as the Committee may otherwise determine.

Article IX

Stock Unit Awards

9.1. Grant of Stock Unit Awards. The Committee shall have authority to grant to eligible employees Stock Unit Awards which can be in the form of Common Stock or units, the value of which is based, in whole or in part, on the value of Common Stock. Subject to the provisions of the Plan, including Section 9.2 below, Stock Unit Awards shall be subject to such terms, restrictions, conditions, vesting requirements and payment rules (all of which are sometimes hereinafter collectively referred to as "rules") as the Committee may determine in its sole discretion, all such rules applicable to a particular Stock Unit Award to be reflected in writing and furnished to the Participant. In no event shall any Award vest less than one year from the date of grant. The rules need not be identical for each Stock Unit Award. No provision of this Plan shall be interpreted to prohibit the grant of a Stock Unit Award hereunder in connection with awards granted pursuant to the 1995 Executive Officer Performance Plan or any other plan of the Company, provided that any such Award conforms to the terms of the Plan.

9.2. Rules. In the sole discretion of the Committee, a Stock Unit Award shall be granted subject to the following rules

(a) Any shares of Common Stock which are part of a Stock Unit Award may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution, prior to the date on which the shares are issued or such other date provided by the Committee at the time of grant of the Award or thereafter.

(b) Stock Unit Awards may provide for the payment of cash consideration by the person to whom such Award is granted or provide that the Award, and Common Stock to be issued in connection therewith, if applicable, shall be delivered without the payment of cash consideration.

(c) Stock Unit Awards may relate in whole or in part to performance criteria established by the Committee at the time of grant.

(d) Stock Unit Awards may provide for deferred payment schedules, vesting over a specified period of employment, the payment (on a current or deferred basis) of dividend equivalent amounts, with respect to the number of shares of Common Stock covered by the Award, and elections by the Participant to defer payment of the Award or the lifting of restrictions on the Award, if any.

Article X

General Provisions

10.1. Change in Control. (a) (i) In the case of a Change in Control (as defined below) of the Company, each Option and Stock Appreciation Right then outstanding shall (unless the Committee determines otherwise) immediately be nonforfeitable and exercisable in full;

(ii) In the case of a Change in Control (as defined below) of the Company, each Award shall (unless the Committee determines otherwise) immediately be fully vested and nonforfeitable and shall thereupon be paid as soon as practicable.

(b) Any determination by the Committee made pursuant to this Section 10.1 may be made as to all outstanding Options, Stock Appreciation Rights or Awards or only as to certain Options, Stock Appreciation Rights or Awards specified by the Committee, and all such determinations shall be made in cases covered by paragraphs (c) (i) or (ii) below, prior to or as soon as practicable after the occurrence of such event and in the cases covered by paragraphs (c) (iii) and (iv) below, prior to the occurrence of such event.

(c) A Change in Control shall occur if:

(i) any "person" or "group of persons" as such terms are used in Section 13(d) and 14(d) of the Exchange Act directly or indirectly purchases or otherwise becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) or has the right to acquire such beneficial ownership (whether or not such right is exercisable immediately, with the passage of time, or subject to any condition), of voting securities representing 25% or more of the combined voting power of all outstanding voting securities of the Company;

(ii) during any period of two consecutive years, the individuals who at the beginning of such period constitute the Board of Directors cease for any reason to constitute at least a majority of the members thereof, unless (1) there are seven or more directors then still in office who were directors at the beginning of the period, and (2) the election, or the nomination for election by the Company's stockholders, of each new director was approved by at least two-thirds of the directors then still in office who were directors at the beginning of the period;

(iii) the stockholders of the Company shall approve an agreement to merge or consolidate the Company with or into another corporation as a result of which less than 50% of the outstanding voting securities of the surviving or resulting entity are or are to be owned by the former shareholders of the Company (excluding from former shareholders, a shareholder who is or, as a result of the transaction in question, becomes an "affiliate," as defined in Rule 12b-2 under the Exchange Act, of any party to such consolidation or merger); or

(iv) the stockholders of the Company shall approve the sale of all or substantially all of the Company's business and/or assets to a person or entity which is not a wholly-owned subsidiary of the Company.

10.2. Designation of Beneficiary. Subject to such rules and regulations as the Committee may prescribe, including the right of the Committee to limit the types of designations which are acceptable for purposes of the Plan, each Participant who shall be granted an Option or Award under the Plan may designate a beneficiary or beneficiaries and may change such designation from time to time by filing a written designation of beneficiaries with the Committee on a form to be prescribed by it, provided that no such designation shall be effective unless so filed prior to the death of such Participant.

10.3. No Right of Continued Employment. Neither the establishment of the Plan, the granting of Options, Stock Appreciation Rights or Awards, nor the payment of any benefits hereunder nor any action of the Company or of the Board of Directors or of the Committee shall be held or construed to confer upon any person any legal right to be continued in the employ of the Company or its subsidiaries, each of which expressly reserves the right to discharge any employee whenever the interest of any such company in its sole discretion may so require without liability to such company, the Board of Directors or the Committee except as to any rights which may be expressly conferred upon such employee under the Plan.

10.4. No Segregation of Cash or Shares. The Company shall not be required to segregate any cash or any shares of Common Stock which may at any time be represented by Options, Stock Appreciation Rights, Awards, share credits or dividend equivalent amounts and the Plan shall constitute an "unfunded" plan of the Company. No employee shall have voting or other rights with respect to shares of Common Stock prior to the delivery of such shares. The Company shall not, by any provisions of the Plan, be deemed to be a trustee of any Common Stock or any other property, and the liabilities of the Company to any employee pursuant to the Plan shall be those of a debtor pursuant to such contract obligations as are created by or pursuant to the Plan, and the rights of any employee, former employee or beneficiary under the Plan shall be limited to those of a general creditor of the Company. In its sole discretion, the Committee may authorize the creation of trusts or other arrangements to meet the obligations of the Company and each other Participating Company under the Plan, provided, however, that existence of such trusts or other arrangements is consistent with the unfunded status of the Plan.

10.5. Delivery of Shares. No shares shall be delivered pursuant to any exercise of an Option or Stock Appreciation Right or pursuant to the payment of any Award until the requirements of such laws and regulations as may be deemed by the Committee to be applicable thereto are satisfied.

10.6. Cancellation of Options, Stock Appreciation Rights and Awards.

(a) Prior to the occurrence of a Change in Control, but not thereafter, the Committee may, in its sole discretion and with or without cause, cancel any Option, Stock Appreciation Right or Award in whole or in part to the extent it has not theretofore been exercised or, in the case of Awards, become vested. Such cancellation shall be effective as of the date specified by the Committee.

(b) Notwithstanding subsection (a) above, prior to payment of any Award, the Committee may, in its sole discretion, in cases involving a serious breach of conduct by an employee or former employee, or activity of a former employee in competition with the business of a Participating Company, cancel any Award, whether or not vested, in whole or in part. Such cancellation shall be effective as of the date specified by the Committee. The determination of whether an employee or former employee has engaged in a serious breach of conduct or activity in competition with the business of a Participating Company shall be determined by the Committee in good faith and in its sole discretion.

10.7. Transfer, Leave of Absence, etc. For purposes of the Plan: (1) a transfer of a Participant from a Participating Company to an affiliated company, (2) a leave of absence, duly authorized in writing by the Participating Company, for military service or sickness, or for any other purpose approved by the Participating Company H the period of such leave does not exceed ninety days, and (3) a leave of absence in excess of ninety days, duly authorized in writing by the Participating Company, provided the Participant's right to reemployment is guaranteed either by a statute or by contract, shall not be deemed a termination of employment.

10.8. New York Law to Govern. All questions pertaining to the construction, regulation, validity and effect of the provisions of the Plan shall be determined in accordance with the laws of the State of New York.

10.9. Payments and Tax Withholding. The delivery of any shares of Common Stock and the payment of any amount in respect of a Stock Appreciation Right or Award shall be of the account of the applicable Participating Company and any such delivery or payment shall not be made until the recipient shall have made satisfactory arrangements for the payment of any applicable withholding taxes.

Article XI

Amendment and Termination

11.1. Amendments, Suspension or Discontinuance. The Board of Directors may amend, suspend or discontinue the Plan, provided, however, that the Board of Directors may not, without the prior approval of the stockholders of the Company, make any amendment for which stockholder approval is necessary to comply with any applicable tax or regulatory requirement, including for these purposes any approval requirement which is a prerequisite for exemptive relief under Section 16(b) of the Exchange Act, and provided, further, that upon or following the occurrence of a Change in Control no amendment may adversely affect the rights of any person in connection with any Option, Stock Appreciation Right or Award previously granted.

11.2. Termination. No Option, Stock Appreciation Right or Award shall be granted under the Plan after expiration of ten years from the date upon which the Plan is approved by vote of the stockholders of the Company.

Executive Retirement Plan of
JPMorgan Chase & Co.
As Amended and Restated December 31, 2008

Purpose.

This Plan is a pension plan designed to provide supplemental retirement benefits to a select group of management or highly compensated employees. This Plan shall be unfunded and shall not be subject to Parts 2, 3 or 4 of Title 1 of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended from time to time.

The Plan applies to accruals or vesting of accruals that occurred on or after January 1, 2005. Pursuant to final and proposed Treasury Regulations and Internal Revenue Service Notice 2005-1 promulgated under Section 409A of the Code, the Plan has been interpreted and operated in good faith compliance with Section 409A through December 31, 2008. Effective December 31, 2008, this Plan has been amended to reflect changes in tax laws as mandated by Section 409A of the Code.

The Plan, dated January 1, 2002 and employee communications through December 31, 2008 shall constitute the plan for the interim period of good faith compliance. All sections of the Plan has been and shall be interpreted in such a manner as to comply with Section 409A

The terms and conditions of this Plan prior to its amendment and restatement will continue to apply to Participants whose employment terminated on or before January 1, 2005 with a vested benefit. The entire Accrued Benefit of a Participant whose employment continued after January 1, 2005 shall be subject to the amended and restated Plan..

The Plan was amended in 1997 to change vesting from ten to five years and with the elimination of a final average pay feature in the Retirement Plan, it was further amended to allow the election noted above.

Article I. Definitions.

The following are defined terms wherever they appear in the Plan:

"Accrual Amount" shall mean the amount which has been specified in writing, from time to time, by the Administrator to the Participant.

"Accrued Benefit" shall mean the amount calculated pursuant to Section 3.1(a) as of any determination date on or January 1, 2005 as if the Participant had Separated from Service on such date. It shall not include actuarial factors, payment dates, form of payment and other optional benefits hereunder.

"Administrator" shall mean the individual holding the title Compensation and Benefit Executive of the Corporation or the Bank, or any successor title.

"Bank" shall mean JPMorgan Chase Bank NA or any successor thereto, whether by merger, consolidation, purchase of substantially all its assets, or otherwise.

"Board" shall mean the Board of Directors of the Corporation; provided that any action taken by a duly authorized committee of the Board (including any action pursuant to Article 6.1) within the scope of the authority designated to it by the Board shall be considered an action of the Board for purposes of this Plan.

"Cause" shall mean either (i) any violation of the Code of Conduct of the Corporation or successor code of conduct, including, but not limited to, an act or acts of personal dishonesty resulting or intended to result in the personal enrichment of the Participant to the detriment of his/her Employer and gross negligence or willful misconduct in the performance of the Participant's duties, or (ii) the issuance of an order by a United States or State bank regulatory authority, removing the Participant from office pursuant to a disciplinary proceeding based on the actions of the Participant.

"Corporation" shall mean JPMorgan Chase & Co. or any successor thereto, whether by merger, consolidation, purchase of substantially all its assets, or otherwise.

"Delayed Retirement" shall mean for periods on or after January 1, 2005, a Participant's Separation from Service; provided that the Participant's age exceeds 65 and his/her Period of Service is at least 10 years, as of the date of such Separation from Service.

"Early Retirement" shall mean for periods on or after January 1, 2005 a Participant's Separation from Service occurs; provided that, the individual had attained at least age 55 and his/her Period of Service is at least 5 years, as of the date of such Separation from Service. In addition, Early Retirement shall also mean either a Separation from Service following the attainment of at least age 50 and Period of Service of at least 20 years.

"Employee" shall mean an individual who is a salaried employee of an Employer. By way of clarification, individuals who are not classified as employees of an Employer for purposes of its payroll system, including, without limitation, individuals employed by temporary help firms or other staffing firms or who are treated as independent contractors by the Employer (whether or not deemed to be common law employees or leased employees), are not "Employees." In addition, in the event that any individual is re-classified as an employee for any purpose by any action of any third party or as a result of any lawsuit, action or administrative proceeding, such individual shall not be deemed an "Employee" under the Plan.

"Employer" shall mean the Corporation or any Subsidiary which is designated by the Administrator as an Employer.

"Initial Plan Participation Date" shall mean the date specified by the Administrator in the notice referred to in Section 2.1, which shall not be earlier than the date that the individual satisfies the criteria established by the Board for participation.

"Normal Retirement" shall mean a Participant's Separation from Service if such Separation occurs on or after January 1, 2005, provided that in either case, the individual had attained at least age 60 and had a Period of Service of at least 5 years as of the date of such Separation from Service

"Participant" shall mean each Employee of the Employer who is eligible to participate under Section 2.1 and elects to participate as provided for in Section 2.2.

"Period of Service" shall have the meaning ascribed thereto by the JPMorgan Chase Retirement Plan or its successor plan; provided that a Period of Service shall exclude service prior to the date of acquisition with respect to an entity acquired by an Employer after January 1, 1995, unless the Administrator specifies to the contrary.

"Plan" shall mean this Executive Retirement Plan of JPMorgan Chase & Co. and Certain Subsidiaries.

"Separation from Service" shall have the meaning set forth in the JPMorgan Chase & Co. 2005 Deferred Compensation Plan, including the definition of Affiliated Company.

"Specified Employee" shall have the meaning set forth in the JPMorgan Chase & Co. 2005 Deferred Compensation Plan.

"Subsidiary" shall mean an entity in which an Employer owns directly, or indirectly, 80 percent or more of the outstanding voting common stock or, if not a corporation, 80 percent or more of the voting power of such entity.

"Surviving Spouse" shall have the meaning ascribed to the individual entitled to a retirement benefit of a Participant under the Retirement Plan upon the death of a Participant.

"Vested Term" shall mean a Participant with a vested Accrued Benefit who incurs a Separation from Service on or after January 1, 2005 prior to attaining age 55.

Article II. Participation.

2.1 Eligibility. The Administrator shall notify, in writing, each Employee who is eligible to participate in the Plan and shall specify in such writing the Initial Plan Participation Date and Level of Participation of each such Employee; provided that each such Employee shall have satisfied the criteria established by the Board for participation in this Plan, or shall be listed on Schedule I hereto.

2.2 Participation. Each Employee shall elect within sixty days after the date of notification by the Administrator of his/her eligibility to participate in the Plan by completing such forms as the Administrator shall require, including but not limited to, an agreement to participate in such other programs as the Administrator may specify and by providing, from time to time, such information as may be specified by the Administrator. If any individual does not elect to participate in the Plan when first eligible, the Administrator, in his/her sole discretion, may extend on another date or dates the opportunity to participate hereunder to such individual on such terms and conditions as the Administrator may specify in writing.

2.3 (a) Discontinued Participation by Election of Employer. Notwithstanding the continued employment of a Participant with an Employer, the Administrator may in the exercise of his/her sole discretion, terminate the participation of any Participant by written notice to the Participant. No additional benefits shall be accrued under Section 3.1(a) from the date active participation ceases hereunder, as specified by the Administrator. Such Accrued Benefit shall be subject to vesting under Section 4.1 and to the provisions of Section 3.1(c) or (d), if applicable, upon termination of employment with an Employer or Subsidiary.

(b) Discontinued Participation by Election of Participant. A Participant may voluntarily discontinue participation in the Plan at any time by giving 30 days' advance written notice to the Administrator. No additional benefits shall be accrued under Section 3.1(a) from the date active participation ceases hereunder, as specified by the Administrator. Such Accrued Benefit shall be forfeited unless the Participant is vested pursuant to Section 4.1 as of the date of receipt of the notice by the Administrator. In addition, unless such Participant, as of the date of receipt of the notice by the Administrator, has satisfied the criteria for Retirement or Early Retirement, as the case may be, such Accrued Benefit (if vested) shall be treated in accordance with Section 3.1(e).

Article III. Benefits.

3.1 (a) Annuity Benefits. Subject to Sections 3.1(b)-(f) and Section 5.1, each Participant who is vested pursuant to Section 4.1, shall receive an annual annuity, payable in 12 equal monthly installments, for life commencing at age 65, equal to the product of (i) his/her Period of Service from the Initial Plan Participation Date to the date of the Participant's Separation from Service with an Employer (or the date participation is discontinued, as specified pursuant to Section 2.3, if applicable) multiplied by (ii) his/her Accrual Amount as specified by the Administrator.

(b) Change in Participant Level . Notwithstanding Section 3.1(a), if a Participant, within a 60 day period following written notice from the Administrator that such Participant is eligible to participate at an increased Accrual Amount, does not satisfy various criteria as specified by the Administrator for participation at such increased Accrual Amount, the annuity benefit described in Section 3.1(a) shall be based on the Accrual Amount for which such criteria were satisfied.

(c) Normal Retirement. Upon Normal Retirement, a Participant shall receive the annual annuity benefit as calculated under Section 3.1(a) without actuarial reduction.

(d) Early Retirement. Upon Early Retirement, a Participant shall receive the annual annuity benefit as calculated under Section 3.1(a) reduced by 0.5% for each month prior to age 60 that such benefit commences.

(e) Vested Term Benefits. A Vested Term Participant shall receive the annual annuity benefit as calculated under Section 3.1(a); provided that if the benefit commences prior to age 65, it shall be reduced by .625% for each month prior to age 65 that such benefit commences. (See Section 5.1(b) for payment date.)

(f) Delayed Retirement. Upon a Delayed Retirement, the Accrued Benefit of such Participant shall be actuarially increased using reasonable actuarial factors to reflect the delay in receipt of the annuity benefits payable at age 65.

Article IV. Vesting Date.

4.1 Vesting. A Participant shall vest in his/her annuity benefit described in Section 3.1 after a Period of Service of at least 5 years. If employment terminates with an Employer or Subsidiary at any time prior to the satisfaction of such Period of Service, all benefits described in Article III of the Plan shall be forfeited and shall not be restored upon rehire or recommencement of participation. Prior to January 1, 1997, the Plan required a Period of Service of at least 10 years in order for a Participant to vest.

4.2 Forfeiture of Benefits. Notwithstanding Section 4.1 to the contrary, Accrued Benefits (whether or not in pay status) shall be terminated and forfeited in the following circumstances:

(i) a termination of employment for Cause;

(ii) within 2 years of a termination of employment, the solicitation of the customers, or clients of the Employer or any affiliate of the Employer by the Participant in order to compete with his/her Employer or any affiliate of the Employer;

(iii) within 2 years of termination of employment, the hiring of, or the attempt to hire, the Employees of the Employer or any affiliate of the Employer;

(iv) at any time after a termination of employment, a release to any party unrelated to an Employer of secret or confidential information obtained by the Participant in the course of his/her employment, except as the case may be required by law; or

(v) at any time, an attempt to assign, encumber or hypothecate benefits as provided in Section 7.1.

Article V. Payment.

5.1(a) Annuity Payments on Retirement. Benefits shall commence on the first day of the month next following a Participant’s Delayed, Normal or Early Retirement in the form specified in Section 3.1(a) and subject to the applicable adjustments (if any) set forth in Article III.

(b) Vested Term.

(i) A Vested Term Participant whose Accrued Benefit was permitted to make an election prior to December 31, 2007 to commence receipt of his/her annuity benefit as of the first of any month on or after attaining age 55 but not later than the first month following the attainment of age 65 subject to the adjustments provided in Article III; provided that no election shall be effective if the benefit hereunder is payable in the year in which the election was made. If such Participant failed to make an appropriate election or timely election, then his/her annuity shall commence as of first day of the month next following attaining age 55.

(iii) A Participant who was not age 55 as of December 31, 2007 was permitted to make the election described in Section 5.1(b)(i) above to take effect only if he or she incurs a Separation from Service as a Vested Term. If such Participant fails to make an appropriate election or timely election and subsequently incurs a Separation from Service as a Vested Term, then his/her annuity shall commence as of first day of month next following attaining age 55.

(c) Form of Annuity. The Administrator may specify a form of annuity other than a single life annuity using actuarial equivalent factors for an Accrued Benefit. Once an annuity is in pay status its form cannot be changed. .

5.2 Survivor Benefit After Termination of Employment. In the event that a Participant with a vested annuity benefit dies before the annuity specified in Section 3.1 has commenced, the Surviving Spouse shall receive an amount equal to that provided to a surviving spouse under a 50% joint and survivor annuity commencing on the first day of the month following (i) the date of death if death occurs after age 55 or (ii) the date that such Participant would have attained age 55 if death occurs before age 55. The amount of such spousal annuity shall be based upon the assumption that the Participant had received the benefit specified in Section 3.1(a) on the later of the day preceding his date of death or age 55, in the form of a 50% joint and survivor benefit, and immediately died. Section 5.1 (c) shall apply to the actuarial factors used to convert the single life annuity under Section 3.1(a) into a 50% joint and survivor annuity benefit.

5.3 Responsibility for Payment. Payment of annuity benefits under the Plan shall be made by the Employer who last employed the Participant. In the case benefits are payable with respect to a Participant whose service included employment with more than one Employer, the Administrator, in his sole discretion , shall determine any amounts to be reimbursed by the prior Employer to the Employer paying benefits hereunder.

5.4 Withholding. The Employer shall withhold any amount required to be withheld under applicable Federal, state and local laws, and any such payment shall be reduced by the amount so withheld.

5.5 Participant’s Rights Unsecured. All annuity payments under the Plan shall be made from the general funds of the Employer. No assets of the Employer shall be required to be segregated or earmarked to represent any liability for the annuity benefits under Section 3.1, but the Employer shall have the right to establish vehicles to assist it in meeting its obligations hereunder. The rights of any person to receive benefits under the Plan shall be only those of a general unsecured creditor; and such status shall not be enhanced by reason of the establishment of any vehicles to assist the Employer in meeting its obligations hereunder.

5.6 Specified Employees. Notwithstanding anything herein to the contrary, a benefit shall not be paid to a Specified Employee until the later of (i) his/her scheduled payment date or (ii) the first day of the seventh month following his or her Separation from Service. Any monthly payments delayed by this provision shall be payable as a lump sum without interest as of the first day of the seventh month.

Article VI Amendment and Termination.

6.1 Amendment. The Board or the Administrator may amend the Plan in any respect and at any time; provided, however, that no amendment shall have the effect of reducing (i) any benefit then being paid to any Participant or to any other person pursuant to Articles III, or (ii) the Accrued Benefit under Section 3.1(a), theretofore accrued on behalf of any Participant.

6.2 Termination. The Board may terminate the Plan at any time. In the event of termination, the Plan shall continue in force with respect to any Participant, or other person entitled to an Accrued Benefit under Article III to the extent accrued under the Plan prior to its termination, and shall be binding upon any successor to substantially all the assets of the Corporation or any other Employer.

Article VII. General Provisions.

7.1 Assignability. No right to receive payments hereunder shall be transferable or assignable by a Participant, other than by will or by the laws of descent and distribution or by a court of competent jurisdiction. Any other attempted assignment or alienation of payments hereunder shall be void and of no force or effect and shall result in forfeiture of benefits.

7.2 Administration. Except as otherwise provided herein, the Plan shall be administered by the Administrator, who shall have the authority to adopt rules and regulations for carrying out the provisions of the Plan, and who shall interpret, construe and implement the provisions of the Plan, including eligibility to participate, Initial Plan Participation Date, Accrual Amount, the entitlement to benefits, the amount of benefits and actuarial factors.

7.3 Legal Opinions. The Administrator may consult with legal counsel, who may be counsel for the Bank or other counsel, with respect to his obligations or duties hereunder, or with respect to any action proceeding or any question of law, and shall not be liable with respect to any action taken, or omitted, by him in good faith pursuant to the advice of such counsel.

7.4 Liability. Any decision made or action taken by the Board, the board of directors (or governing body) of an Employer, Committee, the Administrator or any employee of the Corporation or of any Employer, arising out of, or in connection with, the construction, administration, interpretation and effect of the Plan, shall be within absolute discretion of such person, and will be conclusive and binding on all parties. Neither the Administrator nor a member of the Board or the board of directors (or governing body) of an Employer or the Committee and no Employee shall be liable for any act or action hereunder, whether of omission or commission, by any other member or employee or by any agent to whom duties in connection with the administration of the Plan have been delegated or for anything done or omitted to be done in connection with this Plan, except in circumstances involving bad faith.

7.5 Corporate Reorganization. In the event that a corporation or unincorporated entity ceases to meet the definition of an Employer, such corporation or entity shall cease to be an Employer under the Plan and its employees shall cease to be Participants under the Plan. Benefits shall be frozen as specified in Article II.

7.6 Construction. The masculine gender, where appearing in this Plan, shall be deemed to also include the feminine gender. The singular shall also include the plural, where appropriate.

7.7 Claims and Appeals. The Administrator shall establish a claims and appeals procedure that satisfies the requirements of Part 5 of Title I of ERISA.

7.8 Governing Law. The Plan shall be construed and administered in accordance with the laws of the State of New York.

7.9 Not an Employment Contract. Nothing herein shall be construed to confer upon any person any legal right to continued employment with the Corporation or any Subsidiary.

AMENDMENT TO BANK ONE CORPORATION
DIRECTOR STOCK PLAN
(As amended and restated effective February 1, 2003)

WHEREAS, the Board of Directors has determined that it is necessary and desirable to amend the Bank One Corporation Director Stock Plan (the “Plan”) as permitted by Section 15; and

WHEREAS, the Board of Directors has determined that the proposed amendments to the Plan do not adversely change the terms and conditions of outstanding awards under the Plan.

NOW THEREFORE, effective as of January 14, 2004, the Plan is hereby amended as follows:

1. Section 9(c) is hereby amended by adding the following at the end thereof:

Notwithstanding anything to the contrary, the cessation of an Optionee’s service on the Board as a result of the transactions contemplated by and effectuated in connection with the Agreement and Plan of Merger dated as of January 14, 2004 by and between Bank One Corporation and J.P. Morgan Chase & Co. (the “Merger Agreement”) shall constitute a “retirement” for purposes of this Section 9(c).

2. Section 13 is hereby amended by adding the following at the end thereof:

Notwithstanding anything to the contrary, the actions and transactions contemplated by and effectuated in connection with the Merger Agreement shall not constitute a Change of Control for any purpose of this Plan.

3. Except as expressly modified hereby, the terms and provisions of the Plan shall remain in full force and effect.

BANK ONE CORPORATION
DIRECTOR STOCK PLAN
As Amended and Restated Effective February 1, 2003

1. Purpose and History of the Plan

The purpose of the Bank One Corporation Director Stock Plan (the "Plan") is to promote the long-term growth of Bank One Corporation by increasing the proprietary interest of non-employee directors in Bank One Corporation and to attract and retain highly qualified and capable directors. The Plan was last restated effective April 1, 1999 and has since been amended from time to time. This amendment and restatement of the Plan is effective February 1, 2003.

2. Definitions

Unless the context clearly indicates otherwise, the following terms shall have the following meanings:

(a) "Annual Cash Retainer" means the annual cash retainer fee payable during the Plan Year by the Corporation, or a subsidiary or affiliate thereof, to a Director for his or her services as a Director. To the extent a Director is also entitled to receive an additional retainer as compensation for serving as the chairperson of a committee of the Board, "Annual Cash Retainer" shall include such additional annual cash amount.

(b) "Annual Stock Retainer" means the award of Stock or Stock Units made in accordance with Section 7 of the Plan.

(c) "Award" means an award granted to a Director under the Plan in the form of Options, Shares, or Stock Units or any combination thereof.

(d) "Award Grant Date" means the date upon which an Award is granted to the Director.

(e) "Award Summary" means a written summary setting forth the terms and conditions of an Award made under this Plan.

(f) "Board" means the Board of Directors of the Corporation.

(g) "Change of Control" means a change of control of the Corporation as defined by the Board from time to time.

(h) "Committee" means the Organization and Compensation Committee of the Board, or such other committee of the Board as may be designated by the Board from time to time to administer the Plan.

(i) "Corporation" means Bank One Corporation, a Delaware Corporation, and its successors.

(j) "Director" means a director serving on the Board who is not also an employee of the Corporation or any subsidiary or affiliate thereof. "Director" shall also include a director serving on the board of directors of any subsidiary or affiliate of the Corporation, provided that (i) the director is not also an employee of the Corporation or any subsidiary or affiliate thereof, and (ii) the Board has approved adoption of the Plan by the applicable subsidiary or affiliate.

(k) “Fair Market Value” means the closing price of Common Stock as listed on the New York Stock Exchange Composite Transaction Tape for the trading day immediately preceding the applicable valuation date (or, if no closing price is listed for Common Stock on such date, the next immediately preceding date for which a closing price is listed).

(l) “Option” means an option to purchase Shares awarded under Section 9. Such option shall not be required or construed to satisfy the requirements of Section 422 of the Internal Revenue Code of 1986, as amended, or any successor law.

(m) “Optionee” means a Director to whom an Option has been granted or, in the event of such Director’s death prior to the expiration of an Option, such Director’s executor, administrator, beneficiary or similar person.

(n) “Plan” means the Bank One Corporation Director Stock Plan, as amended and restated from time to time.

(o) “Plan Year” means the twelve-month period from April 1 to March 31.

(p) “Share” means a share of common stock, $.01 par value per share, of the Corporation.

(q) “Stock Unit” means the right to receive a Share on a date elected by the Director pursuant to rules established by the Committee, as well as such dividend or dividend equivalent rights as may be permitted hereunder.

3. Eligibility

Directors shall be eligible to participate in the Plan in accordance with Sections 7, 8, 9 and 10 hereof.

4. Plan Administration

(a) *Administrator of Plan.* The Plan shall be administered by the Committee.

(b) *Authority of Committee.* The Committee shall have the sole and exclusive authority and discretion to (i) interpret and construe the Plan and Award Summaries; (ii) adopt such rules and procedures as it shall deem necessary and advisable to implement and administer the Plan; and (iii) designate persons other than members of the Committee to carry out its responsibilities, subject to such limitations, restrictions and conditions as the Committee, in its best judgment, may determine to be in the Corporation’s best interests and in accordance with the purposes of the Plan.

(c) *Determination of Committee.* A majority of the Committee shall constitute a quorum at any meeting of the Committee, and all determinations of the Committee shall be made by a majority of its members. The Committee may make determinations under the Plan without prior notice and without a meeting, provided that such determination is made by written consent signed by all members of the Committee.

(d) *Effect of Committee Determinations.* No member of the Committee or the Board shall be personally liable for any action or determination with respect to the Plan, an Award, or the settlement of a dispute between a Director and the Corporation, provided that such action or determination is made in good faith. Any decision or action of the Committee or the Board with respect to any Award or the administration or interpretation of the Plan shall be conclusive and binding upon all persons.

5. Shares Subject to the Plan

Subject to adjustments as provided in Section 15, the aggregate number of Shares which may be issued pursuant to Awards shall not exceed 1,620,000 Shares. To the extent that Shares subject to an outstanding Option are not issued or delivered by reason of the expiration, termination, cancellation or forfeiture of such Option or by reason of the delivery of Shares to pay all or a portion of the exercise price of such Option, such Shares shall again be available for issuance under the Plan.

6. Awards under the Plan

Awards in the form of Shares or Stock Units shall be granted to Directors in accordance with Section 7. Awards in the form of Shares, Stock Units or Options may be granted to Directors in accordance with Section 8, 9 or 10, as applicable. Each Award granted under Section 8, 9 or 10 shall be evidenced by an Award Summary. Delivery of an Award Summary shall constitute an agreement, subject to Section 3 and Section 12, between the Corporation and the Director as to the terms and conditions of the Award.

7. Annual Stock Retainer

Each Director shall annually receive an Award hereunder in the form of either Shares or Stock Units, subject to the following terms and conditions:

(a) *Election of Shares or Stock Units.* Each Director shall be permitted to elect to receive the Award described under this Section 7 in the form of either Shares or Stock Units. Such election must be made by the date established by the Committee prior to the start of the Plan Year for which the election applies. In the absence of such election, the Award shall be granted in the form of Shares. Each Director's election shall remain in effect and be applicable with respect to each quarterly grant of the Stock Retainer made for any Plan Year. Such election shall remain in effect and be applicable to quarterly payments made in subsequent Plan Years, unless the Director files a revised election pursuant to this Section 7(a).

In the event a Director is first appointed to the Board after the date established by the Committee for the filing of elections, the quarterly Award of the Director's Annual Stock Retainer for the quarter in which the Director is appointed (prorated as described in Section 7(c)) shall be made in the form of Shares. The Director may submit a written election to receive the remaining quarterly Awards of the Annual Stock Retainer for the Plan Year in the form of Stock Units by a date prior to the start of the next following quarter and within a period following his or her appointment to the Board determined by the Committee or its designee to be necessary to avoid constructive receipt or to comply with applicable law.

(b) *Time of Grant.* An Award of Shares or Stock Units representing each Director's annual stock retainer shall be made each calendar quarter during the Plan Year to coincide with quarterly payment of the Director's Annual Cash Retainer. The number of Shares or Stock Units subject to such Award shall be determined as provided in Section 7(c) below. In the case of a Director who is appointed to the Board following the start of a calendar quarter, the Director shall be granted, as of the effective date as of which such Director is first appointed to the Board, his or her annual stock retainer, as prorated in the manner described in Section 7(c) below.

(c) *Number of Shares.* The number of Shares or Stock Units granted each calendar quarter pursuant to this Section 7 shall be equal to (i) 25% of the Director's Annual Cash Retainer (excluding for this purpose any additional chairperson retainer(s)), divided by (ii) the Fair Market Value per share of Bank One common stock as of the Award Grant Date described in paragraph (b) above (increased to the next whole number in case of any fraction). In the case of a Director who is appointed to the Board following the start of a calendar quarter, the number of Shares or Stock Units granted for such quarter shall be calculated in the manner described in the previous sentence, except that (A) the Fair Market Value per share of Bank One common stock under part (ii) above shall be determined using the date the Director is appointed to the Board as the valuation date, and (B) the number of Shares or Stock Units granted shall be prorated based upon the number of months of the calendar quarter during which such Director will serve on the Board, with any part of a calendar month counting as a whole month.

8**. Elective Shares and Stock Units in Lieu of Annual Cash Retainer**

Each Director may elect to receive an Award of Shares, Stock Units or a combination thereof as payment of such Director's Annual Cash Retainer (or a portion thereof) , subject to the following terms and conditions:

(a) *Time of Grant.* As of each date on which a quarterly portion of a Director's Annual Cash Retainer would otherwise be paid, an Award shall be granted to each Director who has filed with the Committee or its designee a written election to receive such Award in lieu of all or a portion of such quarterly payment of his or her Annual Cash Retainer. Such election must be filed in advance of the start of the Plan Year in which such quarterly payment is made, on or before a date established by the Committee as necessary to avoid the constructive receipt of income by the Director for tax purposes and to comply with any applicable law. Each Director's election shall remain in effect and be applicable with respect to each quarterly payment of an Annual Cash Retainer made for any Plan Year for which a Director has made an election to receive an Award under this Section 8(a) and in subsequent Plan Years, unless the Director files a revised election pursuant to this Section 8(a). A revised election may only be made on or before a date prior to the start of the Plan Year for which it is being made, such date to be established by the Committee or its designee to avoid the constructive receipt of income by the Director for tax purposes and to comply with any applicable law.

In the event a Director does not file a written election in accordance with this Section 8(a) by reason of becoming a Director after the date established by the Committee for the filing of elections (as described above), an Award may be granted to such Director as of a day following the Director's submission of a written election to receive such Award in lieu of all or a portion of such Director's Annual Cash Retainer. Such election must be submitted in accordance with rules established by the Committee or its designee and as of a date determined to be necessary to avoid constructive receipt of income by the Director and to comply with any applicable law. The Committee may, in its sole discretion, limit an election made pursuant to the preceding sentence to only a fraction of a quarterly payment of such Director's Annual Cash Retainer, the numerator of which is the number of months during the applicable calendar quarter during which such Director will serve on the Board, with any part of a calendar month counting as a whole month, and the denominator of which is 3. In addition, a Director appointed to the Board following the start of a calendar quarter during a Plan Year may not elect to receive Stock Units in lieu of his or her Cash Retainer for such first quarter of service; provided however, that the Director may elect to receive Stock Units in lieu of his or her Cash Retainer for subsequent calendar quarters. An election made pursuant to the this paragraph shall be irrevocable during the remainder of the first Plan Year in which the Director receives an Award hereunder.

(b) *Number of Shares and/or Stock Units.* The number of Shares and/or Stock Units subject to an Award granted pursuant to Section 8(a) shall be equal to the amount of the Annual Cash Retainer that a Director has elected pursuant to Section 8(a) to be payable in Shares or Stock Units, divided by the Fair Market Value per share of Bank One common stock as of the Award Grant Date described in paragraph 7(c) above (increased to the next whole number in case of any fraction).

(c) *Dividends Paid on Stock Units.* While Stock Units remain outstanding, the Director who has received such Stock Units as of the applicable record date shall receive, as of each date on which the Corporation pays a cash dividend on outstanding Shares, additional Stock Units equal in number to:

(1) the product of:

(A) the amount of the cash dividend declared by the Corporation for each outstanding Share of the Corporation, and

(B) the number of Stock Units credited to the Director and still outstanding,

divided by:

(2) the Fair Market Value of a Share on the date the cash dividend is paid.

Such additional Stock Units shall be issued as Shares at the same time and in the same manner as the underlying Stock Units to which they are attributable.

(d) *Distribution of Stock Units.* Upon a date elected by a Director who receives an Award of Stock Units under subparagraph (c) above, the Director will receive one (1) Share for each Stock Unit, including any fractional Stock Units thereof. In the event of a Director's death prior to the issuance of Shares attributable to Stock Units, such Shares shall become distributable in accordance with Section 14 below.

9. Discretionary Awards

In addition to any Awards granted under Section 7 or 8, the Board, in its sole discretion, may approve Awards of Options, Shares or Stock Units to one or more Directors in any calendar year in recognition of additional services provided to the Board or the Corporation or as a special grant to all Directors, subject to the following terms:

(a) *Shares and Stock Units.* The number of shares subject to an award of Shares and/or Stock Units shall be determined by the Board. In the event that Stock Units are awarded, the Director will be eligible to receive additional Stock Units as described in Section 8(c), and he or she may make an election to receive a distribution in accordance with Section 8(d).

(b) *Number and Purchase Price of Options.* The number of Shares subject to an Option granted shall be determined by the Board. The purchase price per Share under each Option granted shall not be less than 100% of the Fair Market Value per Share determined using the Award Grant Date as the valuation date.

(c) *Exercise of Options.* Each Option shall be fully exercisable on and after the date which is six (6) months after the Award Grant Date and, subject to Section 11 shall not be exercisable prior to such date. An Option may be exercised until the earlier of the date which is: (i) ten (10) years after the Award Grant Date of such Option; or (ii) two (2) years from the date the Optionee's service on the Board ends as a result of retirement or death. An Option, or portion thereof, may be exercised, in whole or in part, only with respect to whole Shares.

Shares shall be issued to an Optionee pursuant to the exercise of an Option only upon receipt by the Corporation from the Optionee of payment in full either in cash or by submitting acceptable proof to the Committee of the ownership of Shares which have been owned by the Optionee for at least six (6) months prior to the date of exercise of the Option, or a combination of cash and Shares, in an amount or having a combined value equal to the aggregate purchase price for the Shares subject to the Option or portion thereof being exercised. The Shares issued to an Optionee for the portion of any Option exercised by submitting proof of acceptable ownership of Shares shall not exceed the number of Shares issuable as a result of such exercise (determined as though payment in full therefor were being made in cash), less the number of Shares for which proof of ownership is submitted. The value of Shares for which proof of ownership is submitted in full or partial payment for the Shares purchased upon the exercise of an Option shall be equal to the Fair Market Value of such previously-owned Shares on the date of the exercise of such Option.

(d) *Restorative Stock Options.* Options granted under this Section 9 may provide for the subsequent grant of a restorative option where a Director exercises the original Option by submitting acceptable proof to the Committee of the ownership of Shares which have been owned by the Optionee for at least six (6) months prior to the date of exercise of the Option. The number of Shares covered by the restorative option shall be equal to the number of previously-owned shares submitted in the Option exercise, and the exercise price shall equal the Fair Market Value of Bank One common stock on the date the Option is exercised. The restorative option shall be subject to such other terms and conditions as are established by the Committee.

10. Transfers from Other Plans

Stock Units shall be issued under the Plan in exchange for unfunded accounts transferred to the Plan from the Bank One Corporation Director Deferred Compensation Plan or other director compensation programs maintained by the Corporation, its subsidiaries and affiliates or their predecessor, successor and/or acquired entities. The number of Stock Units awarded shall be determined by dividing the dollar amount being transferred to the Plan by the Fair Market Value of one (1) Share as of the date of transfer, and additional Stock Units shall be payable to the Director in accordance with Section 8(c). One (1) Share shall become distributable for each Stock Unit awarded under this Section 10 in accordance with Section 8(d). Transfers and elections under this Section 10 shall be made in accordance with rules established by the Committee or its designee in order to avoid the constructive receipt of taxable income by Directors and to comply with applicable law.

11. Issuance of Shares

Upon the grant of an Award of Shares to a Director, the Shares subject to such Award shall be issued to the Director or his nominee, as the Director shall designate, whereupon the Director shall become a stockholder of the Corporation with respect to such Shares and shall be entitled to vote the Shares.

12. Non-Transferability of Options and Stock Units

Options and Stock Units granted under the Plan shall not be transferable by a Director during his or her lifetime and may not be assigned, exchanged, pledged, transferred or otherwise encumbered or disposed of except by court order, will or by the laws of descent and distribution.

Notwithstanding the foregoing, in the event the provisions of Rule 16b-3 of the Securities Exchange Act of 1934, as amended, allow Options to be transferable, each Option then outstanding shall become transferable only to the extent set forth under the terms of each Award, as determined by the Committee. In the event that any Option is thereafter transferred as permitted by the preceding sentence, the permitted transferee thereof shall be deemed the Optionee hereunder, notwithstanding the provisions of subparagraph (l) of Section 2 above. Options shall be exercisable during the Optionee's lifetime only by the Optionee or by the Optionee's guardian, legal representative or similar person (except in the case of the death of the Director where the Option provides for post-death exercise).

13. Change of Control

Upon the occurrence of a Change of Control, any and all outstanding Options shall become immediately exercisable, and all Stock Units shall become distributable in Shares.

14. Payments to Beneficiaries.

Each Director may designate a beneficiary to receive Awards under the Plan in the event of the death of the Director, as provided under the terms of each Award. In the event that a Director dies before designating a beneficiary, the Director's beneficiary shall be his surviving spouse, if any. If there is no surviving spouse, the Director's beneficiary shall be his estate.

15. Amendment and Termination

The Board may amend the Plan from time to time or terminate the Plan at any time; provided, however, than no action authorized by this Section 15 shall adversely change the terms and conditions of an outstanding Option or Stock Unit without the Optionee's consent, other than to comply with changes in applicable laws and regulations.

16. Recapitalization

The aggregate number of shares of Common Stock as to which Awards may be granted to Directors, the number of shares thereof covered by each outstanding Award, and the price per share thereof in each such Award, shall all be proportionately adjusted for any increase or decrease in the total number of Shares issued by the Corporation resulting from a subdivision or consolidation of Shares or other capital adjustment, or the payment of a stock dividend or other increase or decrease in the number of such Shares effected without receipt of consideration by the Corporation, or other change in corporate or capital structure; provided, however, that any fractional Shares resulting from any such adjustment shall be eliminated. The Committee may also make the foregoing changes and any other changes, including changes in the classes of securities available, to the extent it is deemed necessary or desirable to preserve the intended benefits of the Plan for the Corporation and the Directors in the event of any other reorganization, recapitalization, merger, consolidation, spin-off, extraordinary dividend or other distribution or similar transaction.

17. Governing Law

To the extent that federal laws do not otherwise control, the Plan shall be construed in accordance with and governed by the law of the State of Delaware.

18. Savings Clause

This Plan is intended to comply in all aspects with applicable law and regulation, including, Section 16 of the Securities Exchange Act of 1934 and Rule 16b-3 of the Securities and Exchange Commission. If any provision of this Plan shall be held invalid, illegal or unenforceable in any respect under applicable law and regulation (including Rule 16b-3), the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby, and the invalid, illegal or unenforceable provision shall be deemed null and void; provided however, that, to the extent permissible by law, any provision which could be deemed null and void shall first be construed, interpreted or revised retroactively to permit this Plan to be construed in compliance with all applicable laws (including Rule 16b-3) so as to foster the intent of this Plan.

Exhibit 10.12

BANK ONE CORPORATION
STOCK PERFORMANCE PLAN
As Amended and Restated Effective February 20, 2001

BANK ONE CORPORATION
STOCK PERFORMANCE PLAN
As Amended and Restated Effective February 20, 2001

1. Purpose and History

The purpose of the BANK ONE CORPORATION Stock Performance Plan (the “Plan”) is to provide incentives and rewards for selected employees of the Corporation and its Subsidiaries (i) to support the execution of the Corporation’s business and human resources strategies and the achievement of its goals and (ii) to associate the interests of Employees with those of the Corporation’s stockholders. The Plan was originally approved by the stockholders of First Chicago NBD Corporation on May 10, 1996, assumed by Bank One Corporation on October 2, 1998 and subsequently amended from time to time. The Plan as set forth herein is an amendment and restatement, effective February 20, 2001, of the Bank One Corporation Stock Performance Plan.

2. Definitions

(a) “Award” includes, without limitation, stock options (including incentive stock options under Section 422 of the Code), stock appreciation rights, performance share or unit awards, dividend or equivalent rights, stock awards, restricted share or unit awards, or other awards that are valued in whole or part by reference to, or are otherwise based on, the Corporation’s Common Stock (“other Common Stock-based Awards”), all on a stand alone, combination or tandem basis, as described in or granted under this Plan.

(b) “Award Summary” means a written summary setting forth the terms and conditions of each Award made under this Plan.

(c) “Board” means the Board of Directors of the Corporation, excluding any member who is an officer or Employee of the Corporation or who otherwise would not be considered a “Non-Employee Director” within the meaning of Rule 16b-3 of the Securities and Exchange Commission.

(d) “Code” means the Internal Revenue Code of 1986, as amended from time to time.

(e) “Committee” means the Organization, Compensation and Nominating Committee of the Board or such other committee of the Board as may be designated by the Board from time to time to administer this Plan.

(f) “Common Stock” means the Common Stock, par value $.01 per share, of the Corporation.

(g) “Corporation” means BANK ONE CORPORATION, a Delaware corporation.

(h) “Employee” means an employee of BANK ONE CORPORATION or a Subsidiary.

(i) “Exchange Act” means the Securities Exchange Act of 1934, as amended.

(j) “Fair Market Value” means the closing price of Common Stock as listed on the New York Stock Exchange Composite Transaction Tape for the trading day immediately preceding the valuation date (or, if no closing price is listed for Common Stock on such date, the next immediately preceding date for which a closing price is listed); provided, however, that the Committee may modify the definition of Fair Market Value with respect to any particular Award.

(k) “Participant” means an Employee who has been granted an Award under the Plan.

(l) “Plan” means the BANK ONE CORPORATION Stock Performance Plan.

(m) “Plan Year” means a twelve-month period beginning with January 1 of each year.

(n) “Subsidiary” means any corporation or other entity, whether domestic or foreign, in which the Corporation has or obtains, directly or indirectly, an ownership interest of at least 50% by reason of stock ownership or otherwise.

3. Eligibility

Any Employee selected by the Committee is eligible to receive an Award. In addition, the Committee may select those former Employees who have a consulting arrangement with the Corporation or a Subsidiary whom the Committee determines have a significant responsibility for the success and future growth and profitability of the Corporation.

4. Plan Administration

(a) Except as otherwise determined by the Board, the Plan shall be administered by the Committee. The Board, or the Committee to the extent determined by the Board, shall periodically make determinations with respect to the participation of Employees in the Plan and, except as otherwise required by law or this Plan, the grant terms of Awards including vesting schedules, price, length of relevant performance, restriction or option period, dividend rights, post-retirement and termination rights, payment alternatives such as cash, stock, contingent awards or other means of payment consistent with the purposes of this Plan, and such other terms and conditions as the Board or the Committee deems appropriate.

(b) The Committee shall have authority to interpret and construe the provisions of the Plan and the Award Summaries and to make determinations pursuant to any Plan provision or Award Summary. Any such interpretation or determination shall be final and binding on all parties. No member of the Committee shall be liable for any action or determination made in good faith, and the members shall be entitled to indemnification and reimbursement in the manner provided in the Corporation’s Restated Certificate of Incorporation, as it may be amended from time to time.

(c) The Committee may designate persons other than its members to carry out its responsibilities under such conditions or limitations as it may set, other than its authority with regard to Awards granted to Employees who are officers or directors of the Corporation for purposes of Section 16 of the Exchange Act.

(d) The Committee shall have the authority at any time prior to a Change of Control (as defined in Section 12 below) to cancel Awards for reasonable cause and to provide for the conditions and circumstances under which Awards shall be forfeited.

5. Stock Subject to the Provisions of this Plan

(a) The stock subject to the provisions of this Plan shall be shares of authorized but unissued Common Stock and shares of Common Stock held as treasury stock, subject to adjustment in accordance with the provisions of Section 10, and subject to Section 5(b) below, the total number of shares of Common Stock available for grants of Awards in any Plan Year shall not exceed 2% of the outstanding Common Stock as reported in the Corporation? Annual Report on Form 10-K for the fiscal year ending immediately prior to such Plan Year.

(b) There shall be available for Awards under the Plan in any Plan Year, in addition to shares available for grant under paragraph (a) of this Section 5, all of the following: (i) any unused portion of the limit set forth in paragraph (a) of this Section 5 for any prior Plan Year; (ii) shares represented by Awards which are canceled, surrendered, forfeited, terminated, paid in cash or expire unexercised; (iii) the excess amount of variable Awards which become fixed at less than their maximum limitations; (iv) any shares of Common Stock that are used to pay the purchase price or any withholding taxes associated therewith upon the exercise of an option, to the extent such shares result in the grant of a replacement option; provided, however, that the total number of shares of Common Stock which may be available for Awards under the Plan Year may not exceed 5% of the outstanding Common Stock as reported in the Corporation's Annual Report on Form 10-K for the fiscal year ending immediately prior to the applicable Plan Year.

(c) The exercise of an option or stock appreciation right granted in tandem therewith will reduce proportionately the number of shares subject to the tandem stock appreciation right or option. In addition, any shares ceasing to be subject to the related option or right because of such reduction shall not increase the number of shares of Common Stock available for future Awards granted under the Plan. The grant of a performance or restricted share unit Award shall be deemed to be equal to the maximum number of shares which may be issued under the Award. Where the value of an Award is variable on the date it is granted, the value shall be deemed to be the maximum limitation of the Award. Awards payable solely in cash will not reduce the number of shares available for Awards granted under the Plan.

6. Awards Under this Plan

As the Board or Committee may determine, the following types of Awards and other Common Stock-based Awards may be granted under this Plan on a stand alone, combination or tandem basis:

(a) *Stock Option.* A right to buy a specified number of shares of Common Stock at a fixed exercise price during a specified time, all as the Committee may determine; provided that the exercise price of any option shall not be less than 100% of the Fair Market Value of the Common Stock on the date of grant of such Award; provided further that no more than 10,000,000 stock options and stock appreciation rights in the aggregate (except that a stock option issued in tandem with a stock appreciation right shall be counted as one stock option for purposes of this maximum) may be granted to any Employee during any five-year period.

(b) *Incentive Stock Option.* An Award in the form of a stock option which shall comply with the requirements of Section 422 of the Code or any successor Section of the Code as it may be amended from time to time. Subject to adjustment in accordance with the provisions of Section 10, the aggregate number of shares which may be subject to incentive stock option Awards under this Plan shall not exceed 16,200,000 shares, subject in any Plan Year to the limitations of Section 5 of this Plan.

(c) *Stock Appreciation Right.* A right to receive the excess of the Fair Market Value of a share of Common Stock on the date the stock appreciation right is exercised over the Fair Market Value of a share of Common Stock on the date the stock appreciation right was granted; provided that no more than 10,000,000 stock options and stock appreciation rights in the aggregate (except that a stock appreciation right issued in tandem with a stock option shall be counted as one stock option for purposes of this maximum) may be granted to any Participant during any five-year period.

(d) *Restricted and Performance Share.* A transfer of Common Stock to a Participant, subject to such restrictions on transfer or other incidents of ownership, or subject to specified performance standards, for such periods of time as the Committee may determine; provided that no more than 5,000,000 performance shares (determined based upon the maximum number of shares of Common Stock that may be earned) may be granted to any Employee during any five-year period.

(e) *Restricted and Performance Share Unit.* A fixed or variable share or dollar-denominated unit subject to conditions of vesting, performance and time of payment as the Committee may determine, which are valued at the Committee's discretion in whole or in part by reference to, or otherwise based on, the Fair Market Value of Common Stock and which may be paid in Common Stock, cash or a combination of both.

(f) *Dividend or Equivalent Right.* A right to receive dividends or their equivalent in value in Common Stock, cash or in a combination of both with respect to any new or previously existing Award.

(g) *Stock Award.* An unrestricted transfer of ownership of Common Stock which may only be made to Employees other than Employees who are officers or directors of the Corporation for purposes of Section 16 of the Exchange Act.

(h) *Other Stock-Based Awards*. Other Common Stock-based Awards which are related to or serve a similar function to those Awards set forth in this Section 6.

No Common Stock shall be issued pursuant to any Award unless consideration at least equal to the par value thereof has been received by the Corporation in the form of cash, services rendered or property.

The Committee may from time to time, establish performance criteria with respect to an Award. The performance criteria or standards may be based upon (i) earnings per share, (ii) return on average assets or (iii) return on average equity. Performance standards shall be determined by the Committee in its sole discretion and may be absolute in their terms or measured against or in relationship to other companies comparably, similarly or otherwise situated and may be based on or adjusted for any other objective goals, events, or occurrences established by the Committee, including earnings, earnings growth, revenues, expenses, stock price, market share, charge-offs, loan loss reserves, reductions in non-performing assets, return on assets, return on equity or return on investment, regulatory compliance, satisfactory internal or external audits, improvement or financial ratings, achievement of balance sheet or income statement objectives, extraordinary charges, losses from discontinued operations, restatements and accounting changes and other unplanned special charges such as restructuring expenses, acquisition expenses including goodwill, unplanned stock offerings and strategic loan loss provisions. Such performance standards may be particular to a line of business, subsidiary or other unit or may be based on the performance of the Corporation generally.

7. Award Summaries

Each Award under the Plan shall be evidenced by an Award Summary. Delivery of an Award Summary to each Participant shall constitute an agreement, subject to Section 4(d) and Section 9 hereof, between the Corporation and the Participant as to the terms and conditions of the Award.

8. Other Terms and Conditions

(a) *Assignability.* Except to the extent permitted by Rule 16b-3 under the Exchange Act, or Section 422 of the Code, and as otherwise provided in the Award Summary, no Award shall be assignable or transferable except by will, the laws of descent and distribution or pursuant to a qualified domestic relations order as defined under the Code, and during the lifetime of a Participant, the Award shall be exercisable only by the Participant or such Participant's guardian, legal representative or assignee under a qualified domestic relations order. In the event that any Award is transferred as permitted by the preceding sentence, the permitted transferee thereof shall be deemed the Award recipient hereunder. Stock options, incentive stock options and stock appreciation rights shall be exercisable during the transferee's lifetime only by the Award recipient or by the Award recipient's guardian, legal representative or similar person. Notwithstanding the foregoing, effective May 15, 2001, Awards under the Plan shall not be assignable pursuant to a qualified domestic relations order, nor shall an assignee under a qualified domestic relations order have any right to exercise an Award hereunder.

(b) *Termination of Employment.* The Committee shall determine the disposition of the grant of each Award in the event of the retirement, disability, death or other termination of a Participant's employment.

(c) *Rights As A Stockholder.* A Participant shall have no rights as a stockholder with respect to shares covered by an Award until the date the Participant or his nominee, or guardian or legal representative becomes the holder of record. No adjustment will be made for dividends or other rights for which the record date is prior to such date.

(d) *No Obligation To Exercise.* The grant of an Award shall impose no obligation upon Participant to exercise the Award.

(e) *Payments By Participants.* The Committee may determine that Awards for which a payment is due from a Participant may be payable: (i) in U.S. dollars by personal check, bank draft or money order payable to the order of the Corporation, by money transfers or direct account debits; (ii) through the delivery or deemed delivery based on attestation to the ownership of shares of Common Stock with a Fair Market Value equal to the total payment due from the Participant; (iii) by a combination of the methods described in (i) and (ii) above; or (iv) by such other methods as the Committee may deem appropriate.

(f) *Withholding.* Except as otherwise provided by the Committee, (i) the deduction of withholding and any other taxes required by law will be made from all amounts paid in cash and (ii) in the case of payments of Awards in shares of Common Stock, the Participant shall be required to pay the amount of any taxes required to be withheld prior to receipt of such stock, or alternatively, a number of shares the Fair Market Value of which equals the amount required to be withheld may be deducted from the payment. The Committee may provide for shares of Common Stock to be withheld for tax withholding purposes in excess of the required minimum amount but not in excess of a Participant's maximum marginal tax rate.

(g) *Restrictions on Sale and Exercise.* With respect to Employees who are officers and directors of the Corporation for purposes of Section 16 of the Exchange Act, and if required to comply with rules promulgated thereunder, (i) no Award providing for exercise, a vesting period, a restriction period or the attainment of performance standards shall permit unrestricted ownership of Common Stock by the Participant for at least six months from the date of grant, and (ii) Common Stock acquired pursuant to this Plan (other than Common Stock acquired as a result of the granting of a "derivative security" may not be sold for at least six months after acquisition.

(h) *Designation of Beneficiaries.* Effective May 15, 2001, a Participant may designate a beneficiary to receive outstanding Awards upon the Participant's death. If a Participant fails to designate a beneficiary, Awards that are outstanding at the time of the Participant's death shall be transferred to the Participant's surviving spouse (to the extent the Awards do not expire upon the Participant's death). If the Participant does not have a surviving spouse, Awards shall be transferred to the Participant's estate.

9. Amendments

The Board may amend, suspend or discontinue the Plan at any time, and prior to a Change of Control (as defined in Section 12(b)) amend any or all Award Summaries granted under the Plan to the extent permitted by law. Any such action of the Board may be taken without the approval of the Corporation's stockholders, but only to the extent that such stockholder approval is not required by applicable law or regulation, including specifically Rule 16b-3 of the Securities and Exchange Commission.

10. Recapitalization

The aggregate number of shares of Common Stock as to which Awards may be granted to Participants, the number of shares thereof covered by each outstanding Award, and the price per share thereof in each such Award, shall all be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a subdivision or consolidation of shares or other capital adjustment, or the payment of a stock dividend or other increase or decrease in such shares, effected without receipt of consideration by the Corporation, or other change in corporate or capital structure; provided, however, that any fractional shares resulting from any such adjustment shall be eliminated. The Committee may also make the foregoing changes and any other changes, including changes in the classes of securities available, to the extent it is deemed necessary or desirable to preserve the intended benefits of the Plan for the Corporation and the Participants in the event of any other reorganization, recapitalization, merger, consolidation, spinoff, extraordinary dividend or other similar transaction.

11. No Right to Employment

No person shall have any claim or right to be granted an Award, and the grant of an Award shall not be construed as giving a Participant the right to be retained in the employ of the Corporation or a Subsidiary. Further, the Corporation and each Subsidiary expressly reserve the right at any time to dismiss a Participant free from any liability, or any claim under the Plan, except as provided herein or in any Award Summary issued hereunder.

12. Change of Control

(a) A "Change of Control" of the Corporation shall be deemed to have occurred in accordance with the Change of Control definition and standards adopted by the Board from time to time.

(b) The effect of a Change of Control on any and all Awards granted on or after November 1, 2000 that are outstanding as of the date such Change of Control occurs shall be set forth in the applicable Award Summaries, as may be amended from time to time prior to the Change of Control.

(c) Notwithstanding anything contained in the Plan or any Award Summary to the contrary, the effect of a Change of Control on any and all Awards granted before November 1, 2000 shall be determined in accordance with the terms of the Plan as in effect prior to November 1, 2000.

13. Governing Law

To the extent that federal laws do not otherwise control, the Plan shall be construed in accordance with and governed by the law of the State of Delaware.

14. Supplemental Plans

The Board shall have the authority to adopt plans, supplemental to this Plan, covering Employees residing outside the United States, including but not limited to the United Kingdom.

15. Savings Clause

This Plan is intended to comply in all aspects with applicable law and regulation, including, with respect to those Employees who are officers or directors for purposes of Section 16 of the Exchange Act, Rule 16b-3 of the Securities and Exchange Commission. In case any one or more of the provisions of this Plan shall be held invalid, illegal or unenforceable in any respect under applicable law and regulation (including Rule 16b-3), the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal or unenforceable provision shall be deemed null and void; however, to the extent permissible by law, any provision which could be deemed null and void shall first be construed, interpreted or revised retroactively to permit this Plan to be construed in compliance with all applicable laws (including Rule 16b-3) so as to foster the intent of this Plan.

16. Effective Date and Term

The effective date of this Plan is May 10, 1996. The Plan shall remain in effect until May 10, 2006 or the date it is earlier terminated by the Board.

Exhibit 10.13

BANK ONE CORPORATION
SUPPLEMENTAL SAVINGS AND INVESTMENT PLAN

As Amended and Restated Effective December 31, 2008

BANK ONE CORPORATION
SUPPLEMENTAL SAVINGS AND INVESTMENT PLAN
Amended and Restated Effective December 31, 2008

1. **Purpose.** The purpose of the BANK ONE CORPORATION Supplemental Savings and Investment Plan ("Supplemental Plan") was to provide supplemental benefits to certain employees described in Section 3 below of BANK ONE CORPORATION, a Delaware corporation and any successors thereto (the "Corporation") and of its subsidiaries and related entities (each an "Employer"; collectively, the "Employers") who were participants in the BANK ONE CORPORATION Savings and Investment Plan ("SIP") and whose ability to make contributions to the SIP was limited by operation of Section 401(a)(17), 401(k)(3), 401(m), 402(g) or 415 of the Internal Revenue Code of 1986, as amended (the "Code") (which Code Sections, as used in this Supplemental Plan, shall include any comparable section or sections of any future legislation that amend, supplement or supersede those sections). This Supplemental Plan was an amendment and restatement of the First Chicago NBD Corporation Supplemental Savings and Investment Plan ("FCN Supplemental Plan") and the BANK ONE CORPORATION 401(k) Restoration Plan (the "BOC Supplemental Plan"), and was intended to be the Corporation's sole vehicle, effective January 1, 2000, for providing benefits that would otherwise be provided under the SIP but for the aforementioned limitations of the Code. The rights and benefits of any participant whose employment terminated prior to January 1, 2000 will be governed by the terms of the FCN Supplemental Plan or the BOC Supplemental Plan, as applicable, as in effect on the date of the participant's termination of employment.

Effective as of July 1, 2004, the Corporation merged into JPMorgan Chase & Co., and all references herein to the Corporation shall mean, effective as of July 1, 2004, JPMorgan Chase & Co. and all references to SIP shall mean, effective as of December 31, 2004, JPMorgan Chase 401(k) Savings Plan. Allocations or credits to the accounts of the participants (other than investment experience) under this Supplemental Plan ceased as of December 31, 2004. The Supplemental Plan has separately accounted for any portion of a participant's account (and investment experience thereon) that was not vested as of December 31, 2004 and has distributed those amounts subject to Section 409A of the Code as set forth herein in conformity with Section 409A of the Code. As specified herein, if a Participant was partially or fully vested in his/her account balance as of December 31, 2004, the vested portion of such balance has been grandfathered and shall be distributed in accordance with those sections herein not related Section 409A.

Pursuant to final and proposed Treasury Regulations and Internal Revenue Service Notice 2005-1 promulgated under Section 409A of the Code, the Supplemental Plan has been interpreted and operated in good faith compliance with Section 409A through December 31, 2008. Effective December 31, 2008, this Supplemental Plan has been amended to reflect changes in tax laws as mandated by Section 409A of the Code. The Supplemental Plan prior to its amendment and restatement and employee communications through December 31, 2008 shall constitute the plan for the interim period of good faith compliance. All sections of the Supplemental Plan that apply to non-vested balances as of December 31, 2004 shall be interpreted in such a manner as to comply with Section 409A.

2. **Definitions**.

(a) Unless the context clearly implies or indicates the contrary, a word, term or phrase used or defined in the SIP is similarly used or defined in the Supplemental Plan. The masculine pronoun whenever used herein is deemed to include the feminine and the singular shall be deemed to include the plural whenever the context requires.

(b) "Administrator' means the Administrator of the JPMorgan Chase 2005 Deferred Compensation Plan.

(c) "Affiliate" has the meaning set forth in the JPMorgan Chase 2005 Deferred Compensation Plan.

(d) "Separation from Service" has the meaning set forth in the JPMorgan Chase 2005 Deferred Compensation Plan with respect to any allocations or credits to an account (including investment experience thereon) of a participant that was not vested as of December 31, 2004.

(e) "Specified Employee" has the meaning set forth in the JPMorgan Chase 2005 Deferred Compensation Plan.

(f) Effective as of July 1, 2004, "Committee" means the Administrator of the JPMorgan Chase 2005 Deferred Compensation Plan.

3. **Eligibility.** Effective as of December 31, 2004, no individual who was not otherwise participating in the Supplemental Plan on such date shall become a participant in this Supplemental Plan. A participant in the FCN Supplemental Plan or the BOC Supplemental Plan on December 31, 1999, who remains employed by an Employer on January 1, 2000, shall become a participant hereunder, and his account under either such plan shall be transferred to and become subject to the terms of the Supplemental Plan. Each other individual who, on or after January 1, 2000, is a participant in the SIP shall be eligible to participate in the Supplemental Plan if: (i) he is a highly compensated employee (as defined under Code Section 414(q); and (ii) his contributions to the SIP are limited because of the application of Section 401(a)(17), 401(k)(3), 401(m), 402(g) or 415 of the Code.

4. **Participation.** Effective as of December 31, 2004, no individual who was not otherwise participating in the Supplemental Plan on such date shall be become a participant in this Supplemental Plan. An individual eligible to participate pursuant to Section 3 above shall participate in the Supplemental Plan automatically pursuant to his election under the SIP and shall participate in the same manner with the same rights and under the same terms and conditions as his participation under the SIP, except as may otherwise be prescribed herein. The Committee or its designee shall notify each participant of his automatic participation.

5. **Supplemental Benefit.** As of December 31, 2004, no further allocations or credits (other than investment experience) have been made to the accounts of the participants. As of that date, the account of a participant was separated into a vested portion and non-vested portion and have been subject to separate recordkeeping. Prior to December 31, 2004, an allocation was made to the Supplemental Plan account of a participant whenever the amount of Before-Tax Contributions and/or Matching Contributions that would have otherwise been made under the SIP on his behalf was limited by operation of Section 401(a)(17), 401(k)(3), 401(m), 402(g) or 415 of the Code. Such allocation shall equal the amount of Before-Tax Contributions and/or Matching Contributions that are so limited.

6. **Account Adjustments.** A participant in the Supplemental Plan may make an election to have his account treated as though it were invested in one of the available investment funds, which shall be designated by the Plan Administrator from time to time. In the absence of such an election, a participant's account shall be treated in accordance with a default election established by the Plan Administrator for such cases. The frequency, timing and form of investment reallocation directions and restrictions thereon shall be determined by the Plan Administrator.

7. **Distribution of Account Balances — Normal Form.** Except as provided in Sections 8, 9, 10 or 11 below, a participant's account hereunder shall be distributed in cash in one lump sum payment in the calendar year immediately following the close of the calendar year in which occurs the participant's retirement date or effective date of termination of employment, provided that with respect to any portion of a participant's account that was not vested as of December 31, 2004, such portion , including investment experience thereon, shall be distributed in a lump sum in January of the calendar year following a Separation from Service and except as may be otherwise specifically provided, Sections 8, 9 or 10 has no application to such portion of a participant's account.

8. **Optional Forms of Payment.** The optional form of payment under this Section has no application to the portion of any participant's account, including investment experience that was not vested as of December 31, 2004. That amount shall be subject to payment under Section 7. For any remaining portion of the account, instead of a lump sum payment under Section 7 above, a participant may, by making a written election prior to the date his employment terminates in accordance with rules established by the Committee, elect to have his account under the Plan paid in the form of annual or more frequent installments over a period not less than three nor more than fifteen years, commencing as soon as practicable after the close of the calendar year in which the participant's retirement date or effective date of termination of employment occurs. The Committee or its designee shall have complete discretion to establish, change or eliminate forms of distribution and rules pertaining to the election and timing of such distributions.

9. **Survivor's Benefits.** In the case of a participant's death before distribution of his entire account balance under the Supplemental Plan, any remaining account balance will be distributed to the participant's Designated Beneficiary in a lump sum as soon as practicable following the participant's death, provided that any portion of a deceased participant's account not vested as of December 31, 2004 (including investment experience) will be distributed by the later of (i) the calendar year in which death occurs or (ii) the 15th day of the third month following the date of death. If the participant has no Designated Beneficiary, benefits under the Supplemental Plan shall be distributed to the surviving spouse of the participant and, if not, married, the estate of the participant.

10. **Disability Distribution.** A participant who is disabled, within the meaning of Code Section 401(k)(2)(B), may elect an immediate distribution of his account balance under the Supplemental Plan; provided that the portion of a participant's account not vested as of December 31, 2004 (including investment experience) will be distributed in accordance with Section 7.

11. **Specified Employee.** With respect to any participant who is a Specified Employee as of the date of his/her Separation from Service, the distribution of the portion of such participant's account that was not vested as of December 31, 2004 (including investment experience) will be distributed in a lump sum as of the date specified in Section 7 but not earlier than the first of the month immediately following six full months from the date of such individual's Separation from Service.

12. **No Right to Withdrawal or Receive Loans During Employment.** Except as provided in Sections 10 and 11 above, a participant hereunder shall have no right to receive any form of distribution, including withdrawals or loans, from the Supplemental Plan prior to his/her termination of employment with an Employer or in case of any portion of the account that was not vested as of December 31, 2004 (including investment experience) prior to a Separation from Service.

13. **Prohibition of Alienation.** Except as to debts owing to the Corporation or any of its subsidiaries, benefits under the Supplemental Plan may not be anticipated, alienated, assigned or encumbered and any attempt to do so shall be void, provided that the exception as to debts owed to the Corporation and its subsidiaries shall have no application to any portion of the account that was not vested on December 31, 2004 (including investment experience).

14. **Administration.** The Supplemental Plan shall be administered by the Committee in its sole and absolute discretion, and its decision on any matter involving the administration and interpretation of the Supplemental Plan (including, without limitation, all questions of eligibility to participate in the Supplemental Plan, the right of any individual to receive Supplemental Plan benefits and the amount and/or form of such benefits) shall be final and binding on all parties; provided, however, that a Committee member may not take any action with respect to any benefits payable to him under the Supplemental Plan unless he could take such action even if he were not a Committee member. The Committee may delegate its duties under the Supplemental Plan to the extent it deems necessary and appropriate.

15. **Amendment and Termination.** The Corporation, by action of the Administrator, may amend or terminate the Supplemental Plan in whole or in part at any time, retroactively or prospectively; provided, however, that, except as may otherwise be required by law, no such amendment to or termination of the Supplemental Plan shall reduce the amount of the benefit to which a participant (or his Designated Beneficiary) is entitled under the Supplemental Plan as of the date of such amendment or termination.

16. **<u>Financing of Supplemental Plan Benefits</u>.** Any benefits payable to a participant under the Supplemental Plan shall be financed from the general assets of his Employer, and no participant, or group of participants, shall acquire any claim upon any specific asset of an Employer solely by reason of his being a participant in the Supplemental Plan. Notwithstanding the foregoing, the provisions of this section shall not prohibit the Corporation from transferring assets to a grantor trust for the purpose of providing the benefits described hereunder, which grantor trust shall remain subject to the claims of the Corporation's creditors.

17. **<u>Expenses</u>.** All expenses of administering the Supplemental Plan shall be borne by the Corporation.

18. **<u>Benefits Intended for Select Group of Management or Highly Compensated Employees</u>.** This Supplemental Plan was intended to be maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees and shall be interpreted and administered accordingly.

19. **<u>Controlling Laws</u>.** To the extent not superseded by Federal law, the internal laws of the state of New York (and not its laws of conflicts) shall be controlling in all matters relating to the Supplemental Plan.

20. **<u>Severability</u>.** The Supplemental Plan is intended to comply in all aspects with applicable law and regulation. If any provision of the Supplemental Plan shall be held invalid, illegal or unenforceable in any respect under applicable law and regulation, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby, and the invalid, illegal or unenforceable provision shall be deemed null and void; provided however, that, to the extent permissible by law, any provision which could be deemed null and void shall first be construed, interpreted or revised retroactively to permit the Supplemental Plan to comply with all applicable laws.

21. **<u>Records</u>.** All records held by the Corporation's Human Resources Department with respect to an employee shall be binding upon everyone for purposes of the Supplemental Plan.

22. **<u>Litigation by Participants or Other Persons</u>.** To the extent permitted by law, if a legal action begun against the Corporation, its employees, its Board of Directors or any member thereof, by or on behalf of any person results adversely to that person, or if a legal action arises because of conflicting claims to a grant payable to a participant or beneficiary under the Supplemental Plan, the cost to the Corporation or employee, Board or director thereof, of defending the action will be charged to the extent possible to the sums, if any, that were involved in the action or were payable to, or on account of, the participant or beneficiary concerned.

23. **<u>Indemnification</u>.** Any person who is or was a director, officer, or employee of the Corporation and each member of the Board of Directors shall be indemnified and saved harmless by the Corporation from and against any and all liability or claims of liability to which such person may be subjected by reason of any act done or omitted to be done in good faith with respect to the administration of the Supplemental Plan, including all expenses reasonably incurred in the event that the Corporation fails to provide a defense.

24. **<u>Rights to Employment</u>.** Participation in the Supplemental Plan shall not confer upon any participant any right with respect to continued employment by the Corporation.

25. **<u>Other Plans</u>.** Nothing contained herein shall prevent the Corporation from establishing or maintaining other plans in which participants in the Supplemental Plan may also participate.

REVISED AND RESTATED
BANC ONE CORPORATION
1989 STOCK INCENTIVE PLAN

SECTION 1. Establishment, Purpose, and Effective Date of Plan

1.1 Establishment. BANC ONE CORPORATION, a Delaware corporation, (the "Corporation") hereby establishes the "1989 STOCK INCENTIVE PLAN" (the "Plan")for key employees of the Corporation and its subsidiaries and for directors of the Corporation who are not employees of the Corporation or any of its subsidiaries. The Plan permits the grant of Director Stock Options to such directors and the grant of Stock-Options, Stock Appreciation Rights, Restricted Stock Awards, Performance Shares, and Performance Awards to such employees.

1.2 Purpose. The purpose of the Plan is to advance the interests of the Corporation by encouraging and providing for the acquisition of an equity interest in the Corporation by directors of the Corporation and key employees of the Corporation and its subsidiaries and by enabling the Corporation to attract and retain the services of such directors and key employees upon whose judgment, interest, and special effort the successful conduct of its operations is largely dependent.

1.3 Effective Date. The Plan shall become effective as of January 18, 1989, the date of its adoption by the Board of Directors of the Corporation, subject to ratification by the shareholders of the Corporation within twelve months of the adoption date.

SECTION 2. Definitions

2.1 Definitions. Whenever used herein, the following terms shall have their respective meanings set forth below:

(a) "Award" means any Option, Stock Appreciation Right, Restricted Stock Awards, Performance Share, or Performance Award.

(b) "Board" means the Board of Directors of the Corporation.

(c) "Code" means the Internal Revenue Code of 1986, as amended.

(d) "Committee" means the Committee of the Corporation's Board of Directors which shall consist of two or more non-employee directors, within the meaning set forth in Rule 16b-3 of the Securities Exchange Act of 1934, appointed by the Board.

(e) "Corporation" means BANC ONE CORPORATION, a bank holding company under the Bank Holding Company Act of 1956 headquartered in Columbus, Ohio.

(f) "Disability" means disability as determined by the Committee.

(g) "Director Stock Option" means an Option granted to an Eligible Director. Each Director Stock Option shall be a nonqualified stock option whose grant is not intended to fall under the provisions of Section 422A of the Code.

(h) "Eligible Director" means any statutory director of the Corporation who is not an employee of the Corporation or any of its subsidiaries.

(i) "Fair Market Value" means the closing price of the Stock as reported by the New York Stock Exchange on a particular date. In the event that there are no Stock transactions on such date, the Fair Market Value shall be determined as of the immediately preceding date on which there were Stock transactions.

(j) "Option" means the right to purchase Stock at a stated price for a specified period of time. For purposes of the Plan an Option, other than a Director Stock Option, may be either (i) an incentive stock option within the meaning of Section 422A of the Code or (ii) a nonqualified stock option whose grant is intended not to fall under the provisions of Section 422A.

(k) "Option Agreement" means an agreement entered into between the Corporation and an employee or an Eligible Director in the form prescribed by the Committee.

(l) "Option Price" means the price at which each share of Stock subject to an Option may be purchased, determined in accordance with Section 8.4 herein.

(m) "Participant" means any individual, other than an Eligible Director, designated by the Committee to participate in the Plan pursuant to Section 3.1 herein.

(n) "Period of Restriction" means the period during which the transfer of shares of Restricted Stock and/or Performance Shares is restricted pursuant to Section 10 and/or Section 11 of the Plan.

(o) "Performance Awards" means awards of cash granted to a Participant pursuant to Section 12 of the Plan.

(p) "Performance Objective" shall mean the performance measure(s) and the achievement goals of the Corporation or one or more of its subsidiaries set by the Committee.

(q) "Performance Period" shall mean two or more successive fiscal years of the Corporation with respect to which a Performance Share or Performance Award may be earned pursuant to this Plan. Performance Periods shall begin with the first day of the fiscal year in which a Performance Share or Performance Award is granted. The length of a Performance Period shall be at the discretion of the Committee. For each Performance Share and Performance Award, no more than one Performance Period shall begin in any one fiscal year of the Corporation.

(r) "Performance Shares" means Stock granted to a Participant pursuant to Section 11 of the Plan. Each Performance Share shall be the equivalent of one share of Stock.

(s) "Restricted Stock" means Stock granted to a Participant pursuant to Section 10 of the Plan.

(t) "Restricted Stock Agreement" means an agreement entered into between the Corporation and the Employee in the form prescribed by the Committee.

(u) "Retirement," "Normal Retirement," and "Early Retirement" means termination of employment as defined in the BANC ONE CORPORATION Retirement Plan.

(v) "Stock" means the common stock of the Corporation, without par value.

(w) "Stock Appreciation Right" and "SAR" means the right to receive a cash payment from the Corporation equal to the excess of the Fair Market Value of a share of Stock at the date of exercise over a specified price fixed by the Committee which shall not be less than 100% of the Fair Market Value of the Stock on the date of grant. In the case of a Stock Appreciation Right which is granted in conjunction with an Option, the specified price shall be the Option exercise price.

2.2 Gender and Number. Except when otherwise indicated by the context, words in the masculine gender when used in the Plan shall include the feminine gender, the singular shall include the plural, and the plural shall include the singular.

SECTION 3. Eligibility and Participation

3.1 Eligibility and Participation. Participants in the Plan shall be selected by the Committee from among those employees of the Corporation and its subsidiaries who are recommended for participation by the Chief Executive Officer of the Corporation and who, in the opinion of the Committee, are in a position to contribute materially to the Corporation's continued growth, development, and long-term financial success. Persons serving on the Committee shall not be eligible to be a Participant.

3.2 Eligible Directors. Eligible Directors are entitled to participate in the Plan solely with respect to the grant of Director Stock Options and may not receive any other Award under the Plan. The selection of Eligible Directors is not subject to the discretion of the Committee. Persons serving on the Committee who are Eligible Directors may receive grants of Director Stock Options.

SECTION 4. Administration

4.1 Administration. The Committee shall be responsible for the administration of the Plan. The Committee, by majority action thereof, is authorized to interpret the Plan, to prescribe, amend, and rescind rules and regulations relating to the Plan, to provide for conditions and assurances deemed necessary or advisable to protect the interests of the Corporation, and to make all other determinations necessary or advisable for the administration of the Plan, but only to the extent not contrary to the explicit provisions of the Plan. Determinations, interpretations, or other actions made or taken by the Committee pursuant to the provisions of the Plan shall be final and binding and conclusive for all purposes and upon all persons whomsoever.

SECTION 5. Stock Subject to Plan

5.1 Number. The total number of shares of Stock subject to issuance under the Plan may not exceed six million three hundred thousand (6,300,000) subject to adjustment upon occurrence of any of the events indicated in Subsection 5.3. Of this total number, up to six million (6,000,000) shares of Stock may be granted in Restricted Stock or in common stock as a payout medium to Participants under the Plan and up to three hundred thousand (300,000) shares may be issued pursuant to the exercise of Director Stock Options. The shares to be delivered under the Plan may consist, in whole or in part, of authorized but unissued Stock or issued stock reacquired and held as treasury Stock not reserved for any other purpose.

5.2 Unused Stock. In the event any shares of Stock that are subject to an Option which, for any reason, expires or is terminated unexercised as to such shares, or any shares of Stock subject to a Restricted Stock or Performance Share grant made under the Plan are reacquired by the Corporation pursuant to the Plan, such shares again shall become available for issuance under the Plan except as provided in Section 9.4.

5.3 Adjustment in Capitalization. In the event that subsequent to the date of adoption of the Plan by the Board the shares of Stock should as a result of a stock split, stock dividend, combination or exchange of shares, exchange for other securities, reclassification, reorganization, redesignation, merger, consolidation, recapitalization or other such change, be increased or decreased or changed into or exchanged for a different number or kind of shares of Stock or other securities of the Corporation or of another corporation, then (a) there shall automatically be substituted for each share of Stock subject to an unexercised Option (in whole or in part) granted under the Plan and each share of Stock available for additional grants of Options under the Plan the number and kind of shares of Stock or other securities into which each outstanding share of Stock shall be changed or for which each such shares shall be exchanged, (b) the Option Price shall be increased or decreased proportionately so that the aggregate purchase price for the securities subject to the Option shall remain the same as immediately prior to such event and (c) the Board shall make such other adjustments to the securities subject to Options and the provisions of the Plan and Option Agreements as may be appropriate and equitable. Any such adjustment may provide for the elimination of fractional shares. In such event, the Committee also shall have discretion to make appropriate adjustments in the number and type of shares subject to Restricted and Performance Share grants then outstanding under the Plan pursuant to the terms of such grants or otherwise.

SECTION 6. Stock Appreciation Rights Subject to Plan

6.1 Unexercised Rights. In the event any Stock Appreciation Rights expire unexercised, such Stock Appreciation Rights again shall become available for issuance under the Plan.

6.2 Adjustment in Capitalization. In the event of any change in the outstanding shares of Stock that occurs after ratification of the Plan by the shareholders of the Corporation by reason of a Stock dividend or split, recapitalization, merger, consolidation, combination, exchange of shares, or other similar corporate change, the Committee shall make appropriate adjustments in the number of outstanding Stock Appreciation Rights and the related grant values.

SECTION 7. Duration of Plan

The Plan shall remain in effect, subject to the Board's right to earlier terminate the Plan pursuant to Section 16 hereof, until all Stock subject to it shall have been purchased or acquired pursuant to the provisions hereof. Notwithstanding the foregoing, no Option, Stock Appreciation Right, Restricted Stock, Performance Share or Performance Award may be granted under the Plan on or after the tenth (10th) anniversary of the Plan's effective date.

SECTION 8. Stock Options

8.1 Grant of Options Other than Director Stock Options. Subject to the provisions of Sections 5 and 7, Options other than Director Stock Options may be granted to Participants at any time and from time to time as shall be determined by the Committee. The Committee shall have complete discretion in determining the number of Options granted to each Participant. The Committee also shall determine, whether an Option is to be an incentive stock option within the meaning of Code Section 422A, or a nonqualified stock option whose grant is intended not to fall within the provisions of Section 422A. However, in no event shall the aggregate Fair Market Value (determined at the date of grant) of the stock for which incentive stock options are first exercisable in a particular calendar year exceed $100,000, computed in accordance with Section 422A(b)(7) of the Code. An incentive stock option shall not be granted to any person who owns, directly or indirectly, Stock possessing more than 10% of the total combined voting power of all classes of Stock of the Corporation. Nothing in this Section 8 shall be deemed to prevent the grant of nonqualified stock options in excess of the maximum established by Section 422A of the Code.

8.2 Grant of Director Stock Options. Subject to the provisions of Sections 5 and 7, Director Stock Options shall be granted to Eligible Directors as provided in this Section 8.2 and the Committee shall have no discretion with respect to any matters set forth in this Section 8.2.

(a) Vesting. Each Director Stock Option shall become exercisable on and after the first anniversary of the date of the grant.

(b) Number of Shares. Director Stock Options shall be granted as follows:

(i) Each Eligible Director on the effective date of the Plan shall automatically be granted a Director Stock Option for 3,000 shares of Stock.

(ii) Each other person who is elected or appointed to serve as a director of the Corporation after the effective date of the Plan and who is an Eligible Director shall, upon his initial appointment or election as an Eligible Director, automatically be granted a Director Stock Option for 3,000 shares of Stock;

(iii) Commencing immediately after the adjournment of the Corporation's annual meeting of shareholders (an "Annual Meeting") in 1990 and immediately after the adjournment of the Annual Meeting each year thereafter, each Eligible Director who was an Eligible Director immediately preceding such Annual Meeting and who has been elected as a director at such Annual Meeting shall automatically be granted a Director Stock Option for 1,000 shares of Stock if, but only if, the return on common equity of the Corporation as set forth in the Corporation's annual report to shareholders for the immediately preceding fiscal year is equal to or greater than 10%.

8.3 Option Agreement. Each Option shall be evidenced by an Option Agreement that shall specify the type of Option granted, the Option Price, the duration of the Option, the number of shares of Stock to which the Option pertains, and such other provisions as the Committee shall determine.

8.4 Option Price. No Option granted pursuant to the Plan shall have an Option Price that is less than the Fair Market Value of the Stock on the date the Option is granted.

8.5 Duration of Options. Each Option, other than Director Stock Options, shall expire at such time as the Committee shall determine at the time it is granted; provided, however, that no Option, other than incentive stock options within the meaning of Section 422A of the Code, shall be exercisable later than twenty years and one day from the date of its grant and no such incentive stock option shall be exercisable more than ten years and one day from the date of grant. No Director Stock Option may be exercisable later than twenty years and one day from the date of its grant.

8.6 Exercise of Options. Options granted under the Plan other than Director Stock Options shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve, which need not be the same for all Participants.

8.7 Payment. The Option Price upon exercise of any Option shall be payable to the Corporation in full either (i) in cash or its equivalent, or (ii) by tendering shares of previously acquired Stock having a Fair Market Value at the time of exercise equal to the total Option Price, or (iii) by a combination of (i) and (ii). The proceeds from such a payment shall be added to the general funds of the Corporation and shall be used for general corporate purposes. As soon as practicable after receipt of full payment (including the necessary tax withholding), the Corporation shall deliver to the Participant or the Eligible Director, as the case may be, Stock certificates in an appropriate amount based upon the number of Options exercised, issued in the name of the Participant or the Eligible Director, as the case may be.

8.8 Restrictions on Stock Transferability. The Committee shall impose such restrictions on any shares of Stock acquired pursuant to the exercise of an Option under the Plan as it may deem advisable, including, without limitation, restrictions under applicable Federal securities law, under the requirements of any stock exchange upon which such shares of Stock are then listed and under any blue sky or state securities laws applicable to such shares.

8.9 Termination of Employment. If the employment of a Participant terminates, other than pursuant to paragraphs (a) through (d) of this Section, all non-vested awards shall be canceled immediately, unless the Award Agreement provides otherwise. Vested awards shall remain subject to the terms of the Award Agreement, except to the extent modified by the provisions of paragraphs (a) through (d) of this Section.

(a) Retirement Under the Retirement Plan. When a Participant's employment terminates as a result of Retirement with management approval in accordance with the terms of the BANC ONE CORPORATION Retirement Plan, the Committee (in the form of an amended Award Agreement or otherwise) may permit awards to continue in effect beyond the date of Retirement in accordance with the applicable Award Agreement and the exercisability and vesting of any award may be accelerated.

(b) Resignation in the Best Interest of the Corporation. When a Participant resigns from the Corporation and, in the judgment of the chief executive officer or other senior officer designated by the Committee, the acceleration and/or continuation of outstanding awards would be in the best interest of the Corporation, the Committee may (i) authorize, where appropriate, the acceleration and/or continuation of all or any part of awards granted prior to such termination, and (ii) permit the exercise, vesting and payment of such awards for such period as may be set forth in the applicable Award Agreement, subject to earlier cancellation pursuant to Section 8.10 or at such time as the Committee shall deem the continuation of all or any of the Participant's awards to be not in the Corporation's best interest.

(c) Death or Disability of a Participant.

(i) In the event of a Participant's death, the Participant's estate or beneficiaries shall have a period specified in the Award Agreement within which to receive or exercise any outstanding award held by the Participant under such terms as may be specified in the applicable Award Agreement.

(ii) In the event a participant is deemed by the Corporation to be disabled and eligible for benefits pursuant to the terms of the Corporation's Long-Term Disability Plan, any successor plan, or any predecessor plan, awards and rights to any such awards may be paid to or exercised by the Participant, if legally competent, or a committee or other legally designated guardian or representative if the Participant is legally incompetent by virtue of such disability.

(iii) After the death or disability of a Participant, the Committee may in its sole discretion at any time (1) terminate restrictions in Award Agreements; (2) accelerate any or all installments and rights; and (3) instruct the Corporation to pay the total of any accelerated payments in a lump sum to the Participant, the Participant's estate, beneficiaries or representative - notwithstanding that, in the absence of such termination of restrictions or acceleration of payments, any or all of the payments due under the awards may ultimately have become payable to other beneficiaries.

(iv) In the event of uncertainty as to interpretation of or controversies concerning this paragraph (c) of this Section 8.9, the Committee's determination shall be binding and conclusive.

(d) Sale of a Subsidiary. In the event of the sale of a subsidiary, or any portion thereof, the Committee may in its sole discretion at any time (1) terminate restrictions in Award Agreements; (2) accelerate any or all installments and rights; and (3) instruct the Corporation to pay the total of accelerated payments in a lump sum to affected Participants.

8.10 Cancellation and Rescission of Awards. Unless the Award Agreement specifies otherwise, the Committee may cancel any unexpired, unpaid, or deferred awards at any time if the Participant is in violation of or not in compliance with all other applicable provisions of the Plan, or the applicable Award Agreement.

8.11 Termination of Eligible Director Shares. In the event that an Eligible Director ceases to be an Eligible Director for any reason, the rights under any then outstanding Director Stock Option granted pursuant to the Plan which are exercisable as of the date he ceases to be an Eligible Director shall terminate upon the date determined as provided in Section 8.5, above, or three months after such cessation date, whichever first occurs; provided, however, that if he ceases to be an Eligible Director by reason of death, the three-month period shall be extended to the sooner of twelve (12) months and five (5) days or the expiration date of the Director Stock Option.

8.12 Nontransferability of Options. No Option granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, otherwise than by will or by the laws of descent and distribution. All Options granted to a Participant or an Eligible Director under the Plan shall be exercisable during his lifetime only by such Participant or Eligible Director.

SECTION 9. Stock Appreciation Rights

9.1 Grant of Stock Appreciation Rights. Subject to the provisions of Sections 6 and 7, Stock Appreciation Rights may be granted to Participants at any time and from time to time as shall be determined by the Committee. An SAR may be granted, in the discretion of the Committee, in any of the following forms:

(a) In lieu of Options,

(b) In addition to Options,

(c) Upon lapse of Options, or

(d) Independent of Options.

9.2 Exercise of SARs in Lieu of Options. SARs granted in lieu of Options may be exercised for all or part of the shares of Stock subject to the related Option upon the surrender of the right to exercise an equivalent number of Options. The SAR may be exercised only with respect to the shares of Stock for which its related Option is then exercisable. SARs granted in lieu of Options will lapse in the event and to the extent that the related Option is exercised.

9.3 Exercise of SARs in Addition to Options. SARs granted in addition to Options shall be deemed to be exercised upon the exercise of the related Options.

9.4 Exercise of SARs Upon Lapse of Options. SARs granted upon lapse of Options shall be deemed to have been exercised upon the lapse of the related Options as to the number of shares of Stock subject to the Options.

9.5 Exercise of SARs Independent of Options. SARs granted independent of Options may be exercised upon whatever terms and conditions the Committee, in its sole discretion, imposes upon the SARs.

9.6 Payment of SAR Amount. Upon exercise of the SAR, the holder shall be entitled to receive payment of an amount (subject to Section 9.8 below) determined by multiplying:

(a) The difference between the Fair Market Value of a share of Stock at the date of exercise over the price fixed by the Committee at the date of grant, by

(b) The number of shares with respect to which the SAR is exercised.

9.7 Form and Timing of Payment. At the discretion of the Committee, payment for SARs may be made in cash or stock, or in a combination thereof. If payment is made in Stock, the value of such Stock shall be the Fair Market Value determined as of the date of exercise.

9.8 Limit on Appreciation. At the time of grant, the Committee may establish, in its sole discretion, a maximum amount per share which will be payable upon exercise of an SAR.

9.9 Rule 16b-3 Requirements. Notwithstanding any other provision of the Plan, the Committee may impose such conditions on exercise of an SAR (including, without limitation, the right of the Committee to limit the time of exercise to specified periods) as may be required to satisfy the requirements of Rule 16b-3 (or any successor rule), under the Securities Exchange Act of 1934.

9.10 Term of SAR. The term of an SAR granted under the Plan shall not exceed ten years and one day.

9.11 Termination of Employment. In the event the employment of a Participant is terminated by reason of Death, Disability, Retirement, or any other reason, any SARs outstanding shall terminate in the same manner as specified for Options under Sections 8.9 and 8.10 herein.

9.12 Nontransferability of SARs. No SAR granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, otherwise than by will or by the laws of descent and distribution. Further, all SARs granted to a Participant under the Plan shall be exercisable during his lifetime only by such Participant.

SECTION 10. Restricted Stock Awards.

10.1 Grant of Restricted Stock. Subject to the provisions of Sections 5 and 7, the Committee, at any time and from time to time, may award shares of Restricted Stock under the Plan to such Participants and in such amounts as it shall determine. Each Restricted Stock Award shall be evidenced by a Restricted Stock Agreement that shall specify the Period or Periods of Restriction, the number of Restricted Stock shares awarded, and such other provisions as the Committee shall determine.

10.2 Transferability. Except as provided in this Section 10, the shares of Restricted Stock awarded hereunder may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated for such period of time as shall be determined by the Committee and shall be specified in the Restricted Stock Agreement, or upon earlier satisfaction of other conditions as specified by the Committee in its sole discretion and set forth in the Restricted Stock Agreement.

10.3 Other Restrictions. The Committee shall impose such other restrictions on any shares of Restricted Stock awarded pursuant to the Plan as it may deem advisable including, without limitation, restrictions under applicable federal or state securities or tax laws, and may legend the certificates representing Restricted Stock to give appropriate notice of such restrictions.

10.4 Certificate Legend. In addition to any legends placed on certificates pursuant to Section 10.3 hereof, each certificate representing shares of Restricted Stock granted pursuant to the Plan shall bear a legend which is comparable to the following:

"The sale or other transfer of this certificate or the shares of stock represented by this certificate, whether voluntary, involuntary, or by operation of law, is subject to certain restrictions on transfer and other terms and conditions set forth in the BANC ONE CORPORATION 1989 Stock Incentive Plan and a Restricted Stock Agreement dated , 19 . A copy of the Plan and such Restricted Stock Agreement may be obtained from the Secretary of BANC ONE CORPORATION, 100 East Broad Street, Columbus, Ohio 43271-0261."

10.5 Removal of Restrictions. Except as otherwise provided in this Section 10, shares of Restricted Stock covered by each Restricted Stock Award made under the Plan shall become freely transferable by the Participant after the last day of the Period of Restriction. Once the shares are released from the restrictions, the Participant shall be entitled to have the legend required by Section 10.4 removed from his Stock certificates.

10.6 Voting Rights. During the Period of Restriction, Participants holding shares of Restricted Stock awarded hereunder may exercise full voting rights with respect to those shares.

10.7 Dividends and Other Distributions. During the Period of Restriction, Participants holding shares of Restricted Stock awarded hereunder shall be entitled to receive all dividends and other distributions paid with respect to those shares while they are so held. If any such dividends or distributions are paid in shares of Stock, the shares shall be subject to the same restrictions on transferability as the shares of Restricted Stock with respect to which they were paid.

10.8 Termination of Employment. If the employment of a Participant terminates other than pursuant to paragraphs (a) through (d) of this Section, all non-vested awards shall be canceled immediately, unless the Award Agreement provides otherwise. Vested awards shall remain subject to the terms of the Award Agreement, except to the extent modified by the provisions of paragraphs (a) through (d) of this Section.

(a) Retirement Under the Retirement Plan. When a participant's employment terminates as a result of Retirement with management approval in accordance with the terms of the BANC ONE CORPORATION Retirement Plan, the Committee (in the form of an amended Award Agreement or otherwise) may permit awards to continue in effect beyond the date of Retirement in accordance with the applicable Award Agreement and the exercisability and vesting of any Award may be accelerated.

(b) Resignation in the Best Interest of the Corporation. When a Participant resigns from the Corporation and, in the judgment of the chief executive officer or other senior officer designated by the Committee, the acceleration and/or continuation of outstanding awards would be in the best interest of the Corporation, the Committee may (i) authorize, where appropriate, the acceleration and/or continuation of all or any part of awards granted prior to such termination, and (ii) permit the exercise, vesting and payment of such awards for such period as may be set forth in the applicable Award Agreement, subject to earlier cancelation pursuant to Section 10.9 or at such time as the Committee shall deem the continuation of all or any of the Participant's awards to be not in the Corporation's best interest.

(c) Death or Disability of a Participant.

(i) In the event of a Participant's death, the Participant's estate or beneficiaries shall have a period specified in the Award Agreement within which to receive or exercise any outstanding award held by the Participant under such terms as may be specified in the applicable Award Agreement.

(ii) In the event a participant is deemed by the Corporation to be disabled and eligible for benefits pursuant to the terms of the Corporation's Long-Term Disability Plan, any successor plan, or any predecessor plan, awards and rights to any such awards may be paid to or exercised by the Participant, if legally competent, or a committee or other legally designated guardian or representative if the Participant is legally incompetent by virtue of such disability.

(iii) After the death or disability of a Participant, the Committee may in its sole discretion at any time (1) terminate restrictions in Award Agreements; (2) accelerate any or all installments and rights; and (3) instruct the Corporation to pay the total of any accelerated payments in a lump sum to the Participant, the Participant's estate, beneficiaries or representative - notwithstanding that, in the absence of such termination of restrictions or acceleration of payments, any or all of the payments due under the awards may ultimately have become payable to other beneficiaries.

(iv) In the event of uncertainty as to interpretation of or controversies concerning this paragraph (c) of this Section 10.8, the Committee's determination shall be binding and conclusive.

(d) Sale of a Subsidiary. In the event of the sale of a subsidiary, or any portion thereof, the Committee may in its sole discretion at any time (1) terminate restrictions in Award Agreements; (2) accelerate any or all installments and rights; and (3) instruct the Corporation to pay the total of accelerated payments in a lump sum to affected Participants.

10.9 Cancellation and Rescission of Awards. Unless the Award Agreement specifies otherwise, the Committee may cancel any unexpired, unpaid, or deferred awards at any time if the Participant is in violation of or not in compliance with all other applicable provisions of the Plan, or the applicable Award Agreement.

SECTION 11. Performance Shares

11.1 Grant of Performance Shares. Subject to the provisions of Sections 5 and 7, the Committee, at any time and from time to time, may grant Performance Shares to such Participants and in such amounts as it shall determine. Each grant of Performance Shares shall be in writing.

11.2 Performance Period. The period over which Performance Shares may be earned shall begin on the first day of the fiscal year in which a grant occurs. The length of the Performance Period for each grant shall be determined by the Committee, in its sole discretion, but shall not be less than two years.

11.3 Performance Measurement. At the beginning of each Performance Period, Performance Objectives shall be established by the Chief Executive Officer of the Corporation subject to Committee approval. The degree of attainment of such Performance Objectives shall determine the number of the Performance Shares payable at the end of the Performance Period, in accordance with a schedule established by the Chief Executive Officer and approved by the Committee at the beginning of the Performance Period.

The Committee may adjust the Performance Objectives during the Performance Period if it is determined that changes in business conditions have materially and unduly influenced the Corporation's ability to meet the Performance Objectives.

11.4 Payment of Awards. All payments pursuant to Performance Share grants shall be made as soon as practicable following the end of the applicable Performance Period based upon the degree of attainment of the Performance Objectives. Payments shall be made in Stock. The Committee shall review all calculations of actual Performance Objective accomplishments and shall make any adjustments in the computations to recognize material extraordinary or nonrecurring items if, in the judgment of the Committee, the effect of such adjustments is equitable and in conformity with the purposes of the Plan.

11.5 Termination of Employment Due to Retirement. In the event that a Participant terminates his employment with the Corporation because of Normal Retirement during the Performance Period, the Participant shall be entitled to a prorated award of Performance Shares as of the most recently completed full fiscal year of the Performance Period. Payments of Performance Shares determined in this manner shall be multiplied by a fraction, the numerator of which is the number of full months which have elapsed since the commencement of the Performance Period, and the denominator of which is the number of full months in the particular Performance Period. Payment of Performance Shares in this case shall be made as soon as practicable following the end of the fiscal year of termination.

In the event that a Participant terminates his employment with the Corporation because of Early Retirement, any Performance Shares outstanding at the date of such Early Retirement automatically shall be forfeited; provided, however, that the Committee may, in its sole discretion, determine a prorated value for the Participant's then outstanding Performance Shares as it deems appropriate. Payment of Performance Shares in this case shall be made as soon as practicable following the end of the fiscal year of termination.

11.6 Termination of Employment Due to Death or Disability. In the event a Participant terminates his employment with the Corporation because of Death or Disability during the Performance Period, the Participant shall be entitled to a prorated award of Performance Shares as of the most recently completed full fiscal year of the Performance Period. Payments of Performance Shares determined in this manner shall be multiplied by a fraction, the numerator of which is the number of full months which have elapsed since the commencement of the Performance Period, and the denominator of which is the number of full months in the particular Performance Period. Payment of Performance Shares in this case shall be made as soon as practicable following the end of the fiscal year of termination.

11.7 Termination of Employment for Reasons Other Than Death, Disability or Retirement. In the event that a Participant terminates his employment with the Corporation for any reason other than those set forth in Sections 1 1.5 and 11.6 hereof during the Performance Period, then any Performance Shares still outstanding at the date of such termination automatically shall be forfeited; provided, however, that, in the event of an involuntary termination of the employment of a Participant by the Corporation the Committee may, in its sole discretion, waive the automatic forfeiture of any or all such Performance Shares as it deems appropriate, and pay a prorated award.

11.8 Nontransferability of Performance Shares. No Performance Shares granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, otherwise than by will or by the laws of descent and distribution until the termination of the applicable Performance Period. All rights with respect to Performance Shares granted to a Participant under the Plan shall be exercisable during his lifetime only by such Participant.

SECTION 12. Performance Awards

12.1 Grant of Performance Awards. Subject to the provisions of Sections 5 and 7, the Committee, at any time and from time to time, may grant Performance Awards under the Plan to Such Participants and in such amounts as it shall determine. Each grant of Performance Awards shall be in writing.

12.2 Performance Period. The period over which Performance Awards may be earned shall begin on the first day of the fiscal year in which a grant occurs. The length of the Performance Period for each grant shall be determined by the Committee in its sole discretion but shall not be less than two years.

12.3 Performance Measurement. At the beginning of each Performance Period, Performance Objectives shall be established by the Chief Executive Officer of the Corporation subject to Committee approval. The degree of attainment of such Performance Objectives shall determine the value of the Performance Awards at the end of the Performance Period, in accordance with a schedule established by the Chief Executive Officer and approved by the Committee at the beginning of the Performance Period.

The Committee may adjust the Performance Objectives during the Performance Period if it is determined that changes in business conditions have materially and unduly influenced the Corporation's ability to meet the Performance Objectives.

12.4 Payment of Awards. All payments pursuant to Performance Award grants shall be made as soon as practicable following the end of the applicable Performance Period based upon the degree of attainment of the Performance Objectives. Payments shall be made in cash. The Committee shall review all calculations of actual Performance Objective accomplishments and shall make any adjustments in the computations to recognize material extraordinary or nonrecurring items if, in the judgment of the Committee, the effect of such adjustments is equitable and in conformity with the purposes of the Plan.

12.5 Termination of Employment Due to Retirement. In the event that a Participant terminates his employment with the Corporation because of Normal Retirement during the Performance Period, the Participant shall be entitled to a prorated award of Performance Awards as of the most recently completed full fiscal year of the Performance Period. Payment of Performance Awards determined in this manner shall be multiplied by a fraction, the numerator of which is the number of full months which have elapsed since the commencement of the Performance Period, and the denominator of which is the number of full months in the particular Performance Period. Payment of Performance Awards in this case shall be made as soon as practicable following the end of the fiscal year of termination.

In the event that a Participant terminates his employment with the Corporation because of Early Retirement, the Committee may, in its sole discretion, determine a prorated value for the Participant's then outstanding Performance Awards as it deems appropriate. Payment of Performance Awards in this case shall be made as soon as practicable following the end of the fiscal year of termination.

12.6 Termination of Employment Due to Death or Disability. In the event a Participant terminates his employment with the Corporation because of Death or Disability during the Performance Period, the Participant shall be entitled to a prorated award of Performance Awards as of the most recently completed full fiscal year of the Performance Period. Payments of Performance Awards determined in this manner shall be multiplied by a fraction, the numerator of which is the number of full months which have elapsed since the commencement of the Performance Period, and the denominator of which is the number of full months in the particular Performance Period. Payment of Performance Awards in this case shall be made as soon as practicable following the end of the fiscal year of termination.

12.7 Termination of Employment for Reasons Other Than Death, Disability, or Retirement. In the event that a Participant terminates his employment with the Corporation for any reason other than those set forth in Sections 12.5 and 12.6 hereof during the Performance Period, then any Performance Awards still outstanding at the date of such termination automatically shall be forfeited; provided, however, that in the event of an involuntary termination of the employment of a Participant by the Corporation the Committee may, in its sole discretion, waive the automatic forfeiture of any or all such Performance Awards as it deems appropriate and pay a prorated award.

12.8 Nontransferability of Performance Awards. No Performance Awards granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, otherwise than by will or by the laws of descent and distribution until the termination of the applicable Performance Period. All rights with respect to Performance Awards granted to a Participant under the Plan shall be exercisable during his lifetime only by such Participant.

SECTION 13. Beneficiary Designation

Each Participant under the Plan may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in case of his death before he receives any or all of such benefit. Each designation will revoke all prior designations by the same Participant, shall be in a form prescribed by the Committee, and will be effective only when filed by the Participant in writing with the Committee during his lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to his estate.

SECTION 14. Rights of Employees

14.1 Employment. Nothing in the Plan shall interfere with or limit in any way the right of the Corporation to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Corporation.

14.2 Participation. No employee shall have a right to be selected as a Participant, or, having been so selected, to be selected again as a Participant.

SECTION 15. Change in Control

15.1 In General. In the event that (a) the Corporation is a party to a merger or consolidation agreement, (b) the Corporation is a party to an agreement to sell substantially all of its assets, or (c) there is a change in control of the Corporation as defined in Section 15.3 below, the Committee may, in its sole discretion, provide that all outstanding Awards shall become 100% vested, that all outstanding Options and SARs shall become immediately exercisable and that any Period of Restriction shall immediately lapse. Performance Share and Performance Award values shall be computed as if the most recently completed full fiscal year was the end of the Performance Period, except that no Performance Share or Performance Award payable under this Section, except as limited by Section 15.2 hereof, may be less than would have been paid had the Corporation achieved 100% of its Performance Objectives.

15.2 Limitation on Payments. If the receipt of any payment under this Section by any Participant shall, in the opinion of independent tax counsel of recognized standing selected by the Corporation, result in the payment by such Participant of any excise tax provided for in Section 280G and Section 4999 of the Code, then the amount of such payment shall be reduced to the extent required, in the opinion of independent tax counsel, to prevent the imposition of such excise tax.

15.3 Definition. For purposes of the Plan, a "change in control" shall mean any of the following events:

(i) The acquisition of "beneficial ownership", as defined in Rule 13d-3 promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"), of twenty percent (20%) or more of the total voting capital Stock of the Corporation then issued and outstanding, by any person, or "group", as defined in Section 13(d)(3) of the Exchange Act, or

(ii) Individuals who were members of the Board of the Corporation immediately prior to a meeting of the shareholders of the Corporation involving a contest for the election of directors do not constitute a majority of the Board immediately following such election, unless the election of such new directors was recommended to the shareholders by management of the Corporation.

The Board has final authority to determine the exact date on which a change in control has been deemed to have occurred under (i) and (ii) above.

SECTION 16. Amendment, Modification, and Termination of Plan

The Board may at any time terminate and, from time to time, may amend or modify the Plan, provided, however, that no such action of the Board, without approval of the shareholders, may:

(a) Increase the total amount of Stock which may be issued under the Plan, except as provided in Subsections 5.1 and 5.3 of the Plan.

(b) Change the provisions of the Plan regarding the Option Price except as permitted by Subsection 5.3.

(c) Materially increase the cost of the Plan or materially increase the benefits to Participants.

(d) Extend the period during which Options, Stock Appreciation Rights, Restricted Stock, Performance Shares, or Performance Awards may be granted.

(e) Extend the maximum period after the date of grant during which Options may be exercised.

No amendment, modification, or termination of the Plan shall in any manner adversely affect any Options, Stock Appreciation Rights, Restricted Stock, Performance Shares, or Performance Awards theretofore granted under the Plan, without the consent of the Participant or the Eligible Director, as the case may be.

SECTION 17. Tax Withholding

(a) The Corporation shall have the right to withhold from any payments made under the Plan or to collect as a condition of payment, any taxes required by law to be withheld. At any time when a Participant or an Eligible Director, as the case may be, is required to pay to the Corporation an amount required to be withheld under applicable income tax laws In connection with a distribution of common stock or upon exercise of an Option or SAR, the Participant or an Eligible Director, as the case may be, may satisfy this obligation in whole or in part by electing (the "Election") to have the Corporation withhold from the distribution shares of common stock having a value equal to the amount required to be withheld. The value of the shares to be withheld shall be based on the Fair Market Value of the common stock on the date that the amount of tax to be withheld shall be determined ("Tax Date").

(b) Each Election must be made prior to the Tax Date. The Committee may disapprove of any Election, may suspend or terminate the right to make Elections, or may provide with respect to any grant that the right to make Elections shall not apply to such Grant. An Election is irrevocable.

SECTION 18. Indemnification

Each person who is or shall have been a member of the Committee or of the Board shall be indemnified and held harmless by the Corporation against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him in connection with or resulting from any claim, action, Suit, or proceeding to which he may be a party or in which he may be involved by reason of any action taken or failure to act under the plan and against and from any and all amounts paid by him in settlement thereof, with the Corporation's approval, or paid by him in satisfaction of any judgment in any such action, suit, or proceeding against him, provided he shall give the Corporation an opportunity, at its own expense, to handle and defend the same before he undertakes to handle and defend it on his own behalf. The foregoing right of Indemnification, shall not be exclusive of any other rights of Indemnification to which such persons may be entitled under the Corporation's Articles of Incorporation or Code of Regulations, as a matter of law, or otherwise, or any power that the Corporation may have to indemnify them or hold them harmless.

SECTION 19. Requirements of Law

19.1 Requirements of Law. The granting of Options, Stock Appreciation Rights, Restricted Stock, Performance Shares, or performance Awards, and the issuance of shares of Stock upon the exercise of an Option shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

19.2 Governing Law. The Plan, and all agreements hereunder, shall be construed in accordance with and be governed by the laws of the State of Ohio.

Amended:

Oct., 1996 - Section 2 - Definition of Committee
Sections 8.9, 8.10 & 10.8 - Matters re: Termination of Employment
Section 17(c) Deleted

Apr., 1992 - Section 5.1 Stock Subject to Plan Increased

Exhibit 10.15

REVISED AND RESTATED
BANC ONE CORPORATION
1995 STOCK INCENTIVE PLAN

1. PURPOSE

The purpose of the BANC ONE CORPORATION 1995 Stock Incentive Plan is to provide incentives and rewards for Employees and Eligible Directors of the Corporation and its Subsidiaries (i) to support the execution of the Corporation's business and human resource strategies and the achievement of its goals and (ii) to associate the interests of Employees and Eligible Directors with those of the Corporation's shareholders.

2. DEFINITIONS

"Award" includes, without limitation, stock options (including incentive stock options under Section 422 of the Code and Director Stock Options), stock appreciation rights, restricted and performance shares, restricted and performance share units, Performance Stock Awards, dividend or equivalent rights, or other awards that are valued in whole or in part by reference to, or are otherwise based on, the Common Stock ("other Common Stock-based Awards"), all on a stand alone, combination or tandem basis, as described in or granted under this Plan.

"Award Agreement" means a written agreement entered into between the Corporation and a Participant setting forth the terms and conditions of an Award made to such Participant under this Plan, in the form prescribed by the Committee.

"Board" means the Board of Directors of the Corporation.

"Change of Control" shall have the meaning specified in Section 12(b).

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Committee" means the Committee appointed by the Board, each member of which shall be a "non-employee director" within the meaning of Rule 16b-3 under the Exchange Act and shall be an "outside director" within the meaning of Section 162(m) of the Code. The Committee shall be composed of no fewer than the minimum number of disinterested persons as may be required by Rule 16b-3.

"Common Stock" means the common stock of the Corporation, without par value.

"Corporation" means BANC ONE CORPORATION, a bank holding company under the Bank Holding Company Act of 1956 headquartered in Columbus, Ohio.

"Director Stock Option" means the right, granted to an Eligible Director, to purchase Common Stock at a stated price for a specified period of time. Each Director Stock Option shall be a nonqualified stock option whose grant is not intended to comply with the requirements of Section 422 of the Code or any successor Section as it may be amended from time to time.

"Eligible Director" means any statutory director of the Corporation who is not an employee of the Corporation or any Subsidiary.

"Employee" means an employee of the Corporation or a Subsidiary.

"Employee Award" means an Award (other than a Director Stock Option) to an Employee under this Plan.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Fair Market Value" means the closing price of the Common Stock as reported on the New York Stock Exchange Composite Transactions Tape on the relevant valuation date or, if there were no Common Stock transactions on the valuation date, on the next preceding date on which there were Common Stock transactions; provided, however, that the Committee may specify some other definition of Fair Market Value with respect to any particular Employee Award.

"Negative Discretion" means other factors to be applied by the Committee in reducing the number of restricted shares to be issued pursuant to a Performance Stock Award if the Performance Goals have been met or exceeded if, in the Committee's sole judgment, such application is appropriate in order to act in the best interest of the Corporation and its shareholders. The Negative Discretion factors include, but are not limited to, the achievement of measurable individual performance objectives established by the Committee and communicated to the Employee in advance of the Performance Period, and competitive pay practices.

"Participant" means an Employee or an Eligible Director who has been granted an Award under this Plan.

"Performance Goals" means, with respect to any Performance Period, performance goals based on any of the following criteria and established by the Committee prior to the beginning of such Performance Period or performance goals based on any of the following criteria and established by the Committee after the beginning of such Performance Period that meet the requirements to be considered pre-established performance goals under Section 162(m) of the Code: earnings or earnings growth; return on equity, assets or investment; revenues; expenses; stock price; market share; charge-offs; or reductions in non-performing assets. Such Performance Goals may be particular to an Employee or the division, department, branch, line of business, Subsidiary or other Unit in which the Employee works, or may be based on the performance of the Corporation generally.

"Performance Period" means the period of time designated by the Committee applicable to a Performance Stock Award during which the Performance Goals shall be measured.

"Performance Stock Award" shall have the meaning specified in Section 6(g).

"Plan" means this BANC ONE CORPORATION 1995 Stock Incentive Plan.

"Plan Year" means a twelve-month period beginning with January 1 of each year.

"Reporting Person" means an officer or director of the Corporation subject to the reporting requirements of Section 16 of the Exchange Act.

"Subsidiary" means any corporation or other entity, whether domestic or foreign, in which the Corporation has or obtains, directly or indirectly, a proprietary interest of more than 50% by reason of stock ownership or otherwise.

3. ELIGIBILITY

(a) Any Employee selected by the Committee is eligible to receive an Employee Award.

(b) Eligible Directors are entitled to participate in this Plan solely with respect to the grant of Director Stock Options and may not receive any other Awards under this Plan. The selection of Eligible Directors is not subject to the discretion of the Committee. Persons serving on the Committee who are Eligible Directors may receive grants of Director Stock Options.

4. PLAN ADMINISTRATION

(a) This Plan shall be administered by the Committee. The Committee shall periodically make determinations with respect to the participation of Employees in this Plan and, except as otherwise required by law or this Plan, the grant terms of Awards including vesting schedules, price, performance standards (including Performance Goals), length of relevant performance, restriction or option period, dividend rights, post-retirement and termination rights, payment alternatives such as cash, stock, contingent awards or other means of payment consistent with the purposes of this Plan, and such other terms and conditions as the Committee deems appropriate. Except as otherwise required by this Plan, the Committee shall have authority to interpret and construe the provisions of this Plan and the Award Agreements and make determinations pursuant to any Plan provision or Award Agreement which shall be final and binding on all persons.

(b) The Committee may designate persons other than its members to carry out its responsibilities under such conditions or limitations as it may set, other than its authority with regard to Awards granted to Reporting Persons.

5. STOCK SUBJECT TO THE PROVISIONS OF THIS PLAN

(a) The stock subject to the provisions of this Plan shall either be shares of authorized but unissued Common Stock, shares of Common Stock held as treasury stock or previously issued shares of Common Stock reacquired by the Corporation, including shares purchased on the open market. Subject to adjustment in accordance with the provisions of Section 11, and subject to Section 5(d), (i) the total number of shares of Common Stock available for grants of Awards (including, without limitation, Awards of restricted and performance shares) in any Plan Year shall not exceed one percent of the outstanding Common Stock as reported in the Corporation's Annual Report on Form 10-K for the fiscal year ending immediately prior to such Plan Year and (ii) the total number of shares of Common Stock available for grants of restricted and performance shares (including restricted shares to be issued pursuant to Performance Stock Awards) in any Plan Year shall not exceed one fourth of one percent of the outstanding Common Stock as reported in the Corporation's Annual Report on form 10- K for the fiscal year ending immediately prior to such Plan Year.

(b) Subject to adjustment in accordance with Section 11, and subject to Section 5(a), (i) the total number of shares of Common Stock available for grants of Awards in any Plan Year to any Participant shall not exceed one half of one percent of the outstanding Common Stock as reported in the Corporation's Annual Report on Form 10-K for the fiscal year ending immediately prior to such Plan Year and (ii) the total number of shares of Common Stock available for grants of restricted shares to be issued pursuant to Performance Stock Awards in any Plan Year to any Employee shall not exceed one eighth of one percent of the outstanding Common Stock as reported in the Corporation's Annual Report on form 10-K for the fiscal year ending immediately prior to such Plan Year.

(c) For purposes of calculating the total number of shares of Common Stock available for grants of Awards, (i) the grant of a performance or restricted share unit Award shall be deemed to be equal to the maximum number of shares of Common Stock which may be issued under the Award and (ii) where the value of an Award is variable on the date it is granted, the value shall be deemed to be the maximum limitation of the Award. Awards payable solely in cash will not reduce the number of shares of Common Stock available for Awards granted under this Plan.

(d) There shall be carried forward and be available for Awards under this Plan in each succeeding Plan Year, in addition to shares of Common Stock available for grant under paragraph (a) of this Section 5, all of the following: (i) any unused portion of the limit set forth in paragraph (a) of this Section 5 for the two immediately preceding Plan Years; (ii) shares of Common Stock represented by Awards which have been canceled, forfeited, surrendered, terminated or expire unexercised during that Plan Year or the two immediately preceding Plan Years; (iii) the excess amount of variable Awards which become fixed at less than their maximum limitations; (iv) authorized shares of Common Stock as to which stock options, stock appreciation rights, restricted stock awards, performance shares or performance awards were not granted under the BANC ONE CORPORATION 1989 Stock Incentive Plan; and (v) shares of Common Stock under the BANC ONE CORPORATION 1989 Stock Incentive Plan subject to stock options, stock appreciation rights, restricted stock awards, performance shares or performance awards which have been canceled, forfeited, surrendered, terminated or expire unexercised during that Plan Year or the two immediately preceding Plan Years.

6. EMPLOYEE AWARDS UNDER THIS PLAN

As the Committee may determine, the following types of Employee Awards may be granted under this Plan to Employees on a stand alone, combination or tandem basis:

(a) Stock Option. A right to buy a specified number of shares of Common Stock at a fixed exercise price during a specified time, all as the Committee may determine; provided that the exercise price of any option shall not be less than 100% of the Fair Market Value of the Common Stock on the date of grant of the Award.

(b) Incentive Stock Option. An award in the form of a stock option which shall comply with the requirements of Section 422 of the Code or any successor Section as it may be amended from time to time.

(c) Stock Appreciation Right. A right to receive the excess of the Fair Market Value of a share of Common Stock on the date the stock appreciation right is exercised over the Fair Market Value of a share of Common Stock on the date the stock appreciation right was granted.

(d) Restricted and Performance Shares. A transfer of shares of Common Stock to a Participant, subject to such restrictions on transfer or other incidents of ownership, or subject to specified performance standards, for such periods of time as the Committee may determine.

(e) Restricted and Performance Share Unit. A fixed or variable share or dollar denominated unit subject to conditions of vesting, performance and time of payment as the Committee may determine, which may be paid in shares of Common Stock, cash or a combination of both.

(f) Dividend or Equivalent Right. A right to receive dividends or their equivalent in value in shares of Common Stock, cash or in a combination of both with respect to any new or previously existing Employee Award.

(g) Performance Stock Awards. A right, granted to an Employee, to receive restricted shares (as defined in Section 6(d) hereof) that are not to be issued to the Employee until after the end of the related Performance Period, subject to satisfaction of the Performance Goals for such Performance Period.

(h) Other Common Stock-Based Awards. Other Common Stock-based Awards which are related to or serve a similar function to those Employee Awards set forth in this Section 6.

In addition to granting Employee Awards for purposes of incentive compensation, Employee Awards may also be made in tandem with or in lieu of current or deferred Employee compensation.

7. PERFORMANCE STOCK AWARDS.

(a) Administration. Performance Stock Awards may be granted to Employees either alone or in addition to other Employee Awards granted under this Plan. The Committee shall determine the Employees to whom Performance Stock Awards shall be awarded for any Performance Period, the duration of the applicable Performance Period, the number of restricted shares to be awarded at the end of a Performance Period to Employees if the Performance Goals are met or exceeded and the terms and conditions of the Performance Stock Award in addition to those contained in this Section 7.

(b) Payment of Award. After the end of a Performance Period, the financial performance of the Corporation during such Performance Period shall be measured against the Performance Goals. If the Performance Goals are not met, no restricted shares shall be issued pursuant to the Performance Stock Award. If the Performance Goals are met or exceeded, the Committee shall certify that fact in writing in the Committee minutes or elsewhere and certify the number of restricted shares to be issued under each Performance Stock Award in accordance with the related Award Agreement. The Committee may, in its sole discretion, apply Negative Discretion to reduce the number of restricted shares to be issued under a Performance Stock Award.

(c) Requirement of Employment. To be entitled to receive a Performance Stock Award, an Employee must remain in the employment of the Corporation through the end of the Performance Period, except that the Committee may provide for partial or complete exceptions to this requirement as it deems equitable in its sole discretion.

8. DIRECTOR STOCK OPTIONS

Subject to the provisions of Section 5, Director Stock Options shall be granted to Eligible Directors as provided in this Section 8 and the Committee shall have no discretion with respect to any matters set forth in this Section 8.

(a) Vesting. Each Director Stock Option shall become exercisable on and after the first anniversary of the date of the grant.

(b) Number of Shares. Director Stock Options shall be granted as follows:

(i) Each person who is first elected or appointed to serve as a director of the Corporation after the effective date of this Plan and who is an Eligible Director shall, upon such person's initial appointment or election as an Eligible Director, automatically be granted Director Stock Options for that number of shares of Common Stock having a Fair Market Value of $100,000 on the date the Director Stock Options are granted; and

(ii) Commencing immediately after the adjournment of the Corporation's annual meeting of shareholders (an "Annual Meeting") in 1995 and immediately after the adjournment of the Annual

Meeting each year thereafter, each Eligible Director who was an Eligible Director immediately preceding such Annual Meeting and who has been elected as a director at such Annual Meeting shall automatically be granted Director Stock Options for that number of shares of Common Stock having a Fair Market Value of $60,000 on the date the Director Stock Options are granted if, but only if, the return on common equity of the Corporation as set forth in the Corporation's annual report to shareholders for the immediately preceding fiscal year is equal to or greater than 10%.

(c) Option Price. Each Director Stock Option shall have an option price ("Option Price") that is equal to the Fair Market Value of the Common Stock on the date the Director Stock Option is granted.

(d) Duration of Options. No Director Stock Option may be exercisable later than twenty years and one day from the date of its grant.

(e) Payment. The Option Price upon exercise of any Director Stock Option shall be payable to the Corporation in full either (i) in U.S. dollars by personal check, bank draft or money order payable to the order of the Corporation, by money transfers or direct account debits, (ii) through the delivery or deemed delivery based on attestation of ownership of shares of Common Stock with a Fair Market Value at the time of exercise equal to the total Option Price or (iii) by a combination of the methods described in items (i) and (ii) above.

(f) Termination of Director Stock Options. If an Eligible Director ceases to be an Eligible Director for any reason, the rights under any then outstanding Director Stock Option granted pursuant to this Plan which are exercisable as of the date such person ceases to be an Eligible Director shall terminate upon the date determined as provided in Section 8(d), above, or three years after such cessation date, whichever first occurs. Any then outstanding Director Stock Option granted to such Eligible Director which is not exercisable as of the date such person ceases to be an Eligible Director shall terminate on and as of such date.

9. OTHER TERMS AND CONDITIONS

(a) Assignability. Except to the extent, if any, as may be permitted by the Code and rules promulgated under Section 16 of the Exchange Act, (i) no Award shall be assignable or transferable except by will, by the laws of descent and distribution, pursuant to a qualified domestic relations order as defined by the Code and as determined or established by the Committee, and (ii) during the lifetime of a Participant, an Award shall be exercisable only by such Participant, such Participant's guardian, legal representative or assignee pursuant to a qualified domestic relations order or as determined or established by the Committee. An Award shall not otherwise be assignable.

(b) Award Agreement. Each Award under this Plan shall be evidenced by an Award Agreement.

(c) Rights As A Shareholder. Except as otherwise provided herein or in any Award Agreement, a Participant shall have no rights as a shareholder with respect to shares of Common Stock covered by an Award until the date the Participant or his nominee (which, for purposes of this Plan, shall include any third party agent selected by the Committee to hold such shares on behalf of a Participant), guardian or legal representative is the holder of record of such shares.

(d) No Obligation to Exercise. The grant of an Award shall impose no obligation upon the Participant to exercise the Award.

(e) Payments by Participants. The Committee may determine that Employee Awards for which a payment is due from a Participant may be payable: (i) in U.S. dollars by personal check, bank draft or money order payable to the order of the Corporation, by money transfers or direct account debits; (ii) through the delivery or deemed delivery based on attestation to the ownership of shares of Common Stock with a Fair Market Value equal to the total payment due from the Participant; (iii) by a combination of the methods described in (i) and (ii) above; or (iv) by such other methods as the Committee may deem appropriate.

(f) Tax Withholding. The Corporation shall have the right to withhold from any payments made under this Plan, or to collect as a condition of payment, any taxes required by law to be withheld. At any time when a Participant is required to pay to the Corporation an amount required to be withheld under applicable income tax laws in connection with a distribution of shares of Common Stock pursuant to this Plan, the Participant may satisfy this obligation in whole or in part by electing to have the Corporation withhold from such distribution shares of Common Stock having a value equal to the amount required to be withheld. The value of the shares of Common Stock to be withheld shall be based on the Fair Market Value of the Common Stock on the date that the amount of tax to be withheld shall be determined (the "Tax Date"). Any such election is subject to the following restrictions: (i) the election must be made on or prior to the Tax Date and (ii) the election must be subject to the disapproval of the Committee.

(g) Restrictions On Sale and Exercise. With respect to Reporting Persons, and if required to comply with rules promulgated under Section 16 of the Exchange Act, (i) no Award providing for exercise, a vesting period, a restriction period or the attainment of performance standards shall permit unrestricted ownership of shares of Common Stock by the Participant for at least six months from the date of grant, and (ii) shares of Common Stock acquired pursuant to this Plan (other than shares of Common Stock acquired as a result of the granting of a "derivative security") may not be sold or otherwise disposed of for at least six months after acquisition.

(h) Requirements of Law. The granting of Awards and the issuance of shares of Common Stock upon the exercise of Awards shall be subject to all applicable requirements imposed by federal and state securities and other laws, rules and regulations and by any regulatory agencies having jurisdiction, and by any stock exchanges upon which the Common Stock may be listed. As a condition precedent to the issuer of shares of Common Stock pursuant to the grant or exercise of an Award, the Corporation may require the Participant to take any reasonable action to meet such requirements.

10. AMENDMENTS

(a) Except as otherwise provided in this Plan, the Board may at any time terminate and, from time to time, may amend or modify this Plan. Any such action of the Board may be taken without the approval of the Corporation's shareholders, but only to the extent that such shareholder approval is not required by applicable law or regulation, including specifically Rule 16b-3 under the Exchange Act.

(b) No amendment, modification or termination of this Plan shall in any manner adversely affect any Awards theretofore granted to a Participant under this Plan without the consent of such Participant.

11. RECAPITALIZATION

The aggregate number of shares of Common Stock as to which Awards may be granted to Participants, the number of shares thereof covered by each outstanding Award, and the price per share thereof in each such Award, shall all be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, stock dividend, combination or exchange of shares, exchange for other securities, reclassification, reorganization, redesignation, merger, consolidation, recapitalization or other such change. Any such adjustment may provide for the elimination of fractional shares.

12. NO RIGHT TO EMPLOYMENT

No person shall have any claim or right to be granted an Award, and the grant of an Award shall not be construed as giving a Participant the right to be retained in the employ of the Corporation or a Subsidiary. Nothing in this Plan shall interfere with or limit in any way the right of the Corporation or any Subsidiary to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Corporation or any Subsidiary.

13. CHANGE OF CONTROL

(a) Subject to the provisions of Section 13(c) below, notwithstanding anything contained in this Plan, the provisions of Section 13(a)(iii) below or any Award Agreement to the contrary, in the event of a Change of Control, as defined below, the following (x) may, in the sole discretion of the Committee, occur with respect to any and all Employee Awards outstanding as of such Change of Control and (y) shall occur with respect to any and all Director Stock Options outstanding as of such Change of Control:

(i) automatic maximization of performance standards, lapse of all restrictions and acceleration of any time periods relating to the exercise, realization or vesting of such Awards so that such Awards may be immediately exercised, realized or vested in full on or before the relevant date fixed in the Award Agreement;

(ii) performance shares or performance units shall be paid entirely in cash;

(iii) upon exercise of a stock option or an incentive stock option (collectively, an "Option") during the 60-day period from and after the date of a Change of Control, the Participant exercising the Option may in lieu of the receipt of Common Stock upon the exercise of the Option, elect by written notice to the Corporation to receive an amount in cash equal to the excess of the aggregate Value (as defined below) of the shares of Common Stock covered by the Option or portion thereof surrendered determined on the date the Option is exercised, over the aggregate exercise price of the Option (such excess is referred to herein as the "Aggregate Spread"); provided, however, and notwithstanding any other provision of this Plan, if the end of such 60-day period from and after the date of a Change of Control is within six months of the date of grant of an Option held by a Participant who is a Reporting Person, such Option shall be canceled in exchange for a cash payment to the Participant equal to the Aggregate Spread on the day which is six months and one day after the date of grant of such Option. As used in this Section 13(a)(iii) the term "Value" means the higher of (i) the highest Fair Market Value during the 60-day period from and after the date of a Change of Control and (ii) if the Change of Control is the result of a transaction or series of transactions described in paragraphs (i) or (iii) of the definition of Change of Control, the highest price per share of the Common Stock paid in such transaction or series of transactions (which in the case of paragraph (i) shall be the highest price per share of the Common Stock as reflected in a Schedule 13D filed by the person having made the acquisition);

(iv) if a Participant's employment terminates for any reason other than retirement or death following a Change of Control, any Options held by such Participant may be exercised by such Participant until the earlier of three months after the termination of employment or the expiration date of such Options; and

(v) all Awards become non-cancelable.

(b) A "Change of Control" of the Corporation shall be deemed to have occurred upon the happening of any of the following events:

(i) the acquisition, other than from the Corporation, by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) of beneficial ownership of 20% or more of either the then outstanding shares of Common Stock of the Corporation or the combined voting power of the then outstanding voting securities of the Corporation entitled to vote generally in the election of directors; provided, however, that any acquisition by the Corporation or any of its Subsidiaries, or any employee benefit plan (or related trust) of the Corporation or its Subsidiaries, or any corporation with respect to which, following such acquisition, more than 50% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Common Stock and voting securities of the Corporation immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition, of the then outstanding shares of Common Stock of the Corporation or the combined voting power of the then outstanding voting securities of the Corporation entitled to vote generally in the election of directors, as the case may be, shall not constitute a Change of Control;

(ii) individuals who, as of January 1, 1995, constitute the Board as of the date hereof (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director subsequent to such date whose election, or nomination for election by the Corporation's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Corporation (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act); or

(iii) approval by the shareholders of the Corporation of a reorganization, merger or consolidation of the Corporation, in each case, with respect to which the individuals and entities who were the respective beneficial owners of the Common Stock and voting securities of the Corporation immediately prior to such reorganization, merger or consolidation do not, following such reorganization, merger or consolidation, beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of Common Stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such reorganization, merger or consolidation, or a complete liquidation or dissolution of the Corporation or of the sale or other disposition of all or substantially all of the assets of the Corporation.

(c) If any right granted pursuant to Section 13(a) would make a Change of Control transaction ineligible for pooling of interests accounting that but for Section 13(a) would otherwise be eligible for such accounting treatment, the Committee shall have the ability to substitute the cash payable pursuant to Section 13(a) with Common Stock with a Fair Market Value equal to the cash that would otherwise be payable thereunder.

14. GOVERNING LAW

To the extent that federal laws do not otherwise control, this Plan shall be construed in accordance with and governed by the law of the State of Ohio.

15. INDEMNIFICATION

Each person who is or shall have been a member of the Committee or of the Board shall be indemnified and held harmless by the Corporation against and from any loss, cost, liability or expense that may be imposed upon or reasonably incurred by him in connection with or resulting from any claim, action, suit or proceeding to which he may be a party or in which he may be involved by reason of any action taken or failure to act under this Plan and against and from any and all amounts paid by him in settlement thereof, with the Corporation's approval, or paid by him in satisfaction of any judgment in any such action, suit or proceeding against him, provided he shall give the Corporation an opportunity, at its own expense, to handle and defend the same before he undertakes to handle and defend it on his own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Corporation's Articles of Incorporation or Code of Regulations, as a matter of law, or otherwise, or any power that the Corporation may have to indemnify them or hold them harmless.

16. SAVINGS CLAUSE

This Plan is intended to comply in all aspects with applicable law and regulation, including, with respect to those Employees who are Reporting Persons, Rule 16b-3 under the Exchange Act. In case any one or more of the provisions of this Plan shall be held invalid, illegal or unenforceable in any respect under applicable law and regulation (including Rule 16b-3), the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal or unenforceable provision shall be deemed null and void; however, to the extent permissible by laws, any provision which could be deemed null and void shall first be construed, interpreted or revised retroactively to permit this Plan to be construed in compliance with all applicable laws (including Rule 16b-3) so as to foster the intent of this Plan. Notwithstanding anything in this Plan to the contrary, the Committee, in its sole and absolute discretion, may bifurcate this Plan so as to restrict, limit or condition the use of any provision of this Plan to Participants who are Reporting Persons without so restricting, limiting or conditioning this Plan with respect to other Participants.

17. EFFECTIVE DATE AND TERM

The effective date of this Plan is April 17, 1995 subject to its approval by the Corporation's shareholders at their next annual meeting or at any adjournment thereof, within twelve months following the date of its adoption by the Board. This Plan shall remain in effect until terminated by the Board.

Amended:
Oct. 1996 - Section 2 - Definition of Committee
Section 9(f) - Tax Withholding
Jan. 1997 - Section 9(a) - Assignability
Jan. 1998 - Section 10 - Amendments - former Section 10(b) deleted
Section 13(a) - Change of Control
Section 13(c) - Change of Control added

Revised 5/30/97
Revised 6/2/97 (tab spacing change only)
Revised 2/27/98
Revised 3/10/98 (correct two typos)

JPMORGAN CHASE & CO. LONG-TERM INCENTIVE PLAN
TERMS AND CONDITIONS OF JANUARY 20, 2009
STOCK APPRECIATION RIGHTS

Award Agreement

These terms and conditions are made part of the Award Agreement dated as of January 20, 2009 ("Grant Date") awarding Stock Appreciation Rights pursuant to the terms of the JPMorgan Chase & Co. Long-Term Incentive Plan ("Plan"). To the extent the terms of the Award Agreement (all references to which will include these terms and conditions) conflict with the Plan, the Plan will govern. The Award Agreement, the Plan and Prospectus supersede any other agreement, whether written or oral, that may have been entered into by the Firm and you relating to this award.

This award was granted on the Grant Date subject to the Award Agreement. **Unless you decline by the deadline and in the manner specified in the Award Agreement, you will have agreed to be bound by these terms and conditions, effective as of the Grant Date.** If you decline the award, it will be cancelled as of the Grant Date.

Capitalized terms that are not defined in the Award Agreement will have the same meaning as set forth in the Plan.

JPMorgan Chase & Co. will be referred to throughout the Award Agreement as "JPMorgan Chase," and together with its subsidiaries as the "Firm."

Form and Purpose of Award

Stock Appreciation Rights represent the right, following exercise, to receive (without payment), a number of shares of JPMorgan Chase Common Stock, the Fair Market Value of which, as of the date of exercise, is equal to the excess of the Fair Market Value of one share of such Common Stock on such exercise date over the Exercise Price, multiplied by the number of Stock Appreciation Rights being exercised. The Firm will retain from each distribution the number of shares of Common Stock required to satisfy tax withholding obligations.

The purpose of this award is, in part, to motivate your future performance and to align your interests with those of the Firm and its shareholders.

Exercisable Dates/Expiration Date

Your award will become exercisable on the "Exercisable Dates" set forth in your Award Agreement, provided that you are continuously employed by the Firm from the date of grant through the relevant Exercisable Date or you meet the requirements to allow your award to remain outstanding upon termination of employment as described below. Your award will remain exercisable until the **earlier of** the tenth anniversary of the Grant Date (the "Expiration Date") or the date the award is cancelled pursuant to this Award Agreement. No Stock Appreciation Right may be exercised after its Expiration Date.

Termination of Employment

Except as explicitly set forth below under "Job Elimination," "Full Career Eligibility" and "Death or Total Disability," any Stock Appreciation Rights outstanding under this award will be cancelled effective on the date your employment with the Firm terminates for any reason.

- **Job Elimination:**

In the event that the Director Human Resources of the Firm or nominee in their sole discretion determine that the Firm terminated your employment because your job was eliminated, and provided that you continue to provide services in a cooperative and professional manner as requested by the Firm until the date your employment terminates (and subject to "Your Obligations" and the other terms of this award), then any Stock Appreciation Rights that were exercisable on your termination date will remain exercisable for the ninety-day period immediately following your termination date, but in no event beyond the Expiration Date.

You will be required to timely execute and deliver a release of claims in favor of the Firm, having such form and terms as the Firm shall specify, to have all or any portion of your award remain exercisable after the termination of your employment and you must certify compliance with the above requirements on a form provided by the Firm in connection with an exercise. If you fail to return the required release within the specified deadline, your outstanding Stock Appreciation Rights will be cancelled.

- **Full Career Eligibility:**

Any Stock Appreciation Rights that were exercisable as of the date of your employment termination will remain exercisable for a two year period following your termination date but in no event beyond the Expiration Date in the event that:

- you leave the Firm voluntarily, have completed at least five years of continuous service with the Firm immediately preceding your termination date, <u>and</u>
- the sum of your age and Recognized Service (as defined below) on your date of termination equals or exceeds 60, <u>and</u>
- you provide at least 90 days advance written notice to the Firm of your intention to voluntarily terminate your employment under this provision during which notice period you provide such services as requested by the Firm in a cooperative and professional manner and you do not perform any services for any other employer, <u>and</u>
- for the two year period following your termination date, you do not (i) perform services in any capacity (including self-employment) for a Financial Services Company (as defined below) or (ii) work in your profession (whether or not for a non-Financial Services Company); provided that you may work for a government, education or Not-for-Profit Organization (as defined below).

After receipt of such advance written notice, the Firm may choose to have you continue to provide services during the 90-day period or shorten the length of the 90-day notice period at the Firm's discretion, but to a date no earlier than the date you would otherwise meet the age and service requirements.

Additional advance notice requirements may apply in certain business units (or equivalent organizational unit or department). <u>(See "Special Notice Period" below.)</u>

You will be required to timely execute and deliver a release of claims in favor of the Firm, having such form and terms as the Firm shall specify, to have all or any portion of your award remain exercisable after the termination of your employment and you must certify compliance with the above requirements on a form provided by the Firm in connection with an exercise. If you fail to return the required release within the specified deadline, your outstanding Stock Appreciation Rights will be cancelled. With respect to full career eligibility, you must notify JPMorgan Chase in advance in writing if you are to perform services for any party or if you are self-employed following the date of your termination of employment. Failure to provide such notification could impact your right to exercise.

- **Death or Total Disability:**

If you die while employed by the Firm, or in the event your employment terminates as a result of your permanent and total disability as defined in the JPMorgan Chase & Co. Long Term Disability Plan (or for non-U.S. employees the equivalent local country plan), then any Stock Appreciation Rights that were exercisable as of the date of your termination will remain exercisable for a two year period following your termination date but in no event beyond the Expiration Date.

In the case of your total disability, you must notify JPMorgan Chase in advance in writing if you are to perform services for any party or if you are self-employed following the date of your termination of employment.

In the case of death, your beneficiary is the designated beneficiary on file with the Human Resources Department, or if no beneficiary has been designated or survives you, then your

	estate.
	Any Stock Appreciation Rights that are not exercised within the applicable two year period set forth above will be cancelled.
Termination for Cause	In the event your employment is terminated for Cause (as defined below), or in the event that the Firm determines after the termination of your employment that your employment could have been terminated for Cause, any outstanding Stock Appreciation Rights as of your termination date will be cancelled and you may be required to return to the Firm the value of certain shares previously delivered to you. See "Remedies" for additional information.
Restriction on Disposition of Shares Derived from an Exercise Under this Award	If you exercise any part of your award before the fifth anniversary of the Grant Date, then you may not sell, assign, transfer, pledge or encumber the net number of shares of Common Stock derived from such exercise until the fifth anniversary of the Grant Date. Notwithstanding the foregoing, this restriction on disposition and transfer of shares shall not apply to your beneficiary in the event of your death.
Your Obligations	As consideration for the grant of this award, you agree to comply with and be bound by the following:
• **Non-Solicitation of Employees and Customers:**	During your employment by the Firm and for one year following the termination of your employment (or if longer, the exercise period), you will not directly or indirectly, whether on your own behalf or on behalf of any other party, without the prior written consent of the Director Human Resources of JPMorgan Chase: (i) solicit, induce or encourage any of the Firm's then current employees to leave the Firm or to apply for employment elsewhere; (ii) hire any employee or former employee who was employed by the Firm at the date your employment terminated, unless the individual's employment terminated more than six months before the date of hire or because his or her job was eliminated; or (iii) solicit or induce or attempt to induce to leave the Firm, or divert or attempt to divert from doing business with the Firm, any then current customers, suppliers or other persons or entities that were serviced by you or whose names became known to you by virtue of your employment with the Firm, or otherwise interfere with the relationship between the Firm and such customers, suppliers or other persons or entities. This does not apply to publicly known institutional customers that you service after your employment with the Firm without the use of the Firm's confidential or proprietary information.
	These restrictions do not apply to authorized actions you take in the normal course of your employment with the Firm, such as employment decisions with respect to employees you supervise or business referrals in accordance with the Firm's policies**.**
• **Confidential Information:**	You may not, either during your employment with the Firm or thereafter, directly or indirectly use or disclose to anyone any confidential information related to the Firm's business, except as explicitly permitted by the JPMorgan Chase Code of Conduct and applicable policies or law or legal process. "Confidential information" shall have the same meaning for the Award Agreement as it has in the JPMorgan Chase Code of Conduct.
• **Non-Disparagement:**	You may not, either during your employment with the Firm or thereafter, make or encourage others to make any public statement or release any information that is intended to, or reasonably could be foreseen to, embarrass or criticize the Firm or its employees, directors or shareholders as a group. This shall not preclude you from reporting to the Firm's management or directors or to the government or a regulator conduct you believe to be in violation of the law or the Firm's Code of Conduct or responding truthfully to questions or requests for information to the government, a regulator or in a court of law in connection with a legal or regulatory investigation or proceeding.
• **Cooperation**	You agree to cooperate fully with and provide full and accurate information to the Firm and its counsel with respect to any matter (including any audit, tax proceeding, litigation or

governmental proceeding with respect to which you may have knowledge or information, subject to reimbursement for actual, appropriate and reasonable expenses incurred by you.

- **Compliance with Award Agreement:** You agree that you will provide the Firm with any information reasonably requested to determine compliance with the Award Agreement, and you authorize the Firm to disclose the terms of the Award Agreement to any third party who might be affected thereby, including your prospective employer.

- **Special Notice Period:** If you are a managing director, executive director or vice president (or comparable title) of a business unit or equivalent organizational unit or department ("business unit") that requires as a condition of your continued employment that you provide advance written notice ("Special Notice Period") of your intention to terminate your employment for any reason, then as consideration for this Award, you shall provide the Firm advance written notice of your election to terminate your employment as specified by such business unit. In business units that require this Special Notice Period, the current notice period is 90 days for managing directors (or comparable title), 60 days for executive directors (or comparable title) and 30 days for vice presidents (or comparable title). Please note that in some cases, individuals may have specific agreements providing for longer notice periods than those stated above. In those cases, the longer notice period shall apply.

  After receipt of such notice, the Firm may choose to have you continue to provide services during the applicable Special Notice Period or may place you on a paid leave for all or part of the applicable Special Notice Period. During the Special Notice Period, you shall continue to devote your full time and loyalty to the Firm by providing services in a cooperative and professional manner and not perform any services for any other employer and shall receive your base salary and certain benefits until your employment terminates. You and the Firm may mutually agree to waive or modify the length of the Special Notice Period.

  Regardless of whether the Special Notice Period applies to you, you must comply with the 90-day advance notice period described under "Full Career Eligibility" in the event you wish to terminate employment under the Full Career Eligibility provision.

Remedies

In addition to the cancellation of the award as provided for in "Termination of Employment" and "Termination for Cause," if the Firm in its sole discretion determines that (i) you are not in compliance with any of the advance notice/cooperation requirements or employment restrictions applicable to your termination of employment, or (ii) you have not returned the applicable release of claims or other documents specified above within the specified deadline, or (iii) you violated any of the provisions as set forth above in "Your Obligations," all outstanding Stock Appreciation Rights under your award and any shares that are subject to the restriction on disposition of shares described above will be immediately cancelled.

In addition, if you received shares under this award resulting from an exercise during the one year prior to (i) the violation of any of the provisions as set forth above in "Your Obligations" or (ii) the termination of your employment for "Cause" as described under "Termination for Cause," including a later determination by the Firm that your employment could have been terminated for Cause (in which case the one year will be measured from your actual termination date), you will be required to pay the Firm liquidated damages by returning to the Firm an amount equal to the gain on exercise (as of the exercise date), less withholding taxes. Payment may be made in shares of Common Stock or in cash.

You agree that this payment will be liquidated damages and is not to be construed in any manner as a penalty. You acknowledge that a violation or attempted violation of the obligations set forth herein will cause immediate and irreparable damage to the Firm, and therefore agree that the Firm shall be entitled as a matter of right to an injunction, from any court of competent jurisdiction, restraining any violation or further violation of such obligations; such right to an injunction, however, shall be cumulative and in addition to whatever other remedies the Firm may have under law or equity. In any action or proceeding by the Firm to enforce the terms and conditions of this Award Agreement where the Firm is the prevailing party, the Firm shall be entitled to recover from you its reasonable attorneys' fees and expenses incurred in such action or proceeding.

Not a Shareholder Until Exercise

You shall not be deemed for any purpose to be or have rights as a shareholder of JPMorgan Chase with respect to the shares of Common Stock subject to Stock Appreciation Rights until such Stock Appreciation Rights are exercised. No adjustments shall be made for cash dividends or distributions or other rights for which the record date is prior to the date you become a shareholder of record of JPMorgan Chase. Shares upon exercise will be issued in accordance with JPMorgan Chase's procedures for issuing stock.

Additional Conditions

Notwithstanding any terms of this Award Agreement to the contrary:

- JPMorgan Chase reserves the right to cancel, or require repayment of any gains you derived from the exercise of, all or any portion of this award to the extent provided under the JPMorgan Chase Bonus Recoupment Policy as in effect from time to time.

- JPMorgan Chase reserves the right to cancel, or require repayment of any gains you derived from exercise of, all or any portion of this award if JPMorgan Chase determines that this award was based on materially inaccurate performance metrics or on any misrepresentation by you.

- If you are subject to Section 111 of the Emergency Economic Stabilization Act of 2008 and any regulations or interpretations promulgated thereunder or any other applicable statute or regulation affecting your compensation ("EESA or Other Applicable Law"), then any payment of any kind provided for by this Award Agreement must comply with EESA or Other Applicable Law, and this Award Agreement shall be interpreted or reformed to so comply.

Administrative Provisions

Binding Agreement: The Award Agreement will be binding upon any successor in interest to JPMorgan Chase, by merger or otherwise.

Not a Contract of Employment: Nothing contained herein constitutes a contract of employment or continued employment. Employment is at-will and may be terminated by either you or JPMorgan Chase for any reason at any time. This award does not confer any right or entitlement to, nor does the award impose any obligation on the Firm to provide, the same or any similar award in the future.

Exercise Procedures/Withholding Taxes: The exercise of Stock Appreciation Rights shall be in accordance with the Firm's procedures for exercises of such awards. The date of exercise shall be the date when the properly completed notice of exercise is received and accepted by the Firm or its designee in accordance with the Firm's procedures.

Following each exercise, the Firm will retain from each distribution the number of shares of Common Stock required to satisfy applicable tax obligations (including, to the extent legally permissible, recovery by the Firm of fringe benefit taxes). If, according to local country tax regulations, a withholding tax liability arises at a time after the date of exercise, JPMorgan Chase may implement any procedures necessary to ensure that the withholding obligation is fully satisfied, including, but not limited to, restricting transferability of the shares.

Assignment or Transfer: Except as otherwise provided in this Award Agreement, ,Stock Appreciation Rights shall not be assignable or transferable or subject to any lien, obligation or liability. You may make a gift of unexpired, unexercised Stock Appreciation Rights, subject to the Firm's prior consent, to an immediate family member or a trust (or similar vehicle) for the benefit of these immediate family members (or beneficiaries) as defined below. JPMorgan Chase may condition its prior consent to receipt of an agreement by you and proposed transferee containing such terms and conditions and undertakings as JPMorgan Chase deems appropriate in its sole and absolute discretion. No attempted transfer will be valid without the Firm's prior consent. "Immediate family members" include your parents, parents-in-law, children (including adopted children), grandchildren, and siblings or a trust exclusively for the benefit of one or more of these immediate family members. Your spouse is an Immediate Family Member but only if Stock Appreciation Rights are transferred to a trust (or similar vehicle) for the benefit of such spouse, which trust includes one or more other Immediate Family Members as beneficiaries.

Right to Set Off: The Firm may, to the maximum extent permitted by applicable law, retain for itself funds or securities otherwise payable to you pursuant to this award to satisfy any obligation or debt that you owe to the Firm. Other than in the case of forfeiture or cancellation of an award, the Firm may not retain such funds or securities until such time as they would otherwise be distributable to you in accordance with the Award Agreement.

Cancellation/Substitution: JPMorgan Chase may, in its sole discretion and for any reason, cancel outstanding unexercised Stock Appreciation Rights and substitute an equal number of non-qualified stock options to purchase the same number of shares of common stock of JPMorgan Chase represented by the cancelled Stock Appreciation Rights. Such substituted options shall have the same exercise price, Expiration Date and other terms and conditions that were applicable to the Stock Appreciation Rights; provided that the method of exercise and the payment of exercise price, as well as the method of payment of withholding taxes, may be changed by JPMorgan Chase.

Change in Outstanding Shares: In the event of any change in the outstanding shares of Common Stock by reason of any stock dividend or split, recapitalization, issuance of a new class of common stock, merger, consolidation, spin-off, combination or exchange of shares or other similar corporate change, or any distributions to stockholders of Common Stock other than regular cash dividends, the Committee will make an equitable substitution or proportionate adjustment, in the number or kind of shares of Common Stock or other securities issued or reserved for issuance pursuant to the Plan and to any Stock Appreciation Rights (including but not to limited to their Exercise Price) outstanding under this award for such corporate events.

Interpretation/Administration: The Director Human Resources has sole and complete authority to interpret and administer this Award Agreement, including, without limitation, the power to (i) interpret the Plan and the terms of this Award Agreement; (ii) determine the reason for termination of employment and application of the post-employment obligations; (iii) decide all claims arising with respect to this Award; and (iv) delegate such authority as he deems appropriate. Any determination by the Director Human Resources shall be binding on all parties.

Notwithstanding anything herein to the contrary, the Firm's determinations under the Plan and the Award Agreements are not required to be uniform. By way of clarification, the Firm shall be entitled to make non-uniform and selective determinations and modifications under Award Agreements and the Plan.

Amendment: The Firm by action of its Director Human Resources reserves the right to amend this Award Agreement in any manner, at any time and for any reason so long as there has not been a change in control of JPMorgan Chase, as such term is defined by the JPMorgan Chase Board of Directors from time to time. After a change in control of JPMorgan Chase, this Award Agreement may not be amended in any way that is adverse to your interests without your prior written consent. This Award Agreement may not be amended except in writing signed by the Director Human Resources JPMorgan Chase.

Severability: If any portion of the Award Agreement is found to be unenforceable, any court of competent jurisdiction may reform the restrictions (e.g. as to length of service, geographical area or scope) to the extent required to make the provision enforceable under applicable law.

Governing Law: By accepting this award, you are agreeing (i) to the extent not preempted by federal law, the laws of the state of New York (without reference to conflict of law principles) will apply to the award and the Plan;(ii) to waive the right to a jury trial with respect to any judicial proceeding brought in connection with this award; and (iii) that any dispute related to this award shall be submitted to arbitration in accordance with the rules of the American Arbitration Association, if so elected by the Firm in its sole discretion.

Definitions

"Cause" means a determination by the Firm that your employment terminated as a result of your (i) violation of any law, rule or regulation (including rules of self-regulatory bodies) related to the Firm's business; (ii) indictment or conviction of a felony; (iii) commission of a fraudulent act; (iv) violation of the JPMorgan Code of Conduct or other Firm policies or misconduct related to your duties to the Firm (other than an immaterial and inadvertent violation or misconduct); (v) inadequate performance of the duties associated with your position or job function or failure to follow reasonable directives of your manager; or (vi) any act or failure to act that is or might reasonably be expected to be injurious to the interests of the Firm or its relationship with a customer, client or employee.

"**Financial Services Company**" means a business enterprise that employs you in any capacity (as an employee, contractor, consultant, advisor, self-employed individual, etc. whether paid or unpaid) and engages in:

- commercial or retail banking, including, but not limited to, commercial, institutional and personal trust, custody and/or lending and processing services, originating and servicing mortgages, issuing and servicing credit cards;
- insurance , including but not limited to, guaranteeing against loss, harm damage, illness, disability or death, providing and issuing annuities, acting as principal, agent or broker for purpose of the forgoing;
- financial, investment or economic advisory services, including but not limited to, investment banking services (such as advising on mergers or dispositions, underwriting, dealing in, or making a market in securities or other similar activities), brokerage services, investment management services, asset management services, and hedge funds;
- issuing, trading or selling instruments representing interests in pools of assets or in derivatives instruments;
- advising on, or investing in, private equity or real estate, or
- any similar activities that JPMorgan Chase determines in its sole discretion constitutes financial services.

"**Not-for-Profit Organization**" means an entity exempt from tax under state law and under Section 501(c) (3) of the Internal Revenue Code. Section 501(c) (3) includes entities organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary or educational purposes, or to foster national or international amateur sports competition or for the prevention of cruelty to children or animals.

"**Recognized Service**" means the period of service as an employee set forth in the Firm's applicable service-related policies.

JPMORGAN CHASE & CO. LONG-TERM INCENTIVE PLAN
TERMS AND CONDITIONS OF JANUARY 20, 2009
STOCK APPRECIATION RIGHTS
OPERATING COMMITTEE

Award Agreement

These terms and conditions are made part of the Award Agreement dated as of January 20, 2009 ("Grant Date") awarding Stock Appreciation Rights pursuant to the terms of the JPMorgan Chase & Co. Long-Term Incentive Plan ("Plan"). To the extent the terms of the Award Agreement (all references to which will include these terms and conditions) conflict with the Plan, the Plan will govern. The Award Agreement, the Plan and Prospectus supersede any other agreement, whether written or oral, that may have been entered into by the Firm and you relating to this award.

This award was granted on the Grant Date subject to the Award Agreement. **Unless you decline by the deadline and in the manner specified in the Award Agreement, you will have agreed to be bound by these terms and conditions, effective as of the Grant Date.** If you decline the award, it will be cancelled as of the Grant Date.

Capitalized terms that are not defined in the Award Agreement will have the same meaning as set forth in the Plan.

JPMorgan Chase & Co. will be referred to throughout the Award Agreement as "JPMorgan Chase," and together with its subsidiaries as the "Firm."

Form and Purpose of Award

Stock Appreciation Rights represent the right, following exercise, to receive (without payment), a number of shares of JPMorgan Chase Common Stock, the Fair Market Value of which, as of the date of exercise, is equal to the excess of the Fair Market Value of one share of such Common Stock on such exercise date over the Exercise Price, multiplied by the number of Stock Appreciation Rights being exercised. The Firm will retain from each distribution the number of shares of Common Stock required to satisfy tax withholding obligations.

The purpose of this award is, in part, to motivate your future performance and to align your interests with those of the Firm and its shareholders.

Exercisable Dates/ Expiration Date

Your award will become exercisable on the "Exercisable Dates" set forth in your Award Agreement, provided that you are continuously employed by the Firm from the date of grant through the relevant Exercisable Date or you meet the requirements to allow your award to remain outstanding upon termination of employment as described below, and subject to the following:

- Although it is intended and expected that this award will become exercisable as scheduled, the award may be reduced or cancelled or Exercisable Dates may be deferred in the event that the Chief Executive Officer ("CEO") of JPMorgan Chase determines, as part of JPMorgan Chase's annual performance assessment process, based on the CEO's assessment of your performance and the performance of the Firm (which may include more than one performance year), that you have not achieved satisfactory progress toward your priorities or that the Firm has not achieved satisfactory progress toward the Firm's priorities for which you share responsibility as a member of the Operating Committee. Such a determination is subject to ratification by the Compensation and Management Development Committee of the Board of Directors of JPMorgan Chase.

- JPMorgan Chase reserves the right to cancel, or require repayment of any gains you derived from the exercise of, all or any portion of this award to the extent provided under the JPMorgan Chase Bonus Recoupment Policy as in effect from time to time.

- JPMorgan Chase reserves the right to cancel, or require repayment of any gains you derived from exercise of, all or any portion of this award if JPMorgan Chase determines that this award was based on materially inaccurate performance metrics or on any misrepresentation by you.

- If you are subject to Section 111 of the Emergency Economic Stabilization Act of 2008 and any regulations or interpretations promulgated thereunder, or any successor or other applicable statute affecting your compensation ("EESA or Other Applicable Law"), then any payment of any kind provided for by this Award Agreement must comply with EESA or Other Applicable Law, and this Award Agreement shall be interpreted or reformed to so comply.

Your award will remain exercisable until the **earlier of** the tenth anniversary of the Grant Date (the "Expiration Date") or the date the award is cancelled pursuant to this Award Agreement. No Stock Appreciation Right may be exercised after its Expiration Date.

Termination of Employment

Except as explicitly set forth below under "Job Elimination," "Full Career Eligibility" and "Death or Total Disability," any Stock Appreciation Rights outstanding under this award will be cancelled effective on the date your employment with the Firm terminates for any reason.

- **Job Elimination:**

In the event that the Director Human Resources of the Firm or nominee in their sole discretion determine that the Firm terminated your employment because your job was eliminated, and provided that you continue to provide services in a cooperative and professional manner as requested by the Firm until the date your employment terminates, then any Stock Appreciation Rights that were exercisable on your termination date will remain exercisable for the ninety-day period immediately following your termination date, but in no event beyond the Expiration Date.

You will be required to timely execute and deliver a release of claims in favor of the Firm, having such form and terms as the Firm shall specify, to have all or any portion of your award remain exercisable after the termination of your employment and you must certify compliance with the above requirements on a form provided by the Firm in connection with an exercise. If you fail to return the required release within the specified deadline, your outstanding Stock Appreciation Rights will be cancelled.

- **Full Career Eligibility:**

Any Stock Appreciation Rights that were exercisable as of the date of your employment termination will remain exercisable for a two year period following your termination date but in no event beyond the Expiration Date in the event that:

- you leave the Firm voluntarily, have completed at least five years of continuous service with the Firm immediately preceding your termination date, <u>and</u>
- the sum of your age and Recognized Service (as defined below) on your date of termination equals or exceeds 60, <u>and</u>
- you provide at least 90 days advance written notice to the Firm of your intention to voluntarily terminate your employment under this provision during which notice period you provide such services as requested by the Firm in a cooperative and professional manner and you do not perform any services for any other employer, <u>and</u>
- for the two year period following your termination date, you do not (i) perform services in any capacity (including self-employment) for a Financial Services Company (as defined below) or (ii) work in your profession (whether or not for a non-Financial Services Company); provided that you may work for a government, education or Not-for-Profit Organization (as defined below).

After receipt of such advance written notice, the Firm may choose to have you continue to provide services during the 90-day period or shorten the length of the 90-day notice period at the Firm's discretion, but to a date no earlier than the date you would otherwise meet the age and service requirements.

Additional advance notice requirements may apply in certain business units (or equivalent organizational unit or department). <u>(See "Special Notice Period" below.)</u>

You will be required to timely execute and deliver a release of claims in favor of the Firm, having such form and terms as the Firm shall specify, to have all or any portion of your award remain exercisable after the termination of your employment and you must certify compliance with the above requirements on a form provided by the Firm in connection with an exercise. If you fail to return the required release within the specified deadline, your outstanding Stock Appreciation Rights will be cancelled

With respect to full career eligibility, you must notify JPMorgan Chase in advance in writing if you are to perform services for any party or if you are self-employed following the date of your termination of employment. Failure to provide such notification could impact your right to exercise.

- **Death or Total Disability:**

If you die while employed by the Firm, or in the event your employment terminates as a result of your permanent and total disability as defined in the JPMorgan Chase & Co. Long Term Disability Plan (or for non-U.S. employees the equivalent local country plan), then any Stock Appreciation Rights that were exercisable as of the date of your termination will remain exercisable for a two year period following your termination date but in no event beyond the Expiration Date.

In the case of your total disability, you must notify JPMorgan Chase in advance in writing if you are to perform services for any party or if you are self-employed following the date of your termination of employment.

In the case of death, your beneficiary is the designated beneficiary on file with the Human Resources Department, or if no beneficiary has been designated or survives you, then your estate.

Any Stock Appreciation Rights that are not exercised within the applicable two year period set forth above will be cancelled.

- **Termination for Cause:**

In the event your employment is terminated for Cause (as defined below), or in the event that the Firm determines after the termination of your employment that your employment could have been terminated for Cause, any outstanding Stock Appreciation Rights as of your termination date will be cancelled and you may be required to return to the Firm the value of certain shares previously delivered to you. See “Remedies” for additional information.

Restriction on Disposition of Shares Derived from an Exercise Under this Award

If you exercise any part of your award before the fifth anniversary of the Grant Date, then you may not sell, assign, transfer, pledge or encumber the net number of shares of Common Stock derived from such exercise until the fifth anniversary of the Grant Date. Notwithstanding the foregoing, this restriction on disposition and transfer of shares shall not apply to your beneficiary in the event of your death.

Your Obligations

As consideration for the grant of this award, you agree to comply with and be bound by the following:

- **Non-Solicitation of Employees and Customers:**

During your employment by the Firm and for one year following the termination of your employment (or if longer, the exercise period), you will not directly or indirectly, whether on your own behalf or on behalf of any other party, without the prior written consent of the Director Human Resources of JPMorgan Chase: (i) solicit, induce or encourage any of the Firm’s then current employees to leave the Firm or to apply for employment elsewhere; (ii) hire any employee or former employee who was employed by the Firm at the date your employment terminated, unless the individual’s employment terminated more than six months before the date of hire or because his or her job was eliminated; or (iii) solicit or induce or attempt to induce to leave the Firm, or divert or attempt to divert from doing business with the Firm, any then current customers, suppliers or other persons or entities that were serviced by you or whose names became known to you by virtue of your employment with the Firm, or otherwise interfere with the relationship between the Firm and such customers, suppliers or other persons or entities. This does not apply to publicly known institutional customers that you service after your employment with the Firm without the use of the Firm's confidential or proprietary information.

These restrictions do not apply to authorized actions you take in the normal course of your employment with the Firm, such as employment decisions with respect to employees you supervise or business referrals in accordance with the Firm's policies**.**

- **Confidential Information:** You may not, either during your employment with the Firm or thereafter, directly or indirectly use or disclose to anyone any confidential information related to the Firm's business, except as explicitly permitted by the JPMorgan Chase Code of Conduct and applicable policies or law or legal process. "Confidential information" shall have the same meaning for the Award Agreement as it has in the JPMorgan Chase Code of Conduct.

- **Non-Disparagement:** You may not, either during your employment with the Firm or thereafter, make or encourage others to make any public statement or release any information that is intended to, or reasonably could be foreseen to, embarrass or criticize the Firm or its employees, directors or shareholders as a group. This shall not preclude you from reporting to the Firm's management or directors or to the government or a regulator conduct you believe to be in violation of the law or the Firm's Code of Conduct or responding truthfully to questions or requests for information to the government, a regulator or in a court of law in connection with a legal or regulatory investigation or proceeding.

- **Cooperation** You agree to cooperate fully with and provide full and accurate information to the Firm and its counsel with respect to any matter (including any audit, tax proceeding, litigation or governmental proceeding with respect to which you may have knowledge or information, subject to reimbursement for actual, appropriate and reasonable expenses incurred by you.

- **Compliance with Award Agreement:** You agree that you will provide the Firm with any information reasonably requested to determine compliance with the Award Agreement, and you authorize the Firm to disclose the terms of the Award Agreement to any third party who might be affected thereby, including your prospective employer.

- **Special Notice Period:** If you are at or above the level of managing director, executive director or vice president (or comparable title) of a business unit or equivalent organizational unit or department ("business unit") that requires as a condition of your continued employment that you provide advance written notice ("Special Notice Period") of your intention to terminate your employment for any reason, then as consideration for this Award, you shall provide the Firm advance written notice of your election to terminate your employment as specified by such business unit. In business units that require this Special Notice Period, the current notice period is 90 days for managing directors (or comparable title), 60 days for executive directors (or comparable title) and 30 days for vice presidents (or comparable title). Please note that in some cases, individuals may have specific agreements providing for longer notice periods than those stated above. In those cases, the longer notice period shall apply.

  After receipt of such notice, the Firm may choose to have you continue to provide services during the applicable Special Notice Period or may place you on a paid leave for all or part of the applicable Special Notice Period. During the Special Notice Period, you shall continue to devote your full time and loyalty to the Firm by providing services in a cooperative and professional manner and not perform any services for any other employer and shall receive your base salary and certain benefits until your employment terminates. You and the Firm may mutually agree to waive or modify the length of the Special Notice Period.

  Regardless of whether the Special Notice Period applies to you, you must comply with the 90-day advance notice period described under "Full Career Eligibility" in the event you wish to terminate employment under the Full Career Eligibility provision.

Remedies

In addition to the cancellation of the award as provided for in "Termination of Employment" and "Termination for Cause," if the Firm in its sole discretion determines that (i) you are not in compliance with any of the advance notice/cooperation requirements or employment restrictions applicable to your termination of employment, or (ii) you have not returned the applicable release of claims or other documents specified above within the specified deadline, or (iii) you violated any of the provisions as set forth above in "Your Obligations," all outstanding Stock Appreciation Rights under your award and any shares that are subject to the restriction on disposition of shares described above will be immediately cancelled.

In addition, if you received shares under this award resulting from an exercise during the one year prior to (i) the violation of any of the provisions as set forth above in "Your Obligations" or (ii) the termination of your employment for "Cause" as described under "Termination for Cause," including a later determination by the Firm that your employment could have been terminated for Cause (in which case the one year will be measured from your actual termination date), you will be required to pay the Firm liquidated damages by returning to the Firm an amount equal to the gain on exercise (as of the exercise date), less withholding taxes. Payment may be made in shares of Common Stock or in cash.

You agree that this payment will be liquidated damages and is not to be construed in any manner as a penalty. You acknowledge that a violation or attempted violation of the obligations set forth herein will cause immediate and irreparable damage to the Firm, and therefore agree that the Firm shall be entitled as a matter of right to an injunction, from any court of competent jurisdiction, restraining any violation or further violation of such obligations; such right to an injunction, however, shall be cumulative and in addition to whatever other remedies the Firm may have under law or equity. In any action or proceeding by the Firm to enforce the terms and conditions of this Award Agreement where the Firm is the prevailing party, the Firm shall be entitled to recover from you its reasonable attorneys' fees and expenses incurred in such action or proceeding.

Administrative Provisions

Binding Agreement: The Award Agreement will be binding upon any successor in interest to JPMorgan Chase, by merger or otherwise.

Not a Contract of Employment: Nothing contained herein constitutes a contract of employment or continued employment. Employment is at-will and may be terminated by either you or JPMorgan Chase for any reason at any time. This award does not confer any right or entitlement to, nor does the award impose any obligation on the Firm to provide, the same or any similar award in the future.

Exercise Procedures/Withholding Taxes: The exercise of Stock Appreciation Rights shall be in accordance with the Firm's procedures for exercises of such awards. The date of exercise shall be the date when the properly completed notice of exercise is received and accepted by the Firm or its designee in accordance with the Firm's procedures.

Following each exercise, the Firm will retain from each distribution the number of shares of Common Stock required to satisfy applicable tax obligations (including, to the extent legally permissible, recovery by the Firm of fringe benefit taxes). If, according to local country tax regulations, a withholding tax liability arises at a time after the date of exercise, JPMorgan Chase may implement any procedures necessary to ensure that the withholding obligation is fully satisfied, including, but not limited to, restricting transferability of the shares.

Assignment or Transfer: Except as otherwise provided in this Award Agreement, ,Stock Appreciation Rights shall not be assignable or transferable or subject to any lien, obligation or liability. You may make a gift of unexpired, unexercised Stock Appreciation Rights, subject to the Firm's prior consent, to an immediate family member or a trust (or similar vehicle) for the benefit of these immediate family members (or beneficiaries) as defined below. JPMorgan

Chase may condition its prior consent to receipt of an agreement by you and proposed transferee containing such terms and conditions and undertakings as JPMorgan Chase deems appropriate in its sole and absolute discretion. No attempted transfer will be valid without the Firm's prior consent. "Immediate family members" include your parents, parents-in-law, children (including adopted children), grandchildren, and siblings or a trust exclusively for the benefit of one or more of these immediate family members. Your spouse is an Immediate Family Member but only if Stock Appreciation Rights are transferred to a trust (or similar vehicle) for the benefit of such spouse, which trust includes one or more other Immediate Family Members as beneficiaries.

Right to Set Off: The Firm may, to the maximum extent permitted by applicable law, retain for itself funds or securities otherwise payable to you pursuant to this award to satisfy any obligation or debt that you owe to the Firm. Other than in the case of forfeiture or cancellation of an award, the Firm may not retain such funds or securities until such time as they would otherwise be distributable to you in accordance with the Award Agreement.

Cancellation/Substitution: JPMorgan Chase may, in its sole discretion and for any reason, cancel outstanding unexercised Stock Appreciation Rights and substitute an equal number of non-qualified stock options to purchase the same number of shares of common stock of JPMorgan Chase represented by the cancelled Stock Appreciation Rights. Such substituted options shall have the same exercise price, Expiration Date and other terms and conditions that were applicable to the Stock Appreciation Rights; provided that the method of exercise and the payment of exercise price, as well as the method of payment of withholding taxes, may be changed by JPMorgan Chase.

Change in Outstanding Shares: In the event of any change in the outstanding shares of Common Stock by reason of any stock dividend or split, recapitalization, issuance of a new class of common stock, merger, consolidation, spin-off, combination or exchange of shares or other similar corporate change, or any distributions to stockholders of Common Stock other than regular cash dividends, the Committee will make an equitable substitution or proportionate adjustment, in the number or kind of shares of Common Stock or other securities issued or reserved for issuance pursuant to the Plan and to any Stock Appreciation Rights (including but not to limited to their Exercise Price) outstanding under this award for such corporate events.

Interpretation/Administration: The Director Human Resources has sole and complete authority to interpret and administer this Award Agreement, including, without limitation, the power to (i) interpret the Plan and the terms of this Award Agreement; (ii) determine the reason for termination of employment and application of the post-employment obligations; (iii) decide all claims arising with respect to this Award; and (iv) delegate such authority as he deems appropriate. Any determination by the Director Human Resources shall be binding on all parties.

Notwithstanding anything herein to the contrary, the Firm's determinations under the Plan and the Award Agreements are not required to be uniform. By way of clarification, the Firm shall be entitled to make non-uniform and selective determinations and modifications under Award Agreements and the Plan.

Amendment: The Firm by action of its Director Human Resources reserves the right to amend this Award Agreement in any manner, at any time and for any reason so long as there has not been a change in control of JPMorgan Chase, as such term is defined by the JPMorgan Chase Board of Directors from time to time. After a change in control of JPMorgan Chase, this Award Agreement may not be amended in any way that is adverse to your interests without your prior written consent. This Award Agreement may not be amended except in writing signed by the Director Human Resources JPMorgan Chase.

Severability: If any portion of the Award Agreement is found to be unenforceable, any court of competent jurisdiction may reform the restrictions (e.g. as to length of service, geographical area or scope) to the extent required to make the provision enforceable under applicable law.

Governing Law: By accepting this award, you are agreeing (i) to the extent not preempted by federal law, the laws of the state of New York (without reference to conflict of law principles) will apply to the award and the Plan; (ii) to waive the right to a jury trial with respect to any judicial proceeding brought in connection with this award; and (iii) that any dispute related to this award shall be submitted to arbitration in accordance with the rules of the American Arbitration Association, if so elected by the Firm in its sole discretion.

Definitions

"Cause" means a determination by the Firm that your employment terminated as a result of your (i) violation of any law, rule or regulation (including rules of self-regulatory bodies) related to the Firm's business; (ii) indictment or conviction of a felony; (iii) commission of a fraudulent act; (iv) violation of the JPMorgan Code of Conduct or other Firm policies or misconduct related to your duties to the Firm (other than an immaterial and inadvertent violation or misconduct); (v) inadequate performance of the duties associated with your position or job function or failure to follow reasonable directives of your manager; or (vi) any act or failure to act that is or might reasonably be expected to be injurious to the interests of the Firm or its relationship with a customer, client or employee.

"**Financial Services Company**" means a business enterprise that employs you in any capacity (as an employee, contractor, consultant, advisor, self-employed individual, etc. whether paid or unpaid) and engages in:

- commercial or retail banking, including, but not limited to, commercial, institutional and personal trust, custody and/or lending and processing services, originating and servicing mortgages, issuing and servicing credit cards;
- insurance , including but not limited to, guaranteeing against loss, harm damage, illness, disability or death, providing and issuing annuities, acting as principal, agent or broker for purpose of the forgoing;
- financial, investment or economic advisory services, including but not limited to, investment banking services (such as advising on mergers or dispositions, underwriting, dealing in, or making a market in securities or other similar activities), brokerage services, investment management services, asset management services, and hedge funds;
- issuing, trading or selling instruments representing interests in pools of assets or in derivatives instruments;
- advising on, or investing in, private equity or real estate, or
- any similar activities that JPMorgan Chase determines in its sole discretion constitutes financial services.

"**Not-for-Profit Organization**" means an entity exempt from tax under state law and under Section 501(c) (3) of the Internal Revenue Code. Section 501(c) (3) includes entities organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary or educational purposes, or to foster national or international amateur sports competition or for the prevention of cruelty to children or animals.

"**Recognized Service**" means the period of service as an employee set forth in the Firm's applicable service-related policies.

JPMORGAN CHASE & CO. LONG-TERM INCENTIVE PLAN
TERMS AND CONDITIONS OF JANUARY 20, 2009
RESTRICTED STOCK UNIT AWARD

Award Agreement	These terms and conditions are made part of the Award Agreement dated as of January 20, 2009 ("Grant Date") awarding restricted stock units pursuant to the terms of the JPMorgan Chase & Co. Long-Term Incentive Plan ("Plan"). To the extent the terms of the Award Agreement (all references to which will include these terms and conditions) conflict with the Plan, the Plan will govern. The Award Agreement, the Plan and Prospectus supersede any other agreement, whether written or oral, that may have been entered into by the Firm and you relating to this award. This award was granted on the Grant Date subject to the Award Agreement. **Unless you decline by the deadline and in the manner specified in the Award Agreement, you will have agreed to be bound by these terms and conditions, effective as of the Grant Date.** If you decline the award, it will be cancelled as of the Grant Date. Capitalized terms that are not defined in the Award Agreement will have the same meaning as set forth in the Plan. JPMorgan Chase & Co. will be referred to throughout the Award Agreement as "JPMorgan Chase," and together with its subsidiaries as the "Firm."
Form and Purpose of Award	Each restricted stock unit represents a non-transferable right to receive one share of Common Stock following the applicable vesting date. The purpose of this award is, in part, to motivate your future performance and to align your interests with those of the Firm and its shareholders.
Dividend Equivalents	If dividends are paid on Common Stock while restricted stock units under this award are outstanding, you will be paid an amount equal to the dividend paid on one share of Common Stock, multiplied by the number of restricted stock units outstanding to you under this award.
Vesting Dates/ Vesting Periods	This award will vest according to the schedule on your Award Agreement, provided that you are continuously employed by the Firm, or you meet the requirements for continued vesting described below, through the relevant vesting date. The period from the Grant Date to each vesting date will be a separate "vesting period."
Termination of Employment	Except as explicitly set forth below under "Job Elimination," "Full Career Eligibility," "Total Disability," and "Death," any restricted stock units outstanding under this award will be cancelled effective on the date your employment with the Firm terminates for any reason.
Job Elimination, Full Career Eligibility, Total Disability	Subject to your compliance with the terms and conditions of this Award Agreement (including without limitation "Your Obligations" set forth below), you will be eligible to continue to vest in your outstanding restricted stock units under this award following the termination of your employment if one of the following circumstances applies to you. <u>Job Elimination:</u> This award will continue to vest on the original schedule following termination of employment in the event that: • the Director Human Resources of the Firm or nominee in their sole discretion determine that the Firm terminated your employment because your job was eliminated, <u>and</u> • after you are notified that your job will be eliminated, you provide such services as requested by the Firm in a cooperative and professional manner.

Full Career Eligibility:

This award will continue to vest on the original schedule following termination of employment in the event that:

- you leave the Firm voluntarily, have completed at least five years of continuous service with the Firm immediately preceding your termination date, and the sum of your age and Recognized Service (as defined below) on your date of termination equals or exceeds 60, and

- you provide at least 90 days advance written notice to the Firm of your intention to voluntarily terminate your employment under this provision, during which notice period you provide such services as requested by the Firm in a cooperative and professional manner and you do not perform any services for any other employer, and

- for the remainder of the relevant vesting period, you do not (i) perform services in any capacity (including self-employment) for a Financial Services Company (as defined below) or (ii) work in your profession (whether or not for a Financial Services Company); provided that you may work for a government, education or Not-for-Profit Organization (as defined below).

After receipt of such advance written notice, the Firm may choose to have you continue to provide services during such 90-day period or shorten the length of the 90-day period at the Firm's discretion, but to a date no earlier than the date you would otherwise meet the age and service requirements.

Additional advance notice requirements may apply in certain business units (or equivalent organizational unit or department). (See "Special Notice Period" below.)

Total Disability:

In the event your employment terminates as a result of your permanent and total disability as defined in the JPMorgan Chase & Co. Long Term Disability Plan (or for non-U.S. employees the equivalent local country plan), your outstanding units will continue to vest on the original schedule during such period of disability provided that you remain unemployed for such period.

For both Full Career Eligibility and Total Disability, you must notify JPMorgan Chase in writing in advance if you plan to perform services for any party or if you will be self-employed during the vesting periods. Failure to provide such notification could impact award vesting.

Release/Certification

In order to qualify for continued vesting after termination of your employment under any of the foregoing circumstances:

- you must timely execute and deliver a release of claims in favor of the Firm, having such form and terms as the Firm shall specify,

- with respect to Full Career Eligibility, prior to the termination of your employment, you must confirm with management that you meet the eligibility criteria (including providing at least 90 days advance written notification) and advise that you are seeking to be treated as an individual eligible for Full Career Eligibility, and

- except in the case of a job elimination, it is your responsibility to take the appropriate steps to certify to the Firm prior to each vesting date on the authorized form of the Firm that you have complied with the employment restrictions applicable to you (as described above) throughout the vesting period and otherwise complied with all other terms of the Award Agreement. (See "Your Obligations.")

Death

If you die while you are eligible to vest in your outstanding units under this award, the units will immediately vest and will be distributed in shares of Common Stock (after applicable tax withholding) to your designated beneficiary on file with the Firm's Stock Administration Department, or if no beneficiary has been designated or survives you, then to your estate. Any shares will be distributed by the later of the end of the calendar year in which you die or the 15th day of the third month following your date of death.

Termination for Cause

In the event that your employment is terminated for Cause (as defined below), or in the event that JPMC determines after the termination of your employment that your employment could have been terminated for Cause, your outstanding restricted stock units shall be forfeited. In addition, you may be required to return to the Firm the value of certain shares delivered to you prior to or after your termination. See “Remedies” for additional information.

Your Obligations

As consideration for the grant of this award, you agree to comply with and be bound by the following:

- **Non-Solicitation of Employees and Customers:**

During your employment by the Firm and for one year following the termination of your employment, or if longer, during all remaining vesting periods if you continue to vest after your employment with the Firm terminates, you will not directly or indirectly, whether on your own behalf or on behalf of any other party, without the prior written consent of the Director Human Resources of JPMorgan Chase: (i) solicit, induce or encourage any of the Firm’s then current employees to leave the Firm or to apply for employment elsewhere; (ii) hire any employee or former employee who was employed by the Firm at the date your employment terminated, unless the individual’s employment terminated more than six months before the date of hire or because his or her job was eliminated; or (iii) solicit or induce or attempt to induce to leave the Firm, or divert or attempt to divert from doing business with the Firm, any then current customers, suppliers or other persons or entities that were serviced by you or whose names became known to you by virtue of your employment with the Firm, or otherwise interfere with the relationship between the Firm and such customers, suppliers or other persons or entities. This does not apply to publicly known institutional customers that you service after your employment with the Firm without the use of the Firm’s confidential or proprietary information.

These restrictions do not apply to authorized actions you take in the normal course of your employment with the Firm, such as employment decisions with respect to employees you supervise or business referrals in accordance with the Firm’s policies.

- **Confidential Information:**

You may not, either during your employment with the Firm or thereafter, directly or indirectly use or disclose to anyone any confidential information related to the Firm’s business, except as explicitly permitted by the JPMorgan Chase Code of Conduct and applicable policies or law or legal process. “Confidential information” shall have the same meaning for the Award Agreement as it has in the JPMorgan Chase Code of Conduct.

- **Non-Disparagement:**

You may not, either during your employment with the Firm or thereafter, make or encourage others to make any public statement or release any information that is intended to, or reasonably could be foreseen to, embarrass or criticize the Firm or its employees, officers, directors or shareholders as a group. This shall not preclude you from reporting to the Firm’s management or directors or to the government or a regulator conduct you believe to be in violation of the law or the Firm’s Code of Conduct or responding truthfully to questions or requests for information to the government, a regulator or in a court of law in connection with a legal or regulatory investigation or proceeding.

- **Cooperation:**

You agree to cooperate fully with and provide full and accurate information to the Firm and its counsel with respect to any matter (including any audit, tax proceeding, litigation, investigation or governmental proceeding) with respect to which you may have knowledge or information, subject to reimbursement for actual, appropriate and reasonable expenses incurred by you.

- **Compliance with Award Agreement:**

You agree that you will provide the Firm with any information reasonably requested to determine compliance with the Award Agreement, and you authorize the Firm to disclose the terms of the Award Agreement to any third party who might be affected thereby, including your prospective employer.

- **Special Notice Period:**

If you are a managing director, executive director or vice president (or comparable title) of a business unit or equivalent organizational unit or department (“business unit”) that requires as a condition of your continued employment that you provide advance written notice ("Special Notice Period") of your intention to terminate your employment for any reason, then as consideration for this Award, you shall provide the Firm advance written notice of your election to terminate your employment as specified by such business unit. In business units that require this Special Notice Period, the current notice period is 90 days for managing directors (or comparable title), 60 days for executive directors (or comparable title) and 30 days for vice presidents (or comparable title). Please note that in some cases, individuals may have specific agreements providing for longer notice periods than those stated above. In those cases, the longer notice period shall apply.

After receipt of such notice, the Firm may choose to have you continue to provide services during the applicable Special Notice Period or may place you on a paid leave for all or part of the applicable Special Notice Period. During the Special Notice Period, you shall continue to devote your full time and loyalty to the Firm by providing services in a cooperative and professional manner and not perform any services for any other employer and shall receive your base salary and certain benefits until your employment terminates. You and the Firm may mutually agree to waive or modify the length of the Special Notice Period.

Regardless of whether the Special Notice Period applies to you, you must comply with the 90-day advance notice period described under "Full Career Eligibility" in the event you wish to terminate employment under the Full Career Eligibility provision.

Remedies

- **Cancellation**

In addition to the provisions described under "Termination of Employment" and "Termination for Cause", your outstanding restricted stock units will be cancelled if:

- the Firm in its sole discretion determines that you are not in compliance with any of the advance notice/cooperation requirements or employment restrictions applicable to your termination of employment, or
- you fail to return the required forms specified under "Release/Certification" within the specified deadline, including the certification required immediately prior to a vesting date under Full Career Eligibility and Total Disability, or
- you violate any of the provisions as set forth above in "Your Obligations."

- **Damages**

In addition, you will be required to pay the Firm as liquidated damages an amount equal to the Fair Market Value (determined as of the vesting date) of the net number of shares of Common Stock distributed to you under this award as follows:

- shares distributed within the one year period prior to your violation of any of the provisions as set forth above in "Your Obligations;"
- shares distributed at any time following termination of employment when you were not in compliance with the employment restrictions then applicable to you during the vesting period, and
- shares distributed within the one year period immediately preceding and any time after your termination of employment if your employment was terminated or the Firm determines that your employment could have been terminated for Cause (as described under "Termination for Cause").

Payment may be made in shares of Common Stock or in cash. You agree that this payment will be liquidated damages and is not to be construed in any manner as a penalty. You acknowledge that a violation or attempted violation of the obligations set forth herein will cause immediate and irreparable damage to the Firm, and therefore agree that the Firm shall be entitled as a matter of right to an injunction, from any court of competent jurisdiction, restraining any violation or further violation of such obligations; such right to an injunction, however, shall be cumulative and in addition to whatever other remedies the Firm may have under law or equity. In any action or proceeding by the Firm to enforce the terms and conditions of this Award Agreement where the Firm is the prevailing party, the Firm shall be entitled to recover from you its reasonable attorneys' fees and expenses incurred in such action or proceeding.

Additional Conditions

Notwithstanding any terms of this Award Agreement to the contrary:

- JPMorgan Chase reserves the right to cancel, or require repayment of the value of any distributions you received under, this award to the extent provided under the JPMorgan Chase Bonus Recoupment Policy as in effect from time to time.

- JPMorgan Chase reserves the right to cancel, or require repayment of the value of any distribution you received under, all or any portion of this award if JPMorgan Chase determines that this award was based on materially inaccurate performance metrics or on any misrepresentation by you.

- If you are subject to Section 111 of the Emergency Economic Stabilization Act of 2008 and any regulations or interpretations promulgated thereunder, or any successor or other applicable statute or regulation affecting your compensation ("EESA or Other Applicable Law"), then any payment of any kind provided for by this Award Agreement must comply with EESA or Other Applicable Law, and this Award Agreement shall be interpreted or reformed to the extent required to so comply.

Administrative Provisions

Withholding Taxes: The Firm will retain from each distribution the number of shares of Common Stock required to satisfy applicable tax obligations (including, to the extent legally permissible, recovery by the Firm of fringe benefit taxes). For U.S. tax purposes, dividend equivalents are treated as wages and subject to tax withholding when paid. If, according to local country tax regulations, a withholding tax liability arises at a time after the date of distribution, JPMorgan Chase may implement any procedures necessary to ensure that the withholding obligation is fully satisfied, including but not limited to, restricting transferability of the shares.

Right to Set Off: The Firm may, to the maximum extent permitted by applicable law, retain for itself funds or securities otherwise payable to you pursuant to this award to satisfy any obligation or debt that you owe to the Firm. The Firm may not retain such funds or securities until such time as they would otherwise be distributable to you in accordance with the Award Agreement.

No Ownership Rights: Restricted stock units do not convey the rights of ownership of Common Stock and do not carry voting rights. No shares of Common Stock will be issued to you until after the restricted stock units have vested and all applicable restrictions have lapsed. Shares will be issued in accordance with JPMorgan Chase's procedures for issuing stock. JPMorgan Chase's obligation hereunder is unfunded.

Binding Agreement: The Award Agreement will be binding upon any successor in interest to JPMorgan Chase, by merger or otherwise.

Not a Contract of Employment: Nothing contained in the Award Agreement constitutes a contract of employment or continued employment. Employment is at-will and may be terminated by either you or JPMorgan Chase for any reason at any time. This award does not confer any right or entitlement to, nor does the award impose any obligation on the Firm to provide, the same or any similar award in the future.

Section 409A Compliance: Notwithstanding anything herein to the contrary, if you (i) are subject to taxation under the United States Internal Revenue Code ("Code"), (ii) are a specified employee as defined in the JPMorgan Chase 2005 Deferred Compensation Plan and (iii) have incurred a separation from service and if any shares under this award represent deferred compensation as defined in Section 409A and are distributable to you as a result your separation from service, then those shares will be delivered to you on first business day of the first calendar month after the expiration of six full months from date of your separation from service. Further, if prior to any vesting date, your award is not subject to a substantial risk of forfeiture as defined by Section 409A of the Code, then the remainder of each calendar year immediately following (i) each vesting date shall be a payment date for purposes of distributing the vested portion of the award and (ii) each date that JPMorgan Chase specifies for payment of dividends declared on its common stock shall be the payment date(s) for purposes of dividend equivalent payments.

Change in Outstanding Shares: In the event of any change in the outstanding shares of Common Stock by reason of any stock dividend or split, recapitalization, issuance of a new class of common stock, merger, consolidation, spin-off, combination or exchange of shares or other similar corporate change, or any distributions to stockholders of Common Stock other than regular cash dividends, the Compensation & Management Development Committee of the Board will make an equitable substitution or proportionate adjustment, in the number or kind of shares of Common Stock or other securities issued or reserved for issuance pursuant to the Plan and to any Restricted Stock Units outstanding under this award for such corporate events.

Interpretation/Administration: The Director Human Resources has sole and complete authority to interpret and administer this Award Agreement, including, without limitation, the power to (i) interpret the Plan and the terms of this Award Agreement; (ii) determine the reason for termination of employment and application of the post-employment obligations; (iii) decide all claims arising with respect to this Award; and (iv) delegate such authority as he deems appropriate. Any determination by the Director Human Resources shall be binding on all parties.

Notwithstanding anything herein to the contrary, the Firm's determinations under the Plan and the Award Agreements are not required to be uniform. By way of clarification, the Firm shall be entitled to make non-uniform and selective determinations and modifications under Award Agreements and the Plan.

Amendment: The Firm by action of its Director Human Resources reserves the right to amend the Award Agreement in any manner, at any time and for any reason so long as there has not been a change in control of JPMorgan Chase, as such term is defined by the JPMorgan Chase Board of Directors from time to time. After a change in control of JPMorgan Chase, this Award Agreement may not be amended in any way that is adverse to your interests without your prior written consent. This Award Agreement may not be amended except in writing signed by the Director Human Resources of JPMorgan Chase.

Severability: If any portion of the Award Agreement is determined by the Firm to be unenforceable in any jurisdiction, any court of competent jurisdiction or the Director Human Resources may reform the relevant provisions (e.g., as to length of service, time, geographical area or scope) to the extent the Firm considers necessary to make the provision enforceable under applicable law.

Governing Law: By accepting this award, you are agreeing (i) to the extent not preempted by federal law, the laws of the state of New York (without reference to conflict of law principles) will apply to this award and the Plan; (ii) to waive the right to a jury trial with respect to any judicial proceeding brought in connection with this award; and (iii) that any dispute related to this award shall be submitted to arbitration in accordance with the rules of the American Arbitration Association, if so elected by the Firm in its sole discretion.

Definitions

"Cause" means a determination by the Firm that your employment terminated as a result of your (i) violation of any law, rule or regulation (including rules of self-regulatory bodies) related to the Firm's business; (ii) indictment or conviction of a felony; (iii) commission of a fraudulent act; (iv) violation of the JPMorgan Code of Conduct or other Firm policies or misconduct related to your duties to the Firm (other than immaterial and inadvertent violations or misconduct); (v) inadequate performance of the duties associated with your position or job function or failure to follow reasonable directives of your manager; or (vi) any act or failure to act that is or might reasonably be expected to be injurious to the interests of the Firm or its relationship with a customer, client or employee.

"Financial Services Company" means a business enterprise that employs you in any capacity (as an employee, contractor, consultant, advisor, self-employed individual, etc. whether paid or unpaid) and engages in:

- commercial or retail banking, including, but not limited to, commercial, institutional and personal trust, custody and/or lending and processing services, originating and servicing mortgages, issuing and servicing credit cards;

- insurance, including but not limited to, guaranteeing against loss, harm damage, illness, disability or death, providing and issuing annuities, acting as principal, agent or broker for purpose of the forgoing;

- financial, investment or economic advisory services, including but not limited to, investment banking services (such as advising on mergers or dispositions, underwriting, dealing in, or making a market in securities or other similar activities), brokerage services, investment management services, asset management services, and hedge funds;

- issuing, trading or selling instruments representing interests in pools of assets or in derivatives instruments;

- advising on, or investing in, private equity or real estate, or

- any similar activities that JPMorgan Chase determines in its sole discretion constitute financial services.

"Not-for-Profit Organization" means an entity exempt from tax under state law and under Section 501(c)(3) of the Internal Revenue Code. Section 501(c)(3) includes entities organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary or educational purposes, or to foster national or international amateur sports competition or for the prevention of cruelty to children or animals.

"Recognized Service" means the period of service as an employee set forth in the Firm's applicable service-related policies.

Exhibit 10.23

JPMORGAN CHASE & CO. LONG-TERM INCENTIVE PLAN
TERMS AND CONDITIONS OF JANUARY 20, 2009
RESTRICTED STOCK UNIT AWARD
OPERATING COMMITTEE

Award Agreement

These terms and conditions are made part of the Award Agreement dated as of January 20, 2009 ("Grant Date") awarding restricted stock units pursuant to the terms of the JPMorgan Chase & Co. Long-Term Incentive Plan ("Plan"). To the extent the terms of the Award Agreement (all references to which will include these terms and conditions) conflict with the Plan, the Plan will govern. The Award Agreement, the Plan and Prospectus supersede any other agreement, whether written or oral, that may have been entered into by the Firm and you relating to this award.

This award was granted on the Grant Date subject to the Award Agreement. **Unless you decline by the deadline and in the manner specified in the Award Agreement, you will have agreed to be bound by these terms and conditions, effective as of the Grant Date.** If you decline the award, it will be cancelled as of the Grant Date.

Capitalized terms that are not defined in the Award Agreement will have the same meaning as set forth in the Plan.

JPMorgan Chase & Co. will be referred to throughout the Award Agreement as "JPMorgan Chase," and together with its subsidiaries as the "Firm."

Form and Purpose of Award

Each restricted stock unit represents a non-transferable right to receive one share of Common Stock following the applicable vesting date.

The purpose of this award is, in part, to motivate your future performance and to align your interests with those of the Firm and its shareholders.

Dividend Equivalents

If dividends are paid on Common Stock while restricted stock units under this award are outstanding, you will be paid an amount equal to the dividend paid on one share of Common Stock, multiplied by the number of restricted stock units outstanding to you under this award.

Vesting Dates

This award will vest according to the schedule on your Award Agreement, provided that you are continuously employed by the Firm, or you meet the requirements for continued vesting described below, through the relevant vesting date, and subject to the following:

- Although it is intended and expected that this award will vest as scheduled, the award may be reduced or cancelled or vesting dates may be deferred in the event that the Chief Executive Officer ("CEO") of JPMorgan Chase determines, as part of JPMorgan Chase's annual performance assessment process, based on the CEO's assessment of your performance and the performance of the Firm (which may include more than one performance year), that you have not achieved satisfactory progress toward your priorities or that the Firm has not achieved satisfactory progress toward the Firm's priorities for which you share responsibility as a member of the Operating Committee. Such a determination is subject to ratification by the Compensation and Management Development Committee of the Board of Directors of JPMorgan Chase.

- JPMorgan Chase reserves the right to cancel, or require repayment of the value of any distributions you received under, all or any portion of this award to the extent provided under the JPMorgan Chase Bonus Recoupment Policy as in effect from time to time.

- JPMorgan Chase reserves the right to cancel, or require repayment of the value of any distributions you received under, all or any portion of this award if JPMorgan Chase determines that this award was based on materially inaccurate performance metrics or on any misrepresentation by you.

- If you are subject to Section 111 of the Emergency Economic Stabilization Act of 2008 and any regulations or interpretations promulgated thereunder, or any successor or other applicable statute affecting your compensation ("EESA or Other Applicable Law"), then any payment of any kind provided for by this Award Agreement must comply with EESA or Other Applicable Law, and this Award Agreement shall be interpreted or reformed to so comply.

Vesting Periods

The period from the Grant Date to each vesting date will be a separate "vesting period."

Termination of Employment

Except as explicitly set forth below under "Job Elimination," "Full Career Eligibility," "Total Disability," and "Death," any restricted stock units outstanding under this award will be cancelled effective on the date your employment with the Firm terminates for any reason.

Job Elimination, Full Career Eligibility, Total Disability

Subject to "Vesting Dates" and the terms and conditions of this Award Agreement (including without limitation "Your Obligations"), you will be eligible to continue to vest in your outstanding restricted stock units under this award following the termination of your employment if one of the following circumstances applies to you.

Job Elimination:

This award will continue to vest on the original schedule following termination of employment in the event that:

- the Director Human Resources of the Firm or nominee in their sole discretion determine that the Firm terminated your employment because your job was eliminated, and
- after you are notified that your job will be eliminated, you provide such services as requested by the Firm in a cooperative and professional manner.

Full Career Eligibility:

This award will continue to vest on the original schedule following termination of employment in the event that:

- you leave the Firm voluntarily, have completed at least five years of continuous service with the Firm immediately preceding your termination date, and the sum of your age and Recognized Service (as defined below) on your date of termination equals or exceeds 60, and
- you provide at least 90 days advance written notice to the Firm of your intention to voluntarily terminate your employment under this provision, during which notice period you provide such services as requested by the Firm in a cooperative and professional manner and you do not perform any services for any other employer, and
- for the remainder of the relevant vesting period, you do not (i) perform services in any capacity (including self-employment) for a Financial Services Company (as defined below) or (ii) work in your profession (whether or not for a Financial Services Company); provided that you may work for a government, education or Not-for-Profit Organization (as defined below).

After receipt of such advance written notice, the Firm may choose to have you continue to provide services during such 90-day period or shorten the length of the 90-day period at the Firm's discretion, but to a date no earlier than the date you would otherwise meet the age and service requirements.

Additional advance notice requirements may apply in certain business units (or equivalent organizational unit or department). (See "Special Notice Period" below.)

Total Disability:

In the event your employment terminates as a result of your permanent and total disability as defined in the JPMorgan Chase & Co. Long Term Disability Plan (or for non-U.S. employees the equivalent local country plan), your outstanding units will continue to vest on the original schedule during such period of disability provided that you remain unemployed for such period.

For both Full Career Eligibility and Total Disability, you must notify JPMorgan Chase in writing in advance if you plan to perform services for any party or if you will be self-employed during the vesting periods. Failure to provide such notification could impact award vesting.

Release/Certification

In order to qualify for continued vesting after termination of your employment under any of the foregoing circumstances:

- you must timely execute and deliver a release of claims in favor of the Firm, having such form and terms as the Firm shall specify,
- with respect to Full Career Eligibility, prior to the termination of your employment, you must confirm with management that you meet the eligibility criteria (including providing at least 90 days advance written notification) and advise that you are seeking to be treated as an individual eligible for Full Career Eligibility, and
- except in the case of a job elimination, it is your responsibility to take the appropriate steps to certify to the Firm prior to each vesting date on the authorized form of the Firm that you have complied with the employment restrictions applicable to you (as described above) throughout the vesting period and otherwise complied with all other terms of the Award Agreement. (See "Your Obligations.")

Death

If you die while you are eligible to vest in your outstanding units under this award, the units will immediately vest and will be distributed in shares of Common Stock (after applicable tax withholding) to your designated beneficiary on file with the Firm's Stock Administration Department, or if no beneficiary has been designated or survives you, then to your estate. Any shares will be distributed by the later of the end of the calendar year in which you die or the 15^{th} day of the third month following your date of death.

Termination for Cause

In the event that your employment is terminated for Cause (as defined below), or in the event that JPMC determines after the termination of your employment that your employment could have been terminated for Cause, your outstanding restricted stock units shall be forfeited. In addition, you may be required to return to the Firm the value of certain shares delivered to you prior to or after your termination. See "Remedies" for additional information.

Your Obligations

As consideration for the grant of this award, you agree to comply with and be bound by the following:

- **Non-Solicitation of Employees and Customers:**

During your employment by the Firm and for one year following the termination of your employment, or if longer, during all remaining vesting periods if you continue to vest after your employment with the Firm terminates, you will not directly or indirectly, whether on your own behalf or on behalf of any other party, without the prior written consent of the Director Human Resources of JPMorgan Chase: (i) solicit, induce or encourage any of the Firm's then current employees to leave the Firm or to apply for employment elsewhere; (ii) hire any employee or former employee who was employed by the Firm at the date your employment terminated, unless the individual's employment terminated more than six months before the date of hire or because his or her job was eliminated; or (iii) solicit or induce or attempt to induce to leave the Firm, or divert or attempt to divert from doing business with the Firm, any then current customers, suppliers or other persons or entities that were serviced by you or whose names became known to you by virtue of your employment with the Firm, or otherwise interfere with the relationship between the Firm and such customers, suppliers or other persons or entities. This does not apply to publicly known institutional customers that you service after your employment with the Firm without the use of the Firm's confidential or proprietary information.

These restrictions do not apply to authorized actions you take in the normal course of your employment with the Firm, such as employment decisions with respect to employees you supervise or business referrals in accordance with the Firm's policies.

- **Confidential Information:**

You may not, either during your employment with the Firm or thereafter, directly or indirectly use or disclose to anyone any confidential information related to the Firm's business, except as explicitly permitted by the JPMorgan Chase Code of Conduct and applicable policies or law or legal process. "Confidential information" shall have the same meaning for the Award Agreement as it has in the JPMorgan Chase Code of Conduct.

- **Non-Disparagement:** You may not, either during your employment with the Firm or thereafter, make or encourage others to make any public statement or release any information that is intended to, or reasonably could be foreseen to, embarrass or criticize the Firm or its employees, officers, directors or shareholders as a group. This shall not preclude you from reporting to the Firm's management or directors or to the government or a regulator conduct you believe to be in violation of the law or the Firm's Code of Conduct or responding truthfully to questions or requests for information to the government, a regulator or in a court of law in connection with a legal or regulatory investigation or proceeding.

- **Cooperation:** You agree to cooperate fully with and provide full and accurate information to the Firm and its counsel with respect to any matter (including any audit, tax proceeding, litigation, investigation or governmental proceeding) with respect to which you may have knowledge or information, subject to reimbursement for actual, appropriate and reasonable expenses incurred by you.

- **Compliance with Award Agreement:** You agree that you will provide the Firm with any information reasonably requested to determine compliance with the Award Agreement, and you authorize the Firm to disclose the terms of the Award Agreement to any third party who might be affected thereby, including your prospective employer.

- **Special Notice Period:** If you are at or above the level of managing director, executive director or vice president (or comparable title) of a business unit or equivalent organizational unit or department ("business unit") that requires as a condition of your continued employment that you provide advance written notice ("Special Notice Period") of your intention to terminate your employment for any reason, then as consideration for this Award, you shall provide the Firm advance written notice of your election to terminate your employment as specified by such business unit. In business units that require this Special Notice Period, the current notice period is 90 days for managing directors (or comparable title), 60 days for executive directors (or comparable title) and 30 days for vice presidents (or comparable title). Please note that in some cases, individuals may have specific agreements providing for longer notice periods than those stated above. In those cases, the longer notice period shall apply.

  After receipt of such notice, the Firm may choose to have you continue to provide services during the applicable Special Notice Period or may place you on a paid leave for all or part of the applicable Special Notice Period. During the Special Notice Period, you shall continue to devote your full time and loyalty to the Firm by providing services in a cooperative and professional manner and not perform any services for any other employer and shall receive your base salary and certain benefits until your employment terminates. You and the Firm may mutually agree to waive or modify the length of the Special Notice Period.

  Regardless of whether the Special Notice Period applies to you, you must comply with the 90-day advance notice period described under "Full Career Eligibility" in the event you wish to terminate employment under the Full Career Eligibility provision.

Remedies

- **Cancellation** In addition to the provisions described under "Termination of Employment" and "Termination for Cause", your outstanding restricted stock units will be cancelled if:

  - the Firm in its sole discretion determines that you are not in compliance with any of the advance notice/cooperation requirements or employment restrictions applicable to your termination of employment, or
  - you fail to return the required forms specified under "Release/Certification" within the specified deadline, including the certification required immediately prior to a vesting date under Full Career Eligibility and Total Disability, or
  - you violate any of the provisions as set forth above in "Your Obligations."

- **Damages**

In addition, you will be required to pay the Firm as liquidated damages an amount equal to the Fair Market Value (determined as of the vesting date) of the net number of shares of Common Stock distributed to you under this award as follows:

- shares distributed within the one year period prior to your violation of any of the provisions as set forth above in “Your Obligations;”
- shares distributed at any time following termination of employment when you were not in compliance with the employment restrictions then applicable to you during the vesting period, and
- shares distributed within the one year period immediately preceding and any time after your termination of employment if your employment was terminated or the Firm determines that your employment could have been terminated for Cause (as described under “Termination for Cause”).

Payment may be made in shares of Common Stock or in cash. You agree that this payment will be liquidated damages and is not to be construed in any manner as a penalty. You acknowledge that a violation or attempted violation of the obligations set forth herein will cause immediate and irreparable damage to the Firm, and therefore agree that the Firm shall be entitled as a matter of right to an injunction, from any court of competent jurisdiction, restraining any violation or further violation of such obligations; such right to an injunction, however, shall be cumulative and in addition to whatever other remedies the Firm may have under law or equity. In any action or proceeding by the Firm to enforce the terms and conditions of this Award Agreement where the Firm is the prevailing party, the Firm shall be entitled to recover from you its reasonable attorneys’ fees and expenses incurred in such action or proceeding. Notwithstanding any terms of this Award Agreement to the contrary:

Administrative Provisions

Withholding Taxes: The Firm will retain from each distribution the number of shares of Common Stock required to satisfy applicable tax obligations (including, to the extent legally permissible, recovery by the Firm of fringe benefit taxes). For U.S. tax purposes, dividend equivalents are treated as wages and subject to tax withholding when paid. If, according to local country tax regulations, a withholding tax liability arises at a time after the date of distribution, JPMorgan Chase may implement any procedures necessary to ensure that the withholding obligation is fully satisfied, including but not limited to, restricting transferability of the shares.

Right to Set Off: The Firm may, to the maximum extent permitted by applicable law, retain for itself funds or securities otherwise payable to you pursuant to this award to satisfy any obligation or debt that you owe to the Firm. The Firm may not retain such funds or securities until such time as they would otherwise be distributable to you in accordance with the Award Agreement.

No Ownership Rights: Restricted stock units do not convey the rights of ownership of Common Stock and do not carry voting rights. No shares of Common Stock will be issued to you until after the restricted stock units have vested and all applicable restrictions have lapsed. Shares will be issued in accordance with JPMorgan Chase’s procedures for issuing stock. JPMorgan Chase’s obligation hereunder is unfunded.

Binding Agreement: The Award Agreement will be binding upon any successor in interest to JPMorgan Chase, by merger or otherwise.

Not a Contract of Employment: Nothing contained in the Award Agreement constitutes a contract of employment or continued employment. Employment is at-will and may be terminated by either you or JPMorgan Chase for any reason at any time. This award does not confer any right or entitlement to, nor does the award impose any obligation on the Firm to provide, the same or any similar award in the future.

Section 409A Compliance: Notwithstanding anything herein to the contrary, if you (i) are subject to taxation under the United States Internal Revenue Code (“Code”), (ii) are a specified employee as defined in the JPMorgan Chase 2005 Deferred Compensation Plan and (iii) have incurred a separation from service and if any shares under this award represent deferred compensation as defined in Section 409A and are distributable to you as a result your separation from service, then those shares will be delivered to you on first business day of the first calendar month after the expiration of six full months from date of your separation from service. Further, if prior to any vesting date, your award is not subject to a substantial risk of forfeiture as defined by Section 409A of the Code, then the remainder of each calendar year immediately following (i) each vesting date shall be a payment date for purposes of distributing the vested portion of the award and (ii) each date that JPMorgan Chase specifies for payment of dividends declared on its common stock shall be the payment date(s) for purposes of dividend equivalent payments.

Change in Outstanding Shares: In the event of any change in the outstanding shares of Common Stock by reason of any stock dividend or split, recapitalization, issuance of a new class of common stock, merger, consolidation, spin-off, combination or exchange of shares or other similar corporate change, or any distributions to stockholders of Common Stock other than regular cash dividends, the Compensation & Management Development Committee of the Board will make an equitable substitution or proportionate adjustment, in the number or kind of shares of Common Stock or other securities issued or reserved for issuance pursuant to the Plan and to any Restricted Stock Units outstanding under this award for such corporate events.

Interpretation/Administration: The Director Human Resources has sole and complete authority to interpret and administer this Award Agreement, including, without limitation, the power to (i) interpret the Plan and the terms of this Award Agreement; (ii) determine the reason for termination of employment and application of the post-employment obligations; (iii) decide all claims arising with respect to this Award; and (iv) delegate such authority as he deems appropriate. Any determination by the Director Human Resources shall be binding on all parties.

Notwithstanding anything herein to the contrary, the Firm's determinations under the Plan and the Award Agreements are not required to be uniform. By way of clarification, the Firm shall be entitled to make non-uniform and selective determinations and modifications under Award Agreements and the Plan.

Amendment: The Firm by action of its Director Human Resources reserves the right to amend the Award Agreement in any manner, at any time and for any reason so long as there has not been a change in control of JPMorgan Chase, as such term is defined by the JPMorgan Chase Board of Directors from time to time. After a change in control of JPMorgan Chase, this Award Agreement may not be amended in any way that is adverse to your interests without your prior written consent. This Award Agreement may not be amended except in writing signed by the Director Human Resources of JPMorgan Chase.

Severability: If any portion of the Award Agreement is determined by the Firm to be unenforceable in any jurisdiction, any court of competent jurisdiction or the Director Human Resources may reform the relevant provisions (e.g., as to length of service, time, geographical area or scope) to the extent the Firm considers necessary to make the provision enforceable under applicable law.

Governing Law: By accepting this award, you are agreeing (i) to the extent not preempted by federal law, the laws of the state of New York (without reference to conflict of law principles) will apply to this award and the Plan; (ii) to waive the right to a jury trial with respect to any judicial proceeding brought in connection with this award; and (iii) that any dispute related to this award shall be submitted to arbitration in accordance with the rules of the American Arbitration Association, if so elected by the Firm in its sole discretion.

Definitions

"Cause" means a determination by the Firm that your employment terminated as a result of your (i) violation of any law, rule or regulation (including rules of self-regulatory bodies) related to the Firm's business; (ii) indictment or conviction of a felony; (iii) commission of a fraudulent act; (iv) violation of the JPMorgan Code of Conduct or other Firm policies or misconduct related to your duties to the Firm (other than immaterial and inadvertent violations or misconduct); (v) inadequate performance of the duties associated with your position or job function or failure to follow reasonable directives of your manager; or (vi) any act or failure to act that is or might reasonably be expected to be injurious to the interests of the Firm or its relationship with a customer, client or employee.

"Financial Services Company" means a business enterprise that employs you in any capacity (as an employee, contractor, consultant, advisor, self-employed individual, etc. whether paid or unpaid) and engages in:

- commercial or retail banking, including, but not limited to, commercial, institutional and personal trust, custody and/or lending and processing services, originating and servicing mortgages, issuing and servicing credit cards;
- insurance, including but not limited to, guaranteeing against loss, harm damage, illness, disability or death, providing and issuing annuities, acting as principal, agent or broker for purpose of the forgoing;
- financial, investment or economic advisory services, including but not limited to, investment banking services (such as advising on mergers or dispositions, underwriting, dealing in, or making a market in securities or other similar activities), brokerage services, investment management services, asset management services, and hedge funds;
- issuing, trading or selling instruments representing interests in pools of assets or in derivatives instruments;
- advising on, or investing in, private equity or real estate, or
- any similar activities that JPMorgan Chase determines in its sole discretion constitute financial services.

"Not-for-Profit Organization" means an entity exempt from tax under state law and under Section 501(c)(3) of the Internal Revenue Code. Section 501(c)(3) includes entities organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary or educational purposes, or to foster national or international amateur sports competition or for the prevention of cruelty to children or animals.

"Recognized Service" means the period of service as an employee set forth in the Firm's applicable service-related policies.

Exhibit 12.1
JPMorgan Chase & Co.

Computation of Ratio of Earnings to Fixed Charges

Year ended December 31, (in millions, except ratios)	**2008**(b)	2007	2006	2005	2004(c)
Excluding interest on deposits					
Income from continuing operations before income taxes	**$ 2,773**	$ 22,805	$ 19,886	$ 11,839	$ 5,856
Fixed charges:					
Interest expense	**19,693**	23,328	20,823	15,534	9,418
One-third of rents, net of income from subleases(a)	**507**	400	357	349	334
Total fixed charges	**20,200**	23,728	21,180	15,883	9,752
Less: Equity in undistributed income of affiliates/Add: Equity in undistributed loss of affiliates	**623**	(159)	(152)	6	149
Income from continuing operations before income taxes and fixed charges, excluding capitalized interest	**$ 23,596**	$ 46,374	$ 40,914	$ 27,728	$ 15,757
Fixed charges, as above	**$ 20,200**	$ 23,728	$ 21,180	$ 15,883	$ 9,752
Ratio of earnings to fixed charges	**1.17**	1.95	1.93	1.75	1.62
Including interest on deposits					
Fixed charges as above	**$ 20,200**	$ 23,728	$ 21,180	$ 15,883	$ 9,752
Add: Interest on deposits	**14,546**	21,653	17,042	9,986	4,515
Total fixed charges and interest on deposits	**$ 34,746**	$ 45,381	$ 38,222	$ 25,869	$ 14,267
Income from continuing operations before income taxes and fixed charges, excluding capitalized interest, as above	**$ 23,596**	$ 46,374	$ 40,914	$ 27,728	$ 15,757
Add: Interest on deposits	**14,546**	21,653	17,042	9,986	4,515
Total income from continuing operations before income taxes, fixed charges and interest on deposits	**$ 38,142**	$ 68,027	$ 57,956	$ 37,714	$ 20,272
Ratio of earnings to fixed charges	**1.10**	1.50	1.52	1.46	1.42

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

(b) On September 25, 2008, JPMorgan Chase acquired the banking operations of Washington Mutual Bank. On May 30, 2008, the Bear Stearns merger was consummated. Each of these transactions was accounted for as a purchase and their respective results of operations are included in the Firm’s results from each respective transaction date.

(c) On July 1, 2004, Bank One Corporation merged with and into JPMorgan Chase. Accordingly, 2004 results include six months of the combined Firm’s results and six months of heritage JPMorgan Chase results.

Exhibit 12.2
JPMorgan Chase & Co.

Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividend Requirements

Year ended December 31, (in millions, except ratios)	2008[b]	2007	2006	2005	2004[c]
Excluding interest on deposits					
Income from continuing operations before income taxes	**$ 2,773**	$ 22,805	$ 19,886	$ 11,839	$ 5,856
Fixed charges:					
Interest expense	**19,693**	23,328	20,823	15,534	9,418
One-third of rents, net of income from subleases[a]	**507**	400	357	349	334
Total fixed charges	**20,200**	23,728	21,180	15,883	9,752
Less: Equity in undistributed income of affiliates/Add: Equity in undistributed loss of affiliates	**623**	(159)	(152)	6	149
Income from continuing operations before income taxes and fixed charges, excluding capitalized interest	**$ 23,596**	$ 46,374	$ 40,914	$ 27,728	$ 15,757
Fixed charges, as above	**$ 20,200**	$ 23,728	$ 21,180	$ 15,883	$ 9,752
Preferred stock dividends (pretax)	**803**	—	6	18	68
Fixed charges including preferred stock dividends	**$ 21,003**	$ 23,728	$ 21,186	$ 15,901	$ 9,820
Ratio of earnings to fixed charges and preferred stock dividend requirements	**1.12**	1.95	1.93	1.74	1.60
Including interest on deposits					
Fixed charges including preferred stock dividends, as above	**$ 21,003**	$ 23,728	$ 21,186	$ 15,901	$ 9,820
Add: Interest on deposits	**14,546**	21,653	17,042	9,986	4,515
Total fixed charges including preferred stock dividends and interest on deposits	**$ 35,549**	$ 45,381	$ 38,228	$ 25,887	$ 14,335
Income from continuing operations before income taxes and fixed charges, excluding capitalized interest, as above	**$ 23,596**	$ 46,374	$ 40,914	$ 27,728	$ 15,757
Add: Interest on deposits	**14,546**	21,653	17,042	9,986	4,515
Total income from continuing operations before income taxes, fixed charges and interest on deposits	**$ 38,142**	$ 68,027	$ 57,956	$ 37,714	$ 20,272
Ratio of earnings to fixed charges and preferred stock dividend requirements	**1.07**	1.50	1.52	1.46	1.41

(a) The proportion deemed representative of the interest factor.
(b) On September 25, 2008, JPMorgan Chase acquired the banking operations of Washington Mutual Bank. On May 30, 2008, the Bear Stearns merger was consummated. Each of these transactions was accounted for as a purchase and their respective results of operations are included in the Firm's results from each respective transaction date.
(c) On July 1, 2004, Bank One Corporation merged with and into JPMorgan Chase. Accordingly, 2004 results include six months of the combined Firm's results and six months of heritage JPMorgan Chase results.

Exhibit 21.1

JPMorgan Chase & Co.
List of subsidiaries

JPMorgan Chase had the following subsidiaries at December 31, 2008:

Name	Organized under the the laws of	Percentage of voting securities owned by immediate parent
Banc One Building Management Corporation	Wisconsin	100
Banc One Capital Holdings LLC	Delaware	100
BOCP Holdings Corporation	Ohio	100
Banc One Capital Partners IV, Ltd.	Ohio	100
Banc One Capital Partners VIII, Ltd.	Ohio	83
BOCP Energy Partners, L.P.	Ohio	95
Banc One Stonehenge Capital Fund Wisconsin, LLC	Delaware	100
BOCF, LLC	Delaware	100
BOCNY, LLC	Delaware	100
JPM Mezzanine Capital, LLC	Delaware	100
Chase Investment Services Corp.	Delaware	100
Banc One Deferred Benefits Corporation	Ohio	98
Banc One Financial LLC	Delaware	100
JPMorgan Capital Corporation	Delaware	100
Bank One Investment Corporation	Delaware	100
OEP Holding Corporation	Delaware	100
Banc One Equity Capital Fund II, L.L.C.	Delaware	99.5
Banc One Equity Capital II, L.L.C.	Delaware	100
One Equity Partners II, L.P.	Cayman Islands	99.9(1)
One Equity Partners III, L.P.	Cayman Islands	99.7
One Equity Partners LLC	Delaware	99.9(2)
First Chicago Capital Corporation	Delaware	100
JPMorgan Capital (Canada) Corp.	Canada	100
One Mortgage Partners Corp.	Vermont	100
First Chicago Leasing Corporation	Delaware	100
First Chicago Lease Holdings, Inc.	Delaware	100
Palo Verde Leasing Corporation	Delaware	100
First Chicago Lease Investments, Inc.	Delaware	100
FM Holdings I, Inc.	Delaware	100
GHML Holdings I, Inc.	Delaware	100
GHML Holdings II, Inc.	Delaware	100
GTC Fund III Holdings, Inc.	Delaware	100
GTC Fund IV Holdings, Inc.	Delaware	100
GTC Fund V Holdings, Inc.	Delaware	100
JPMorgan Housing Corporation	Delaware	100
Cooper Project, L.L.C.	Delaware	100
J.P. Morgan Structured Fund Management SAS	France	100
Protech Tax Credit Fund II, LLC	United States	0.01(3)
NLTC Fund Holdings I, Inc.	Delaware	100
OX FCL Two, Inc.	Delaware	100
SAHP 130 Holdings, Inc.	Delaware	100
Banc One Neighborhood Development Corporation	Ohio	100
BOI Leasing Corporation	Indiana	100
Bridge Acquisition Holdings, Inc.	Delaware	100
CCC Holding Inc.	Delaware	100
Chase Commercial Corporation	Delaware	100
Chase Capital Holding Corporation	Delaware	100
Chase Capital Corporation	Delaware	100
Chase Capital Credit Corporation	Delaware	100
Chase Lincoln First Commercial Corporation	Delaware	100
Chase Manhattan Realty Leasing Corporation	New York	100

Name	Organized under the laws of	Percentage of voting securities owned by immediate parent
Palo Verde 1-PNM August 50 Corporation	Delaware	100
Palo Verde 1-PNM December 75 Corporation	Delaware	100
PV2-APS 150 Corporation	Delaware	100
PV2-PNM December 35 Corporation	Delaware	100
Chatham Ventures, Inc.	New York	100
J.P. Morgan Partners (BHCA), L.P.	California	80(4)
CVCA, LLC	Delaware	100
Chemical Equity Incorporated	New York	100
Chemical Investments, Inc.	Delaware	100
Clintstone Properties Inc.	New York	100
CMRCC, Inc.	New York	100
Credit Markets Investment Corporation	Delaware	100
Custodial Trust Company	New Jersey	99
Hambrecht & Quist California	California	100
H&Q Holdings Inc.	Delaware	100
Hatherley Insurance Ltd.	Bermuda	100
Homesales, Inc.	Delaware	100
J.P. Morgan Capital Financing Limited	England	100
Aldermanbury Investments Limited	England	100
J.P. Morgan Chase International Financing Limited	England	100
Robert Fleming Holdings Limited	England	100
Robert Fleming Investment Trust Limited	England	100
J.P. Morgan Chase Community Development Corporation	Delaware	100
J.P. Morgan Chase National Corporate Services, Inc.	New York	100
J.P. Morgan Corporate Services Limited	England	100
Robert Fleming Holdings Inc.	Delaware	100
J.P. Morgan Equity Holdings, Inc.	Delaware	100
CMC Holding Delaware Inc.	Delaware	100
Chase Bank USA, National Association	United States	100
Chase BankCard Services, Inc.	Delaware	100
J.P. Morgan Investor Services Co.	Delaware	100
Ixe Tarjetas, S.A. de C.V., Sociedad Financiera de Objeto Multiple, Entidad Regulada	Mexico	50(5)
J.P. Morgan Trust Company of Delaware	Delaware	100
JPMorgan Bank and Trust Company, National Association	United States	100
JPM Capital Corporation	Delaware	100
JPMC Wind Assignor Corporation	Delaware	100
JPMC Wind Investment LLC	Delaware	49.995(6)
J.P. Morgan Finance Holdings (Japan) LLC	Delaware	100
J.P. Morgan Finance Japan YK	Japan	100
J.P. Morgan Funding Corp.	England	99.99(7)
J.P. Morgan Futures Inc.	Delaware	100
J.P. Morgan GT Corporation	Delaware	100
J.P. Morgan Insurance Holdings, L.L.C.	Arizona	100
Banc One Insurance Company	Vermont	100
Chase Insurance Agency, Inc.	Wisconsin	100
J.P. Morgan International Holdings LLC	Delaware	100
J.P. Morgan Trust Company (Bahamas) Limited	Bahamas, The	100
J.P. Morgan Trust Company (Cayman) Limited	Cayman Islands	100
JPMAC Holdings Inc.	Delaware	100
J.P. Morgan Invest Holdings LLC	Delaware	100
J.P. Morgan Retirement Plan Services LLC	Delaware	100
J.P. Morgan Partners (23A Manager), Inc.	Delaware	100
J.P. Morgan Private Investments Inc.	Delaware	100
J.P. Morgan Securities Inc.	Delaware	100
J.P. Morgan Clearing Corp.	Delaware	100
J.P. Morgan Services Asia Holdings, Inc.	Delaware	100
J.P. Morgan Services Asia Holdings Limited	Mauritius	100
J.P. Morgan Services India Private Limited	India	99.99957515(8)
J.P. Morgan Services Inc.	Delaware	100
JPM International Consumer Holding Inc.	Delaware	100
Brysam Global Partners, L.P.	Cayman Islands	98.0392
Brysam BPO Ltd	Mauritius	100
Brysam Mexico II, LLC	Delaware	100
JPMorgan Asset Management Holdings Inc.	Delaware	100
Highbridge Capital Management, LLC	Delaware	77.5

Name	Organized under the laws of	Percentage of voting securities owned by immediate parent
Highbridge Capital Management (Hong Kong), Limited	Hong Kong	100
Highbridge Capital Management (UK), Ltd.	England	100
Highbridge Principal Strategies, LLC	Delaware	100
Highbridge Principal Strategies (UK) I, Ltd	England	100
Highbridge Principal Strategies (UK), LLP	England	50[9]
J.P. Morgan Alternative Asset Management, Inc.	Delaware	100
J.P. Morgan Investment Management Inc.	Delaware	100
JPMorgan Global Absolute Return Strategy Fund, LLC	Delaware	100
JPMorgan Asset Management (Asia) Inc.	Delaware	100
JF Asset Management (Singapore) Limited	Singapore	100
JF Asset Management Limited	Hong Kong	99.99998[10]
JPMorgan Funds (Asia) Limited	Hong Kong	99.9999998[11]
JPMorgan Asset Management (Taiwan) Limited	Taiwan	100
JPMorgan Asset Management (Japan) Limited	Japan	100
JPMorgan Funds (Taiwan) Limited	Taiwan	100
JPMorgan Asset Management (Canada) Inc.	Canada	100
JPMorgan Asset Management International Limited	England	100
JPMorgan Asset Management Holdings (UK) Limited	England	100
JPMorgan Asset Management (UK) Limited	England	100
JPMorgan Asset Management Holdings (Luxembourg) S.à r.l.	Luxembourg	100
JPMorgan Asset Management (Europe) S.à r.l.	Luxembourg	100
JPMorgan Asset Management Societa di Gestione del Risparmio SpA	Italy	99.9[12]
JPMorgan Asset Management Luxembourg S.A.	Luxembourg	99.99[13]
JPMorgan Asset Management Advisory Company S.à r.l.	Luxembourg	99.97[14]
JPMorgan Asset Management Marketing Limited	England	100
JPMorgan Equity Plan Managers Limited	England	100
JPMorgan Funds Limited	Scotland	100
Save & Prosper Insurance Limited	England	100
Save & Prosper Pensions Limited	England	100
JPMorgan Investments Limited	England	100
JPMorgan Life Limited	England	100
JPMorgan LDHES LLC	Delaware	100
Security Capital Research & Management Incorporated	Delaware	100
JPMorgan Chase Bank, Dearborn	Michigan	100
JPMorgan Chase Bank, National Association	United States	100
Banc One Acceptance Corporation	Ohio	100
Banc One Arizona Leasing Corporation	Arizona	100
Banc One Building Corporation	Illinois	100
Banc One Community Development Corporation	Delaware	100
Protech Tax Credit Fund III, LLC	United States	0.01[15]
Banc One Equipment Finance, Inc.	Indiana	100
Banc One Kentucky Leasing Corporation	Kentucky	100
Banc One Kentucky Vehicle Leasing Company	Kentucky	100
Banc One National Processing Corporation	Delaware	100
Banc One Real Estate Investment Corp.	Delaware	100
Bank One Education Finance Corporation	Ohio	100
Bank One Equity Investors - BIDCO, Inc.	Louisiana	100
Bear Stearns Commercial Mortgage, Inc.	New York	100
Bear Stearns Credit Products Inc.	Delaware	100
Bear Stearns Forex Inc.	Delaware	100
Bear Stearns Mortgage Capital Corporation	Delaware	100
Bear, Stearns Funding, Inc.	Delaware	100
Blue Box Holdings Inc.	Delaware	100
BOC Southeast Holdings Company	Delaware	100
BOILL IHC, Inc.	Nevada	100
Chase BankCard LLC	Delaware	100
BONA Capital I, LLC	Delaware	100
BONA Capital II, LLC	Delaware	100
BOTAC, Inc.	Nevada	100
California Reconveyance Company	California	100
Cedar Hill International Corp.	Delaware	100
Chase Auto Finance Corp.	Delaware	100
Chase Community Development Corporation	Delaware	100
Chase Equipment Leasing Inc.	Ohio	100
Chase Funding Corporation	Delaware	100

Name	Organized under the laws of	Percentage of voting securities owned by immediate parent
Chase Home Finance Inc.	Delaware	100
Chase Home Finance LLC	Delaware	100
Chase Mortgage Holdings, Inc.	Delaware	100
Chase New Markets Corporation	Delaware	100
Chase Preferred Capital Corporation	Delaware	100
CPCC Delaware Statutory Trust	Delaware	100
CPCC Texas Limited Partnership	Texas	99.5(16)
CPCC Massachusetts Business Trust	Massachusetts	100
Chase Student Loan Services, Inc.	Delaware	100
Collegiate Funding Services, L.L.C.	Virginia	100
CFS Servicing, LLC	Delaware	100
Chase Student Loan Servicing, LLC	United States	100
Chase Student Loans, Inc.	United States	100
Collegiate Funding of Delaware, L.L.C.	United States	100
Collegiate Funding Services Education Loan Trust 2003A	United States	100
Collegiate Funding Services Education Loan Trust 2003B	United States	100
Collegiate Funding Services Education Loan Trust 2004A	United States	100
Collegiate Funding Services Education Loan Trust 2005A	United States	100
Collegiate Funding Services Education Loan Trust 2005B	United States	100
Chase Ventures Holdings, Inc.	United States	100
Commercial Loan Partners L.P.	United States	58.6275(17)
Cross Country Insurance Company	United States	100
CSL Leasing, Inc.	United States	100
DNT Asset Trust	United States	100
Ventures Business Trust	United States	100
FA Out-of-State Holdings, Inc.	United States	100
Ahmanson Marketing, Inc.	United States	100
FA California Aircraft Holding Corp.	United States	100
Pacific Centre Associates LLC	United States	54.86(18)
WMRP Delaware Holdings LLC	United States	97.84(19)
Irvine Corporate Center, Inc.	United States	100
Rivergrade Investment Corp.	United States	32.8(20)
Savings of America, Inc.	United States	100
WaMu Insurance Services, Inc.	United States	100
Washington Mutual Community Development, Inc.	United States	100
FC Energy Finance I, Inc.	United States	100
FC Energy Finance II, Inc.	United States	100
FDC Offer Corporation	United States	100
Paymentech, Inc.	United States	100
FNBC Leasing Corporation	United States	100
ICIB Fund I Holdings, Inc.	United States	100
Georgetown/Chase Phase I LLC	United States	99(21)
Georgetown/Chase Phase II, LLC	United States	99(22)
Harvest Opportunity Holdings Corp.	United States	100
HCP Properties, Inc.	United States	100
J.P. Morgan Electronic Financial Services, Inc.	United States	100
J.P. Morgan International Inc.	United States	100
Bank One International Holdings Corporation	United States	100
Bank One Europe Limited	England	100
J.P. Morgan International Finance Limited	United States	100
Banco J.P. Morgan S.A.	Brazil	99.27(23)
J.P. Morgan Corretora de Cambio e Valores Mobiliarios S.A.	Brazil	100
J.P. Morgan S.A. Distribuidora de Titulos e Valores Mobiliarios	Brazil	100
BOL (C) II, Inc.	Delaware	100
BOL Canada II Sub, Inc.	United States	100
BOL Canada II Trust	United States	100
BO Leasing II ULC	Canada	100
BOL Canada I, Inc.	United States	100
BOL Canada I Sub, Inc.	United States	100
BO Leasing I ULC	Canada	100
BOL Canada III, Inc.	United States	100
BOL Canada III Sub, Inc.	United States	100
BO Leasing III ULC	Canada	100
Brysam Global Partners (AV-1), L.P.	Cayman Islands	98.0392
AEF, LLC	United States	100

Name	Organized under the laws of	Percentage of voting securities owned by immediate parent
Apoyo Economico Familiar, S.de R.L. de C.V.	Mexico	100
CB “J.P. Morgan Bank International” (LLC)	Russia	99(24)
Chase Manhattan Holdings Limitada	Brazil	99.99
Dearborn Merchant Services, Inc	Canada	100
Chase Paymentech Solutions	Canada	51(25)
First Data/Paymentech Canada Partner ULC	Canada	100
Inversiones J.P. Morgan Limitada	Chile	99.942(26)
J.P. Morgan (Suisse) SA	Switzerland	100
J.P. Morgan Bank (Ireland) plc	Ireland	100
J.P. Morgan Administration Services (Ireland) Limited	Ireland	100
JPMorgan Hedge Fund Services (Ireland) Limited	Ireland	100
J.P. Morgan Bank Canada	Canada	100
J.P. Morgan Bank Luxembourg S.A.	Luxembourg	99.99(27)
J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH	Germany	99.8(28)
J.P. Morgan AG	Germany	100
J.P. Morgan Capital Holdings Limited	England	72.727(29)
J.P. Morgan Chase (UK) Holdings Limited	England	100
J.P. Morgan Chase International Holdings	England	100
J.P. Morgan EU Holdings Limited	England	100
J.P. Morgan Equities Limited	South Africa	100
J.P. Morgan Europe Limited	England	100
Crosby Sterling (Holdings) Limited	England	79(30)
J.P. Morgan Markets LLP	England	36.02(31)
J.P. Morgan Chase Finance Limited	England	65(32)
JPMorgan Cazenove Holdings	England	50.01
J.P. Morgan Securities Ltd.	England	98.947(33)
J.P. Morgan Securities Ltd. - Milan Branch	Italy	100
Morgan Property Development Company Limited	England	100
Robert Fleming (Overseas) Number 2 Limited	England	100
J.P. Morgan plc	England	100
J.P. Morgan Holdings B.V.	Netherlands	100
J.P. Morgan Chase Bank Berhad	Malaysia	100
J.P. Morgan Chile Limitada	Chile	99.8(34)
J.P. Morgan Funding South East Asia Private Limited	Singapore	100
J.P. Morgan (S.E.A.) Limited	Singapore	100
J.P. Morgan Grupo Financiero S.A. De C.V.	Mexico	99.66(35)
Banco J.P. Morgan S.A., Institucion de Banca Multiple, J.P. Morgan Grupo Financiero	Mexico	99.99(36)
Banco J.P. Morgan Socio Liquidador	Mexico	100
J.P. Morgan Casa de Bolsa, S.A. de C.V., J.P. Morgan Grupo Financiero	Mexico	99.99(37)
J.P. Morgan Servicios, S.A. de C.V., J.P. Morgan Grupo Financiero	Mexico	99(38)
J.P. Morgan Holdings (Hong Kong) Limited	Hong Kong	99.8(39)
Copthall Mauritius Investment Limited	Mauritius	100
J.P. Morgan Futures (Korea) Limited	Korea, South	100
J.P. Morgan Securities (Far East) Limited	Hong Kong	99.9999999(40)
J.P. Morgan Broking (Hong Kong) Limited	Hong Kong	99.99999(41)
J.P. Morgan Futures Co., Limited	China, Peoples Republic of	49
J.P. Morgan International Derivatives Ltd.	Jersey	100
J.P. Morgan International Holdings Limited	Cayman Islands	100
J.P. Morgan India Securities Holdings Limited	Mauritius	55.714(42)
J.P. Morgan India Private Limited	India	99.9999726(43)
J.P. Morgan Indonesia Holdings (B.V.I.) Limited	British Virgin Islands	100
J.P. Morgan Securities Singapore Private Limited	Singapore	100
J.P. Morgan Securities Thailand Holdings Limited	British Virgin Islands	100
PGW Limited	Thailand	99.9997
JPMorgan Securities (Thailand) Limited	Thailand	50.100001(44)
Jadeling Malaysia Holdings Limited	British Virgin Islands	100
JPMorgan Securities (Malaysia) Sdn. Bhd.	Malaysia	100
J.P. Morgan Investimentos e Financas Ltda.	Brazil	99.79(45)
J.P. Morgan Luxembourg International S.à r.l.	Luxembourg	100
J.P. Morgan Malaysia Ltd.	Malaysia	100
J.P. Morgan Overseas Capital Corporation	United States	100
J.P. Morgan Australia Group Pty Limited	Australia	100
J.P. Morgan Operations Australia Limited	Australia	100
J.P. Morgan Administrative Services Australia Limited	Australia	100
J.P. Morgan Australia Limited	Australia	100

Name	Organized under the laws of	Percentage of voting securities owned by immediate parent
J.P. Morgan Portfolio Services Limited	Australia	100
JFOM Pty Limited	Australia	100
OMG Australia Pty Limited	Australia	100
J.P. Morgan Securities Australia Limited	Australia	100
JPMorgan Investments Australia Limited	Australia	100
J.P. Morgan Markets Australia Pty Limited	Australia	100
J.P. Morgan Espana S.A.	Spain	100
J.P. Morgan International Bank Limited	England	100
J.P. Morgan Securities Canada Inc.	Canada	100
J.P. Morgan Whitefriars Inc.	United States	100
J.P. Morgan Whitefriars (UK)	England	99.99(46)
JPMorgan Corporacion Financiera S.A.	Colombia	90(47)
PT J.P. Morgan Securities Indonesia	Indonesia	42.5(48)
J.P. Morgan Pakistan Broking (Private) Limited	Pakistan	99.999
J.P. Morgan Partners (CMB Reg K GP), Inc.	United States	100
J.P. Morgan Saudi Arabia Limited	Saudi Arabia	95(49)
J.P. Morgan Securities (C.I.) Limited	Jersey	100
J.P. Morgan (Jersey) Limited	Jersey	100
J.P. Morgan Securities (Taiwan) Limited	Taiwan	72.3(50)
J.P. Morgan Securities Asia Private Limited	Singapore	100
J.P. Morgan Securities Holdings (Hong Kong) Limited	Hong Kong	86.38172(51)
J.P. Morgan Securities (Asia Pacific) Limited	Hong Kong	99.99999(52)
J.P. Morgan Securities Holdings (Caymans) Limited	Cayman Islands	99.9999(53)
J.P. Morgan Securities India Private Limited	India	89.99999(54)
J.P. Morgan Securities Philippines, Inc.	Philippines	99.9997
J.P. Morgan Securities South Africa (Proprietary) Limited	South Africa	100
JPMorgan Administration Services (Proprietary) Limited	South Africa	100
J.P. Morgan Structured Products B.V.	Netherlands	100
J.P. Morgan Trust Company (Jersey) Limited	Jersey	100
JPMorgan Holdings (Japan) LLC	United States	100
JPMorgan Securities Japan Co., Ltd.	Japan	85.042735(55)
Bear Stearns (Japan), LLC	United States	100
JPMorgan Trust Bank Limited	Japan	72.1625613(56)
Norchem Holdings e Negocios S.A.	Brazil	48.97(57)
NorChem Participacoes e Consultoria S.A.	Brazil	50
Vastera Bermuda LP	Bermuda	99.99(58)
Vastera Netherlands B.V.	Netherlands	100
J.P. Morgan Mortgage Acquisition Corp.	United States	100
J.P. Morgan Treasury Technologies Corporation	United States	100
JPMorgan Chase Bank (China) Company Limited	China, Peoples Republic of	100
JPMorgan Chase Bank, N.A. - Asia Pacific Area Office	Hong Kong	0
JPMorgan Chase Vastera Inc.	United States	100
JPMorgan Chase Vastera Professional Services Inc.	United States	100
JPMorgan Investment Advisors Inc.	United States	100
JPMorgan Xign Corporation	United States	100
Manufacturers Hanover Leasing International Corp.	United States	100
Meliora Holding Corp.	United States	100
Pike Street Holdings, Inc.	United States	100
Providian Bancorp Services	United States	100
Seafair Securities Holding Corp.	United States	100
Second and Union, LLC	United States	100
South Cutler Corporation	United States	100
Stockton Plaza, Incorporated	United States	100
Washington Mutual Brokerage Holdings, Inc.	United States	100
WaMu Investments, Inc.	United States	100
Washington Mutual Mortgage Securities Corp.	United States	100
WM Marion Holdings, LLC	United States	100
Cranbrook Real Estate Investment Trust	United States	100
Washington Mutual Preferred Funding LLC	United States	100
WM Specialty Mortgage LLC	United States	100
WM Winslow Funding LLC	United States	100
WMB Baker LLC	United States	100
WMICC Delaware Holdings LLC	United States	100
JPMorgan Chase Funding Inc.	United States	100
J.P. Morgan Ventures Energy Corporation	United States	100

Name	Organized under the laws of	Percentage of voting securities owned by immediate parent
BE Investment Holding Inc.	United States	100
Arroyo Energy Investors LLC	United States	100
Argonaut Power LP	United States	99(59)
Arroyo DP Holding LP	United States	100
Brush Gas Holdings, LLC	United States	99(60)
Central Power Holdings LP	United States	100
Okwari CB Holdings LP	United States	100
Okwari UCF LP	United States	100
Thermo Holdings LP	United States	100
JPMorgan Ventures Energy (Asia) Pte Ltd	Singapore	100
PropPartners Master Fund L.P.	Cayman Islands	99.9(61)
JPMorgan Distribution Services, Inc.	United States	100
JPMorgan Funds Management, Inc.	United States	100
JPMorgan Private Capital Asia Corp.	United States	100
JPMorgan Private Capital Asia General Partner, L.P.	Cayman Islands	100
JPMorgan Private Capital Asia Fund I, L.P.	Cayman Islands	100
JPMorgan PCA Holdings (Mauritius) I Limited	Mauritius	100
JPMorgan Securities Holdings LLC	United States	100
J.P. Morgan Commercial Mortgage Investment Corp.	United States	100
J.P. Morgan Institutional Investments Inc.	United States	100
Neovest, Inc.	United States	100
JPMorgan Special Situations Asia Corporation	United States	100
JPMorgan Mauritius Holdings VI Limited	Mauritius	100
Harbour Victoria Investment Holdings Limited	Mauritius	100
Indocean Financial Holding Limited	Mauritius	100
JPMorgan Mauritius Holdings II Limited	Mauritius	100
JPMorgan Mauritius Holdings IV Limited	Mauritius	100
JPMorgan Mauritius Holdings VII Limited	Mauritius	100
JPMorgan Special Situations (Mauritius) Limited	Mauritius	100
J.P. Morgan Advisors India Private Limited	India	99.9999995(62)
Magenta Magic Limited	British Virgin Islands	100
J.P. Morgan Partners, LLC	United States	100
JPMP Capital, LLC	United States	100
J.P. Morgan Capital, L.P.	United States	99.5(63)
J.P. Morgan Investment Holdings, LLC	United States	100
JPMCC Belgium S.P.R.L.	Belgium	100
JPMCC Belgium (SCA)	United States	100
J.P. Morgan Partnership Capital Corporation	United States	100
J.P. Morgan Partnership Investment Corporation	United States	100
Peabody Real Estate Partnership Corporation	United States	100
The Peabody Fund Consultants, Inc.	United States	100
JPMREP Holding Corporation	United States	100
JPMorgan Real Estate Partners, L.P.	United States	99.9(64)
PIM Commons, LLC	United States	100
Patriot-JPM Conti Charlotte Holdings, LLC	United States	90
PIM/KMG Norwood, LLC	United States	80
PIM/Waterton Portland Hotel, LLC	United States	85
PIM Winchester, LLC	United States	100
LabMorgan Corporation	United States	100
LabMorgan Investment Corporation	United States	100
MorServ, Inc.	United States	100
NBD Community Development Corporation	United States	100
Offshore Equities, Inc.	United States	100
Park Assurance Company	United States	100
Special Situations Investing Inc.	United States	100
The Bear Stearns Companies LLC	United States	100
383 Corporate Funding Inc.	United States	100
383 Corporate Funding LLC	United States	100
Arctos Partners Inc.	United States	100
Bear Growth Capital Partners, LP	United States	100
Bear Hunter Holdings LLC	United States	59.63(65)
Bear Stearns Asset Management Inc.	United States	100
Bear Stearns Access Fund III, L.P.	United States	1(66)
Bear Stearns Access Fund IV, L.P.	United States	1(67)
Bear Stearns Access Fund V, L.P.	United States	1

Name	Organized under the laws of	Percentage of voting securities owned by immediate parent
Bear Stearns Access Fund VI, L.P.	United States	1
Bear Stearns Access Fund VII, L.P.	United States	1
Bear Stearns Private Equity Opportunity Fund II, L.P.	United States	1
Bear Stearns Fund of Hedge Funds Associates LLC	United States	100
BX, L.P.	United States	100
Bear Stearns Private Opportunity Ventures, L.P.	United States	1.07
Bear Stearns Venture Partners, L.P.	United States	100
BSAM Capital Investments Limited	England	100
Measurisk, LLC	United States	80
Bear Stearns Capital Markets Inc.	United States	100
Bear Stearns Alternative Assets II Inc.	United States	100
Bear Stearns Alternative Assets III Inc.	United States	100
Bear Stearns Global Alternative Assets International Limited	Cayman Islands	100
Bear Stearns Alternative Assets International Limited	Cayman Islands	100
Bear Stearns Caribbean Asset Holdings Ltd.	Barbados	100
Bear Stearns Corporate Lending Inc.	United States	100
Bear Stearns Equity Strategies RT LLC	United States	100
Bear Stearns Financial Products Inc.	United States	100
Bear Stearns Global Lending Limited	Cayman Islands	100
Bear Stearns International Funding I, Inc.	United States	100
Bear Stearns International Funding (Bermuda) Limited	Bermuda	50(68)
Bear Stearns Overseas Funding Unlimited	England	100
Bear Stearns International Funding II, Inc.	United States	100
Bear Stearns Investment Products Inc.	United States	100
Aircraft Certificate Seller LLC	United States	100
Alpha Financing BS LLC	United States	100
Bear Stearns Irish Holdings Inc.	United States	100
Bear Stearns International Funding I S.à r.l.	Luxembourg	100
Bear Stearns International Funding II S.à r.l.	Luxembourg	100
Bear Stearns International Funding III S.à r.l.	Luxembourg	100
Bear Stearns Ireland Limited	Ireland	100
Bear Stearns Bank plc	Ireland	100
Bear Stearns Services Inc.	United States	100
Bear Stearns UK Holdings Limited	England	100
Bear Stearns Holdings Limited	England	100
Bear Stearns International Trading Limited	England	100
Bear, Stearns International Limited	England	100
Bear Strategic Investments Corp.	United States	100
Bear Stearns Singapore Holdings Pte Ltd	Singapore	100
Bear Stearns Singapore Management Pte. Ltd.	Singapore	100
Bear Stearns Financial Services (India) Private Ltd.	India	99.9999983(69)
Bear UK Mortgages Limited	England	100
Rooftop Funding Limited	England	100
Rooftop Mortgages Limited	England	100
Bear, Stearns International Holdings Inc.	United States	100
Bear Stearns Hong Kong Limited	Hong Kong	99.999(70)
Bear Stearns Asia Limited	Hong Kong	99.9999667(71)
BSG Insurance Holdings Limited	England	93
Minster Insurance Company Limited	England	100
Bear, Stearns Netherlands Holding B.V.	Netherlands	100
Bear, Stearns Realty Investors, Inc.	United States	100
BSC Life Settlement Holdings, LLC	United States	100
Thyme Settlements Limited	Ireland	100
CL II Holdings LLC	United States	100
Commercial Lending II LLC	United States	99(72)
Commercial Lending III LLC	United States	99(73)
Community Capital Markets LLC	United States	100
Commercial Lending LLC	United States	99(74)
Constellation Venture Capital II, L.P.	United States	0.89
Constellation Venture Capital Offshore II, L.P.	United States	0.56
eCAST Settlement Corporation	United States	100
EMC Mortgage Corporation	United States	100
EMC Mortgage SFJV 2005, LLC	United States	70
SFJV 2005, LLC	United States	70
Gregory/Madison Avenue LLC	United States	100

Name	Organized under the laws of	Percentage of voting securities owned by immediate parent
Indiana Four Holdings LLC	United States	99[75]
Indiana Four LLC	United States	99[76]
Madison Insurance Company, Inc.	United States	100
Madison Vanderbilt Holdings, LLC	United States	100
MV Partners Fund I, L.P.	United States	100
Max Recovery Australia Pty Limited	Australia	100
MAX Recovery Inc.	United States	100
MAX Flow Corp.	United States	100
Max Recovery Limited	England	100
MLP Investment Holdings, Inc.	United States	100
New Castle Holding, Inc.	United States	100
Plymouth Park Tax Services LLC	United States	100
Madison Tax Capital, LLC	United States	100
Principal Real Estate Funding Corporation Limited	England	100
Strategic Mortgage Opportunities REIT Inc.	United States	100
Max Recovery Canada Company	United States	100

(1) OEP General Partner II, L.P. owns 0.1%
(2) OEP Management LLC owns 0.1%
(3) First Chicago Leasing Corporation owns 99.99%
(4) JPMP Master Fund Manager, L.P. owns 20%
(5) Ixe Banco, S.A., Institucion de Banca Multiple, Ixe Grupo Financiero owns 50%
(6) JPMC Wind Assignor Corporation owns 50.005%
(7) J.P. Morgan Financial Investments Limited owns 0.01%
(8) J.P. Morgan International Finance Limited owns 0.00042485%
(9) Highbridge Principal Strategies (UK) II, Ltd owns 50%
(10) JPMorgan Asset Management Holdings Inc. owns 0.00002%
(11) JPMorgan Asset Management (Asia) Inc. owns 0.0000002%
(12) JPMorgan Asset Management (Europe) S.à r.l. owns 0.1%
(13) JPMorgan Asset Management (Europe) S.à r.l. owns 0.01%
(14) JPMorgan Asset Management Holdings (Luxembourg) S.à r.l. owns 0.03%
(15) FNBC Leasing Corporation owns 99.99%
(16) CPCC Massachusetts Business Trust owns 0.5%
(17) Savings of America, Inc. owns 41.3725%
(18) Stockton Plaza, Incorporated owns 32.4% and Irvine Corporate Center, Inc. owns 12.74%
(19) Stockton Plaza, Incorporated owns 2.16%
(20) Ahmanson Marketing, Inc. owns 1.4% and Commercial Loan Partners L.P. owns 25% and JPMorgan Chase Bank, National Association owns 25.8% and Savings of America, Inc. owns 15%
(21) Easton Phase I SPE Corp. owns 1%
(22) Easton Phase II SPE Corp. owns 1%
(23) Chase Manhattan Holdings Limitada owns 0.4226%
(24) J.P. Morgan plc owns 1%
(25) First Data/Paymentech Canada Partner ULC owns 49%
(26) J.P. Morgan International Inc. owns 0.008% and Chase Manhattan Overseas Finance Corporation owns 0.05%
(27) Chase Manhattan Overseas Finance Corporation owns 0.01%
(28) J.P. Morgan AG owns 0.2%
(29) J.P. Morgan Overseas Capital Corporation owns 27.272% and J.P. Morgan International Inc. owns 0.001%
(30) J.P. Morgan Chase International Holdings owns 21%
(31) J.P. Morgan plc owns 27.07% and J.P. Morgan Securities Ltd. owns 27.29% and J.P. Morgan Whitefriars (UK) owns 9.62%
(32) J.P. Morgan Securities Ltd. owns 35%
(33) J.P. Morgan Capital Financing Limited owns 1.053%
(34) J.P. Morgan Overseas Capital Corporation owns 0.2%
(35) J.P. Morgan Overseas Capital Corporation owns 0.34%
(36) J.P. Morgan International Finance Limited owns 0.01%
(37) J.P. Morgan International Inc. owns 0.01%
(38) J.P. Morgan International Finance Limited owns 1%
(39) Fledgeling Nominees International Limited owns 0.2%
(40) Fledgeling Nominees International Limited owns 0.0000001%
(41) J.P. Morgan Holdings (Hong Kong) Limited owns 0.00001%
(42) Fledgeling Nominees International Limited owns 44.286%
(43) J.P. Morgan International Finance Limited owns 0.0000274%
(44) Fledgeling Nominees International Limited owns 0.000003% and J.P. Morgan Holdings (Hong Kong) Limited owns 0.000003% and J.P. Morgan International Finance Limited owns 30.283423% and J.P. Morgan International Holdings Limited owns 19.616564% and J.P. Morgan Secretaries (B.V.I.) Limited owns 0.000003% and J.P. Morgan Securities (Far East) Limited owns 0.000003%
(45) J.P. Morgan Overseas Capital Corporation owns 0.21%
(46) J.P. Morgan Financial Investments Limited owns 0.01%
(47) J.P. Morgan International Finance Limited owns 10%
(48) J.P. Morgan Securities Asia Private Limited owns 13.75% and J.P. Morgan Indonesia Holdings (B.V.I.) Limited owns 42.5%
(49) J.P. Morgan International Inc. owns 5%
(50) J.P. Morgan International Holdings Limited owns 27.7%
(51) Fledgeling Nominees International Limited owns 0.0001% and J.P. Morgan Holdings (Hong Kong) Limited owns 0.00001% and J.P. Morgan Securities (Far East) Limited owns 2.84613% and JPMorgan Securities Japan Co., Ltd. owns 10.77214%
(52) Chase Manhattan Overseas Finance Corporation owns 0.00001%
(53) Fledgeling Nominees International Limited owns 0.0001%
(54) J.P. Morgan Overseas Capital Corporation owns 10.00001%
(55) J.P. Morgan Luxembourg International S.à r.l. owns 14.957265%

(56) J.P. Morgan Chase International Holdings owns 27.8374387%
(57) Chase Manhattan Holdings Limitada owns 29.2735%
(58) Vastera Bermuda, LLC owns 0.01%
(59) Arroyo Power GP Holdings LLC owns 1%
(60) Arroyo Power GP Holdings LLC owns 1%
(61) J.P. Morgan Ventures Investment Corporation owns 0.01%
(62) JPMorgan Special Situations Asia Corporation owns 0.0000005%
(63) J.P. Morgan Capital Management Company, L.P. owns 0.5%
(64) JPMREP General Partner, L.P. owns 0.1%
(65) Bear Strategic Investments Corp. owns 40.37%
(66) The Bear Stearns Companies LLC owns 99%
(67) The Bear Stearns Companies LLC owns 99%
(68) Bear Stearns International Funding II, Inc. owns 50%
(69) Bear Stearns Singapore Holdings Pte Ltd owns 0.0000017%
(70) The Bear Stearns Companies LLC owns 0.001%
(71) The Bear Stearns Companies LLC owns 0.0000333%
(72) CL II Management LLC owns 1%
(73) CL III Management LLC owns 1%
(74) NMTC Management LLC owns 1%
(75) Bear Stearns N.Y., Inc. owns 1%
(76) Bear Stearns N.Y., Inc. owns 1%

Consent of independent registered public accounting firm

We hereby consent to the incorporation by reference in the Registration Statements on:

Form S-3 Nos: 333-146731, 333-146220, 333-155535 and 333-151397; and

Form S-8 Nos: 333-145108, 333-142109, 333-125827, 333-112967, 333-64476, 333-47350, 333-31666, 333-31634, 333-92217, 333-73119 and 333-150208

of JPMorgan Chase & Co. or its affiliates of our report dated February 27, 2009 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP
New York, New York
March 2, 2009

Exhibit 31.1
JPMorgan Chase & Co.

CERTIFICATION

I, James Dimon, certify that:

1. I have reviewed this annual report on Form 10-K of JPMorgan Chase & Co.;
2. Based upon my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based upon my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based upon such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based upon our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2009

/s/ James Dimon
James Dimon
Chairman and Chief Executive Officer

Exhibit 31.2
JPMorgan Chase & Co.

CERTIFICATION

I, Michael J. Cavanagh, certify that:

1. I have reviewed this annual report on Form 10-K of JPMorgan Chase & Co.;

2. Based upon my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based upon my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based upon such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based upon our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2009

/s/ Michael J. Cavanagh
Michael J. Cavanagh
Executive Vice President and Chief Financial Officer

Exhibit 32
JPMorgan Chase & Co.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of JPMorgan Chase & Co. on Form 10-K for the period ended December 31, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of JPMorgan Chase & Co., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of JPMorgan Chase & Co.

Date: March 2, 2009

By: /s/ James Dimon
James Dimon
Chairman and Chief Executive Officer

Date: March 2, 2009

By: /s/ Michael J. Cavanagh
Michael J. Cavanagh
Executive Vice President and Chief Financial Officer

This certification accompanies this Form 10-K and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that Section.

A signed original of this written statement required by Section 906 has been provided to, and will be retained by, JPMorgan Chase & Co. and furnished to the Securities and Exchange Commission or its staff upon request.