INVESTMENT BANK

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February 28, 2012

JPMorgan Chase & Co.

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INVESTMENT BANK

JPMORGAN CHASE & CO.

2011: strength amidst volatility

Performance

Financial results

- Near record performance
  - Revenue: $26.3B
  - Earnings: $6.8B (second highest)
- ROE of 17% on capital of $40B
- Further strengthened fortress balance sheet (Tier 1 common ratios)
  - Basel II: 13.7%
  - Basel III: 8.4%

Business summary

- Sustained Investment Banking leadership
  - #1 in Global IB Fees (third consecutive year): 8% market share[1]
  - Record loan syndication revenue, advisory fees up 22%
- Fixed Income: historic high revenue market share, 17%[2]
- Equities: record results
- Commodities: complete franchise

[1] Dealogic
[2] Estimated using public disclosure of top 10 competitors, excluding DVA

Strategic initiatives: 2011 progress and 2012 momentum

Performance

		2011	2012
Clients		■ Disciplined, sustained focus	
Initiatives	International	■ Formed International Steering Committee ■ Expanded Markets footprint in 20 countries ■ Launched EMEA Prime Brokerage	■ TS/IB Markets growth with corporates ■ Add local market capabilities ■ Build Asia Prime Brokerage
Initiatives	Commodities	■ Achieved targets, increased client activity ■ Completed Sempra integration	■ Maintain leadership ■ Grow developing markets franchise
Initiatives	Technology	■ Strategic Reengineering Program: over 50% complete, on target ■ Doubled electronic equity internalization ■ Further reduced errors and cost per trade	■ Execute Strategic Reengineering Program ■ Rationalize IB/TSS costs and execution (Value for Scale) ■ Deliver cross-asset platforms for innovation
Capital/risk management		■ Prudent capital management ■ Continued focus on regulation	■ Efficient capital usage ■ Control during volatility ■ Repositioning ahead of new regulations

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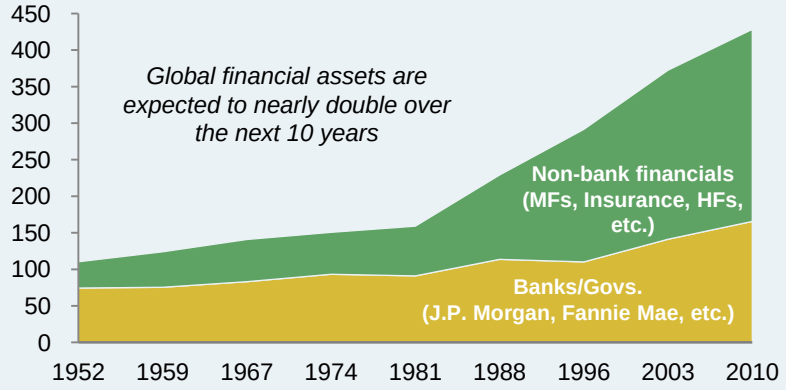
INVESTMENT BANK

Credit, rates and currencies drive the global financial markets

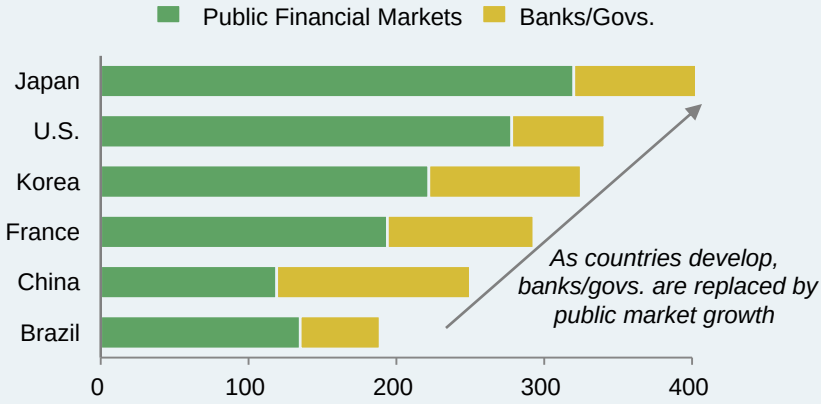
Markets

Non-bank financial assets outpacing growth of traditional sources of capital…

Financial assets (% of GDP)

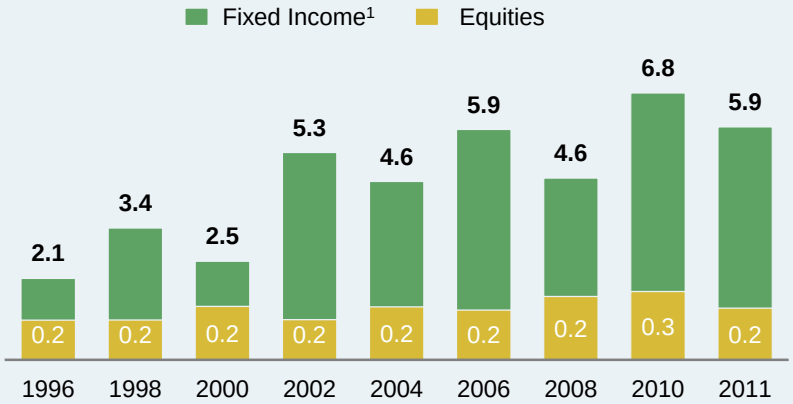


Capital by source (% of GDP)

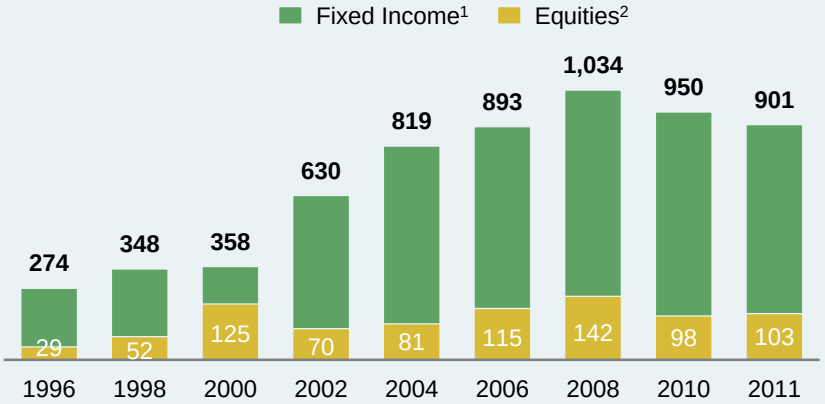


…and Fixed Income markets continue to dominate Equities

Gross U.S. equity and long-term debt issuance ($T)



Daily average U.S. trading volume ($B)



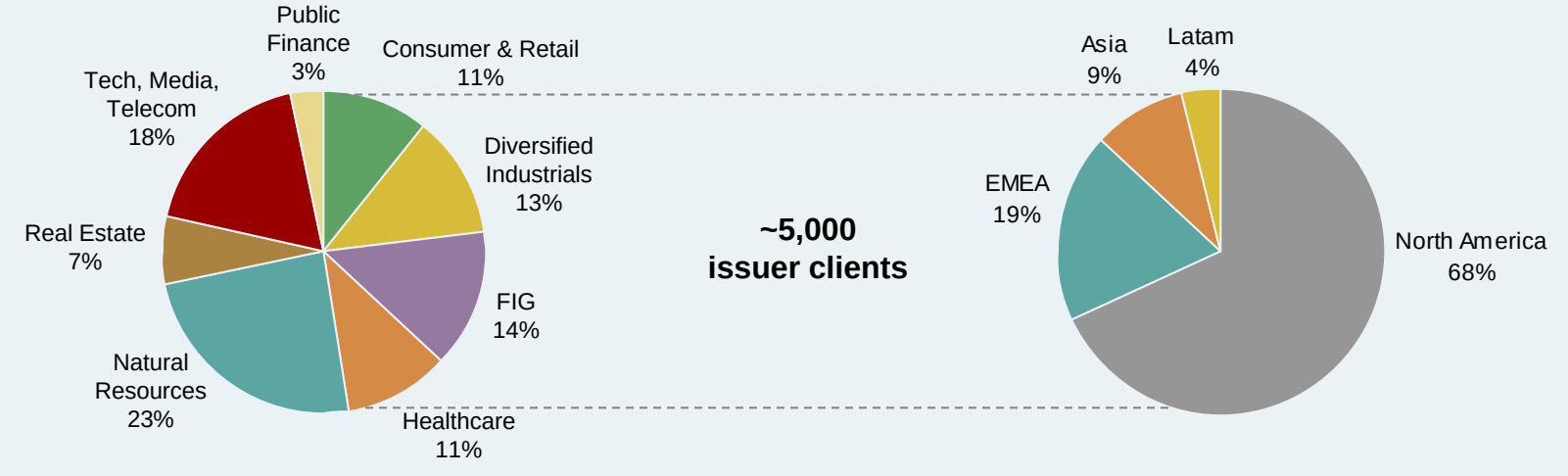
Source: Federal Flow of Funds, Bloomberg, IMF, Bank for International Settlements, CBRC, CSRC, Thomson Reuters, SIFMA, McKinsey Global Institute
Note: "Gross U.S. equity and long-term debt issuance" and "Daily average U.S. trading volume" graphs not shown to scale
[1] Municipal, Treasury, MBS, Corporate Debt, and Federal Agency securities
[2] Daily average value traded by the NASDAQ and NYSE

Our client franchise is large, diversified and global

Markets

2011 Markets revenue mix

2011 IB fees mix



[1] Other Financials includes public sector, pension funds, private equity, and SPVs

We have unmatched scale, diversification and leadership

Markets

Scale

How we operate

- 2,500 salespeople
- 2,000 traders
- 2,000 bankers
- 800 research analysts
- 4,000 control and risk professionals
- 13,000 tech. & ops. professionals
- 40 countries
- 110+ trading desks
- 20 trading centers

Diversity

IB revenue (typical quarter)

100%

Leadership

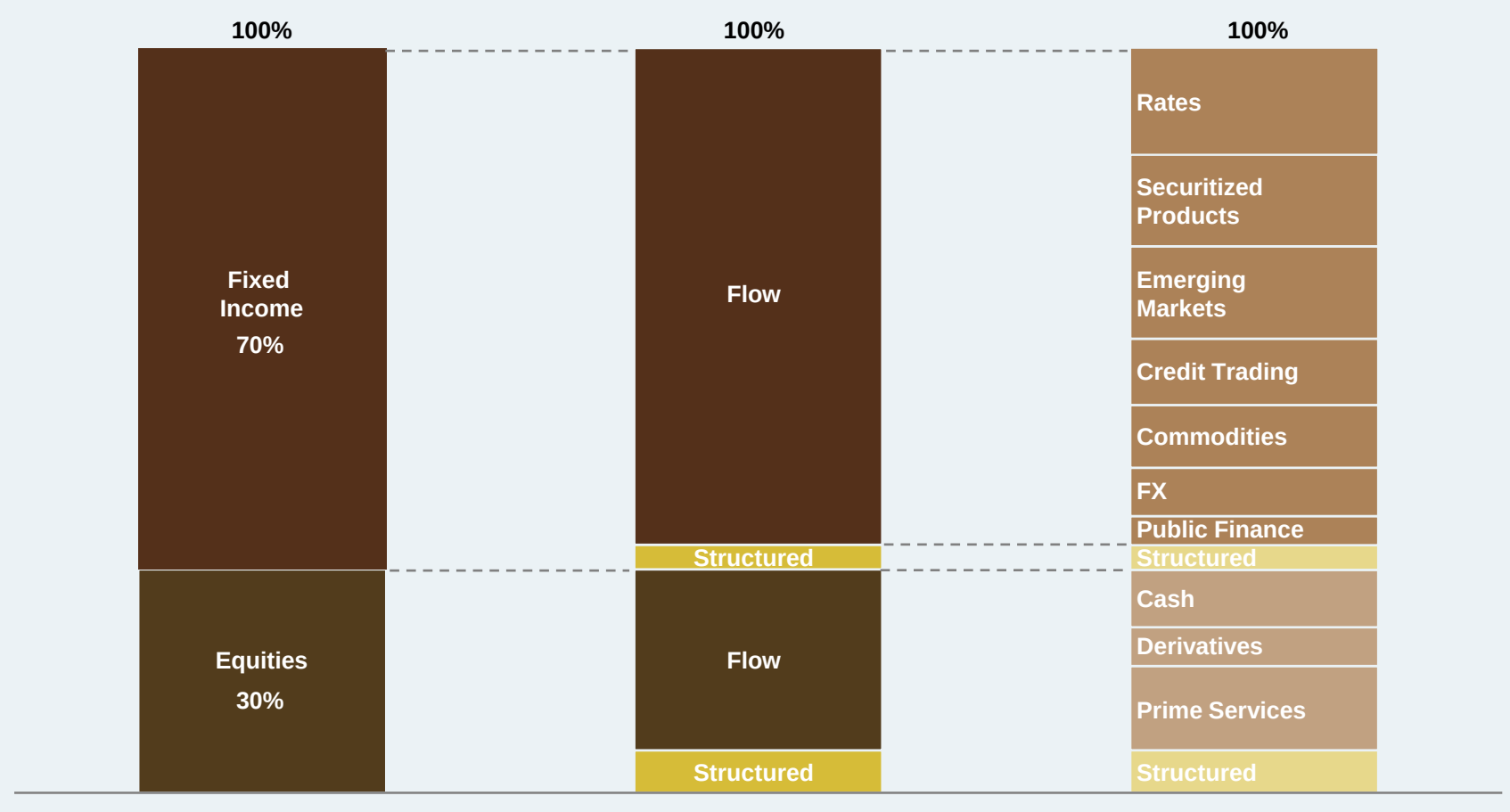
		Industry rankings 2009	2010	2011[1]	Descriptions
Banking	Advisory	#3	#4	#2	M&A, Corporate Finance advisory
Banking	Equity Underwriting	1	3	3	Primary and secondary issuance
Banking	Long-term Debt	1	2	1	Bond underwriting
Banking	Syndicated Loans	1	2	1	Loan syndication
Fixed Income – Flow	Rates	2	1	1	Treasuries, agencies, swaps, futures, options
Fixed Income – Flow	Securitized Products	2	1	1	Mortgage and asset backed securities
Fixed Income – Flow	Emerging Markets	2	3	2	Non G-10 rates, credit, FX
Fixed Income – Flow	Credit Trading	1	1	1	Corporate bonds, loans, credit swaps, index products
Fixed Income – Flow	Commodities	5	5	3	Swaps, futures, options, physical transactions
Fixed Income – Flow	FX	2	2	2	Spot foreign exchange swaps, futures, options
Fixed Income – Flow	Public Finance	3	3	3	Municipal debt trading and issuance
Fixed Income – Flow	Structured	3	8	8	Rates and credit
Equities – Flow	Cash	N/A	4	4	High touch execution
Equities – Flow	Cash	N/A	9	9	Low touch execution (electronic)
Equities – Flow	Derivatives	3	3	1	Swaps, options, convertibles
Equities – Flow	Prime Services	2	2	2	Financing, execution, clearing
Equities	Structured	N/A	N/A	N/A	Margin financing, structured notes

Source: Dealogic, Coalition
Note: Coalition competitor set: BAC, BARC, C, CS, DB, GS, MS, and UBS
[1] Fixed Income and Equities ranking as of 3Q YTD 2011 (Coalition – Revenue); Banking rankings are FY 2011 (Dealogic – Volume)

Flow driven Markets business

Markets

IB Markets revenue: typical quarter (%)



High volume Markets business model with standardized products

Markets

	Examples of major trading products	Quantity per quarter (# of trades)	x	Average revenue ($ per trade)	=	Revenue per quarter ($mm)
Fixed Income	FX Spot/Forwards	5,000,000		70		350
	Credit Trading	250,000		1,500		375
	FX Options	150,000		600		100
	Metals Trading	140,000		600		75
	Financing	100,000		1,500		150
	Governments	75,000		2,500		200
	Energy Trading	50,000		5,000		250
	Interest Rate Swaps	30,000		12,000		350
	Asset Backed Securities	30,000		10,000		300
	Agencies	11,000		7,000		75
	Loan Trading	10,000		10,000		100
Equities	Cash Equities (N.A.)	10B shares		1.5 cents per share		150
	Cash Equities (EMEA/Asia)	$200B notional		8bps		175
	Equity Swaps and Options	6,000		30,000		200
	F&O and OTC clearing	350mm lots		40 cents per lot		150

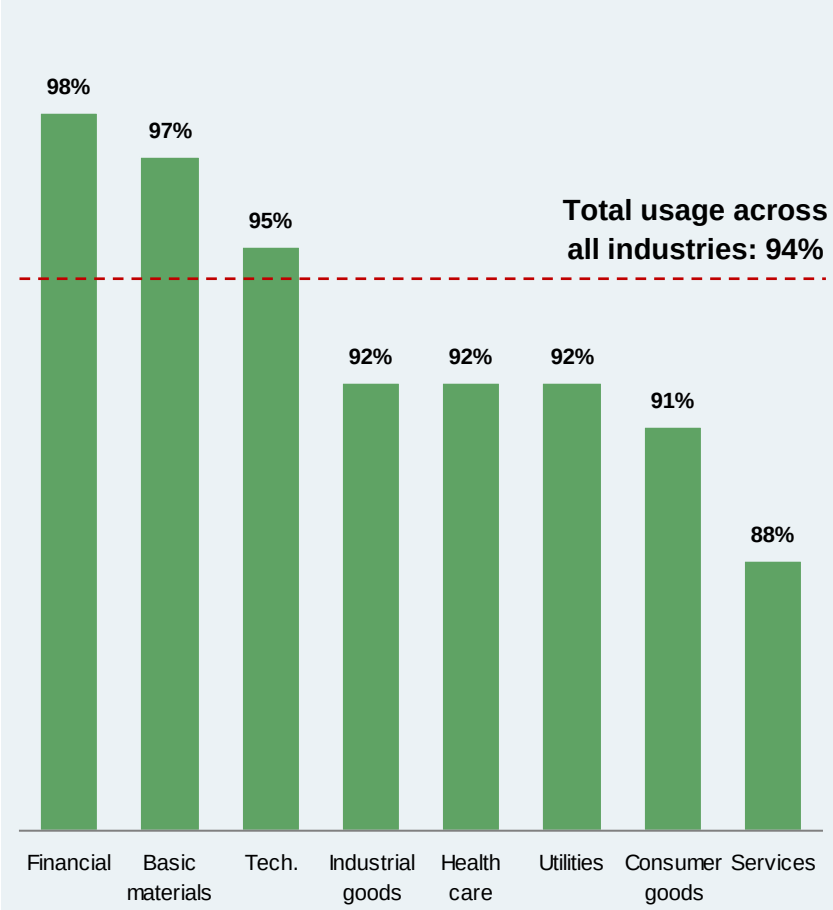
Note: Quantity, average revenue and total revenue are estimates based on typical quarter; revenue per quarter rounded

Over 90% of the Global Fortune 500 use swaps, futures, and options

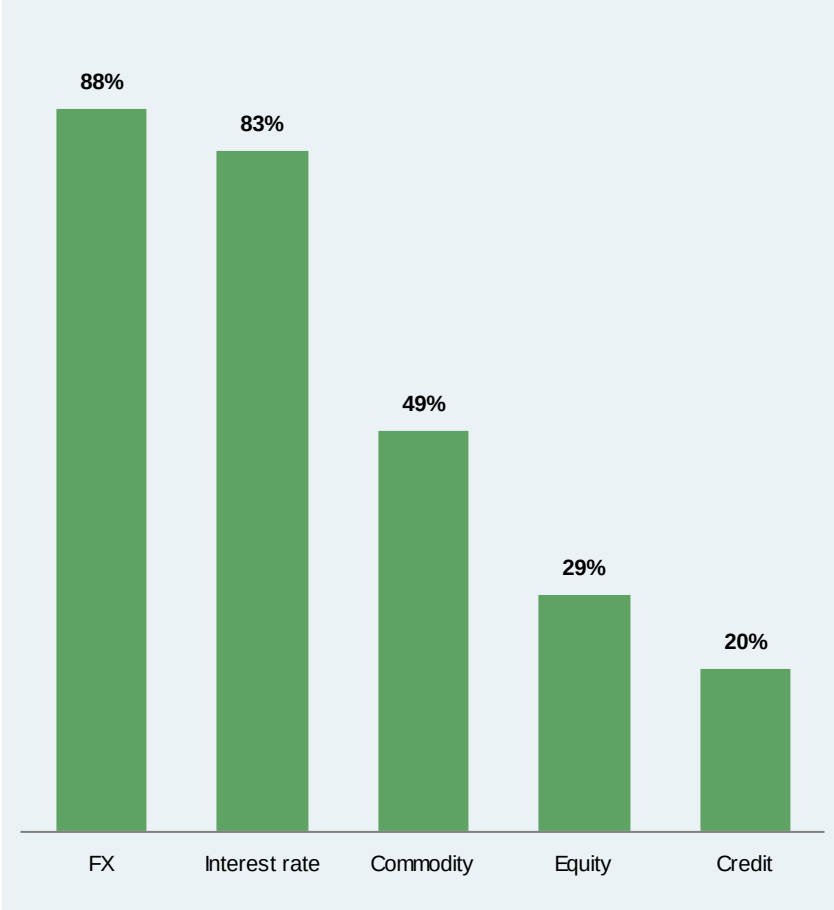
Markets

Global Fortune 500

Usage by industry



Usage by product

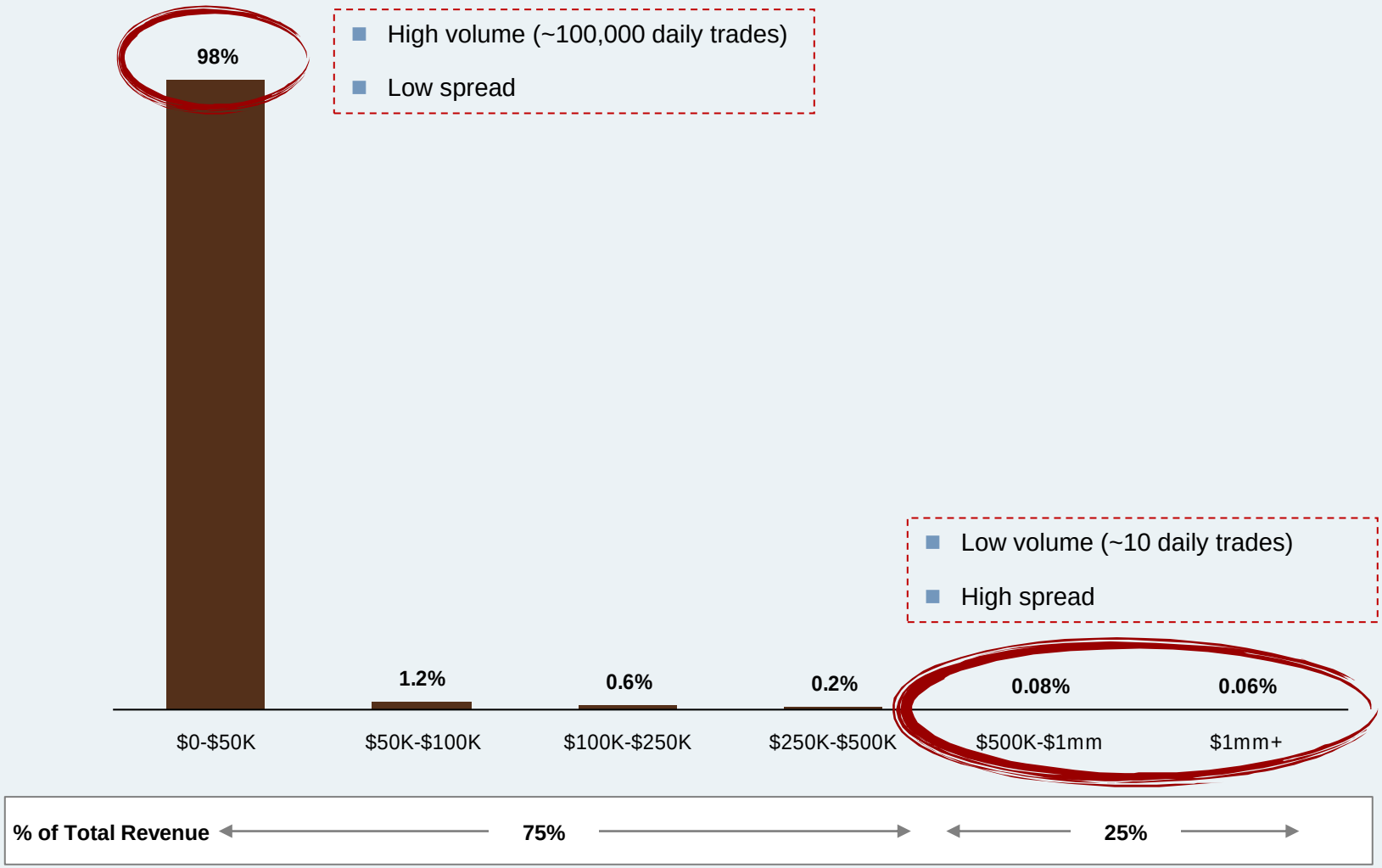


Source: ISDA 2009 Survey

Scale driven Markets business model

Markets

Estimated % of total client trades by average revenue per trade (FY 2011)

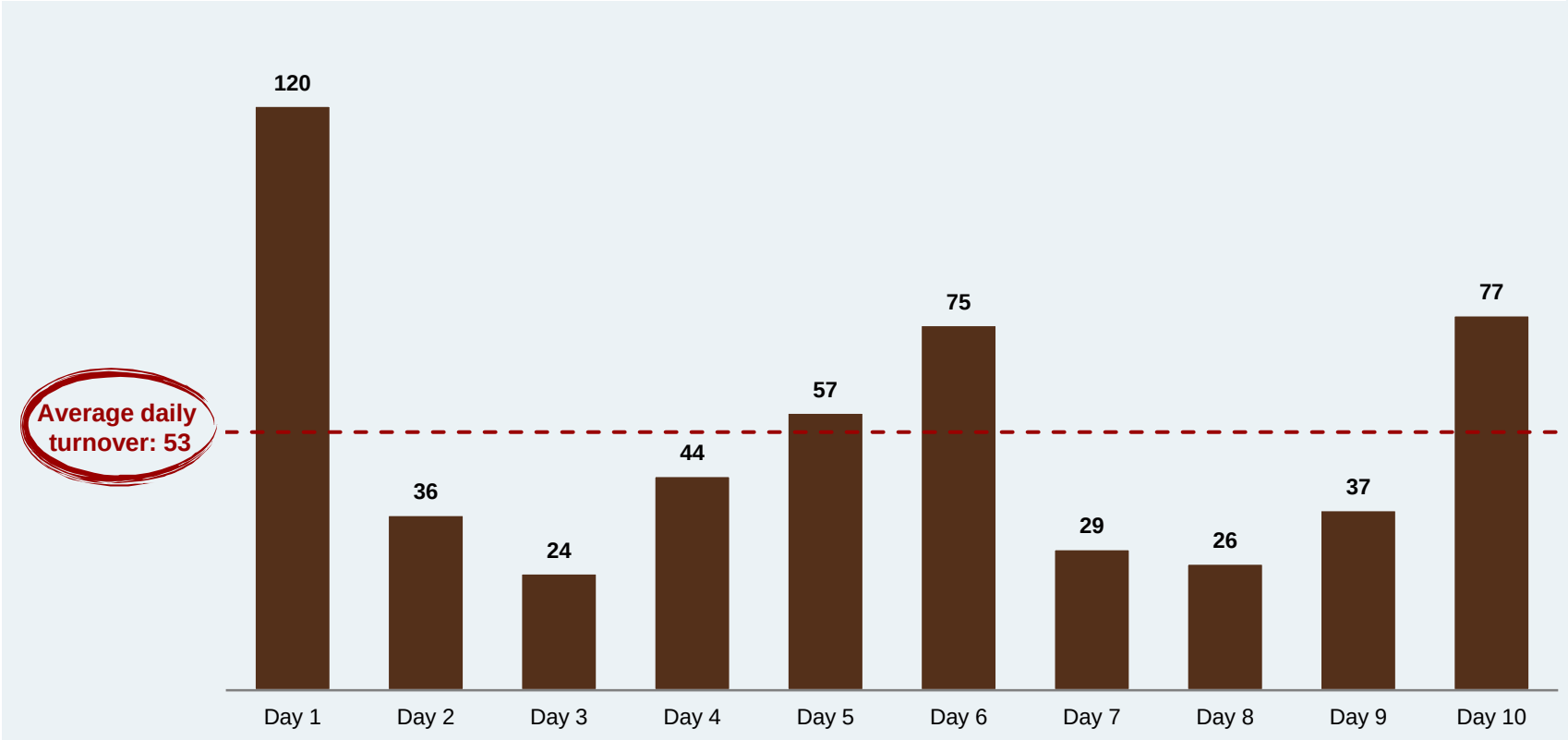


Note: Represents Fixed Income business

High turnover Markets business model

Markets

Case study – North America interest rate swaps daily turnover metrics



Client businesses carry little risk inventory and turn their positions multiple times a day

Note: Turnover defined as daily DV01 risk traded divided by starting DV01. DV01 is the risk position for a desk (amount of money desk makes or loses on a one basis point move in the yield curve); actual two-week period in 2011

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INVESTMENT BANK

Well positioned to adapt to regulation

Business highlights

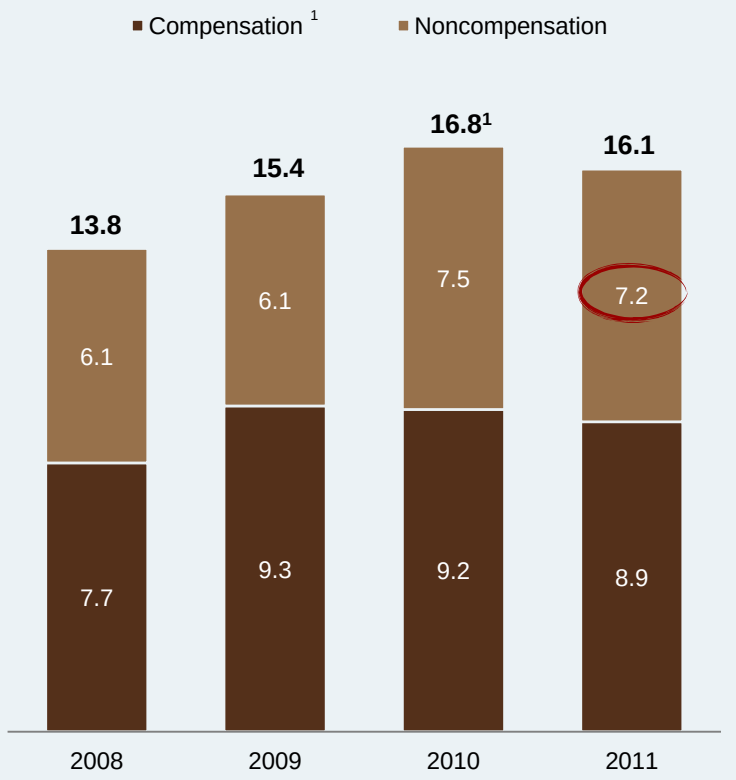
	Impact	Concerns	Strengths
Clearing and Swap Execution Facilities (SEFs)	■ Mandated clearing ■ Meaningful volumes ■ Lesser revenue impact	■ Unresolved: end-user margin/extraterritoriality ■ Concentration of exposure to central counterparties	■ Competitive advantage by being a scale player with existing connectivity and access to SEFs
Volcker	■ Ban on Bright Line proprietary trading ■ Immaterial revenue impact ■ Not a large business ■ Limits market making/hedging ability	■ Could limit liquidity ■ Clients ■ Markets ■ Compliance emphasis may impact costs	■ Long-track record of client-focused business model ■ Competitors may need to re-orient their businesses
Non-Bank Subsidiary (NBS) swap "push out"	■ Pushing-out portions of below investment grade CDS, equity and commodities derivatives ■ No significant revenue or capital changes expected	■ Complicates risk management ■ Extraterritoriality: potential impact to scope	■ Operational excellence: depth of experience managing complex migrations

Strong governance programs in place to address regulatory change: 500 people; 65+ projects

Expense discipline enables investment capacity

Business highlights

J.P. Morgan IB expense ($B)



	2008	2009	2010	2011
Overhead ratio[2]	**NM**	**51%**	**65%**	**65%**
Comp/revenue[1,2]	**75%**	**31%**	**36%**	**36%**

[1] 2010 compensation expense excludes $0.5B of U.K. payroll tax
[2] Overhead and comp/revenue ratios exclude DVA impact

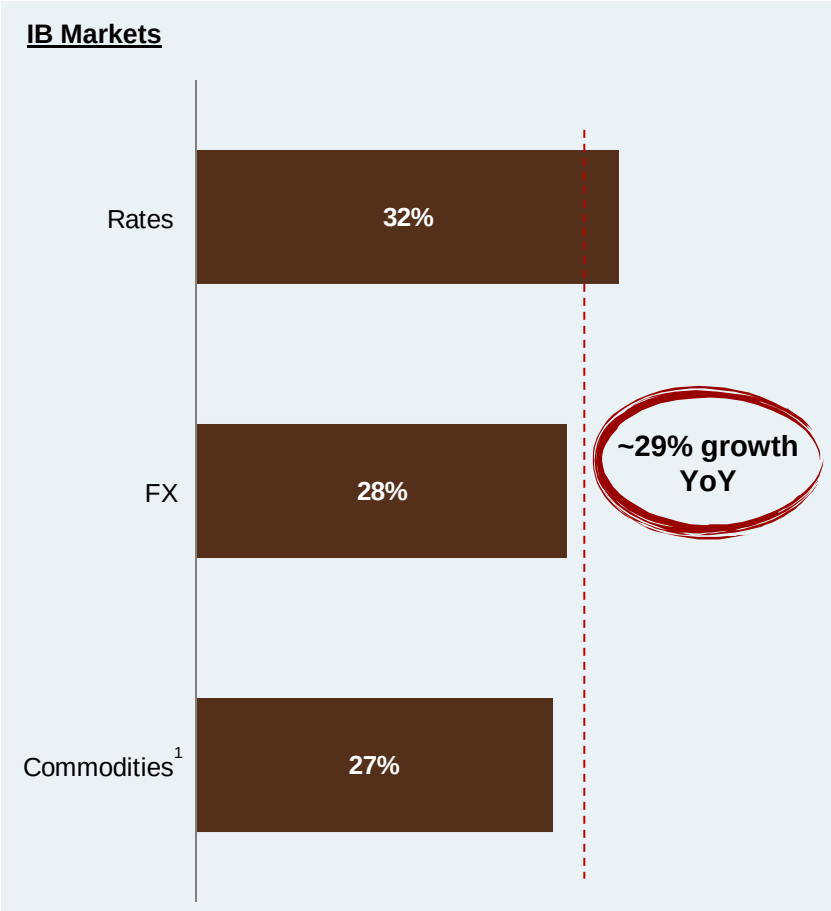
Highlights

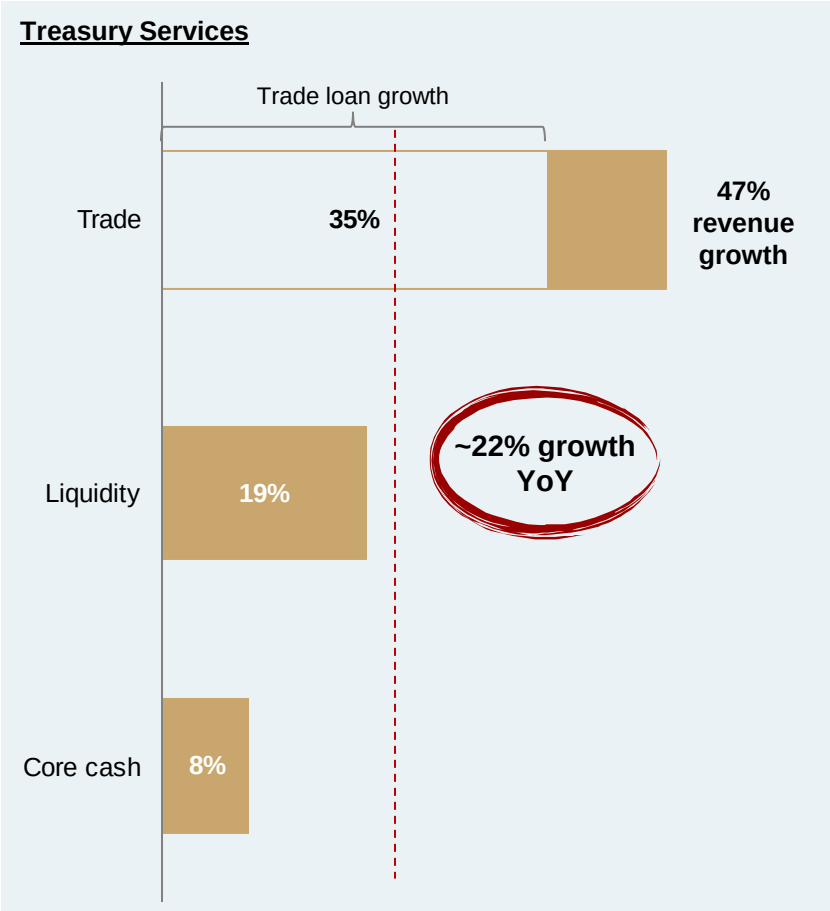
- Disciplined expense management
  - Total expense down 4%
  - Focus on operating efficiency
  - Best-in-class overhead ratio
  - Lowest comp/revenue ratio
- Continued investment capacity
  - Strategic Reengineering Project (SRP)
  - International expansion
  - Commodities execution
  - International Prime Brokerage
- Value for Scale
  - Synergies across wholesale businesses

Global Corporate Bank: contributing to IB Markets and Treasury Services

Business highlights

2011 international revenue with corporates





[1] Excludes non-recurring items

Leveraging the J.P. Morgan platform

Business highlights

J.P. Morgan
Investment Bank

Leveraging the wholesale platform

Commercial Banking

- IB recognized fees for 147 debt and 77 equity deals for CB clients in 2011
- $1.4B gross revenue in 2011

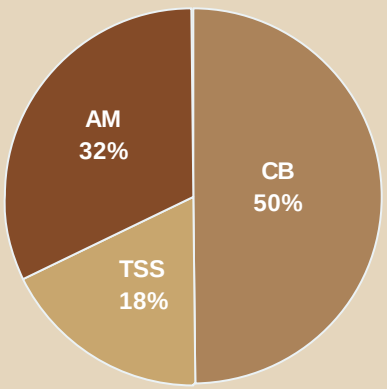
Treasury & Securities Services

- Expanded client coverage/footprint with Global Corporate Bank
- Increased credit extension and product penetration

Asset Management

- 41 new Private Bank clients from IB referrals
- 71 Private Bank referrals to the IB
- Expanding international referrals and syndication access

IB cross-LOB gross revenue share ($B)

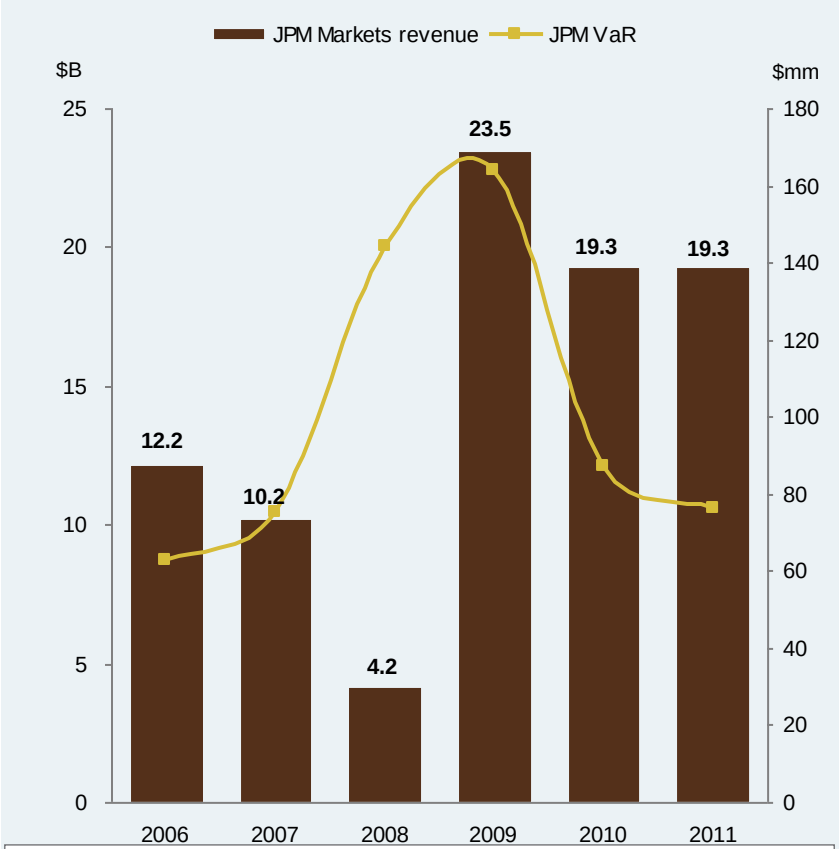


2011 total: $2.7B

Proven risk management capability

Business highlights

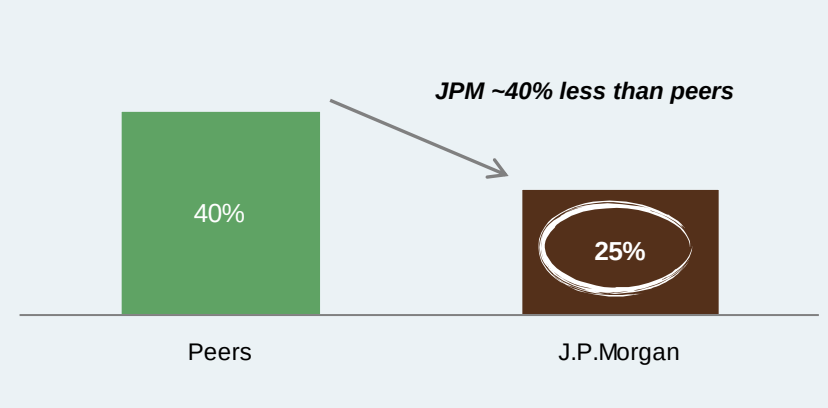
J.P. Morgan Markets revenue and VaR



Market share[1]	8%	9%	10%	13%	12%	14%

Average revenue over past 12 quarters

Markets revenue volatility[2] of past 12 quarters



Note: Revenue excludes DVA; peers: BAC, BARC, C, CS, DB, GS, MS and UBS
[1] Estimated using public disclosure of top 10 competitors, including DVA
[2] Volatility equals standard deviation as a percentage of the period average

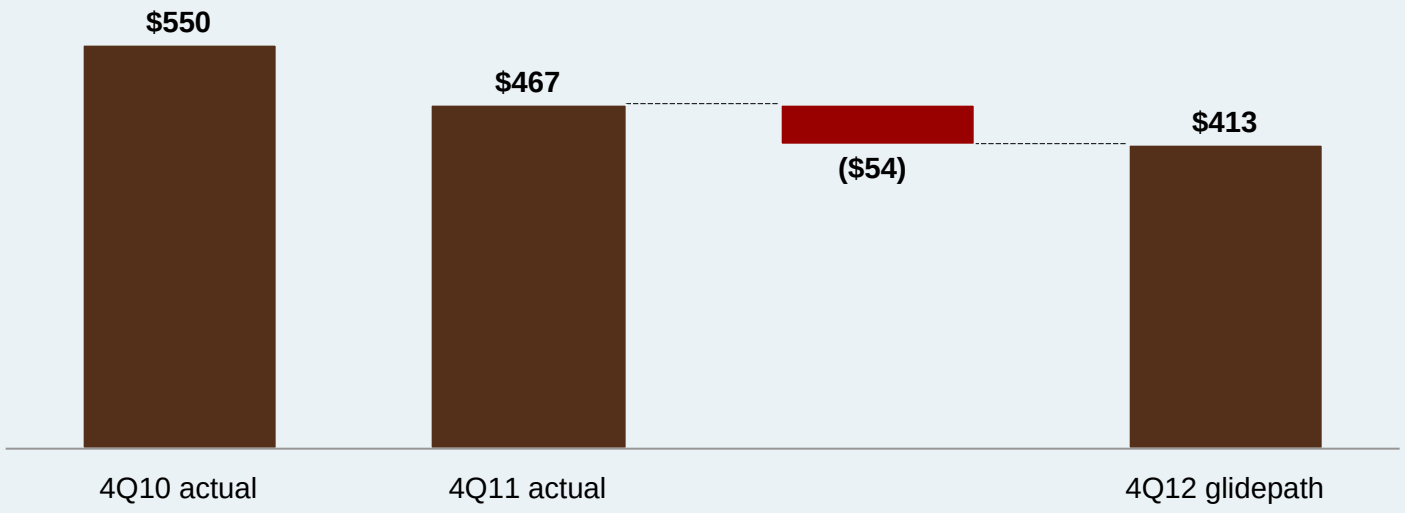
~30% higher revenue than peers with ~40% less volatility

Fortress balance sheet and prudent capital management

Business highlights

2012 walk forward ($B)

Risk Weighted Assets (based on Basel III)



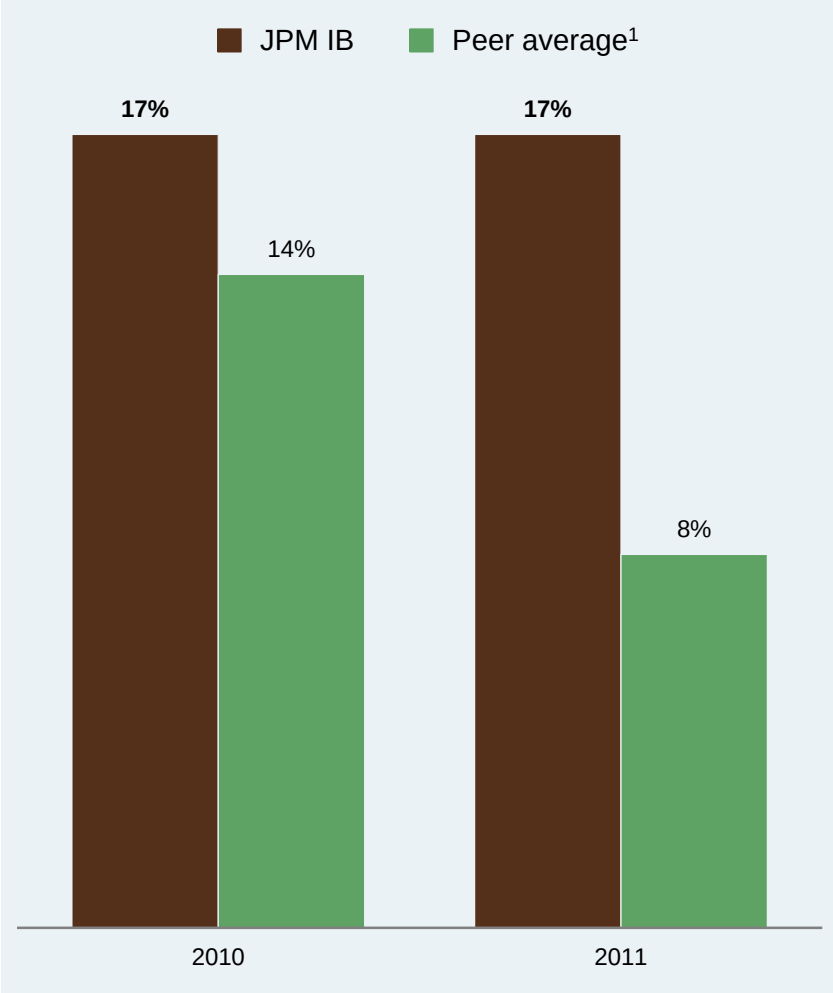
Allocated equity ($B)	**40**	**40**	→	**40**
Basel III Tier 1 common ratio	**7.2%**	**8.4%**	→	**9.5%**

Note: 2012 RWA reduction is a combination of legacy asset roll-off, risk adjustments, and continued RWA management discipline

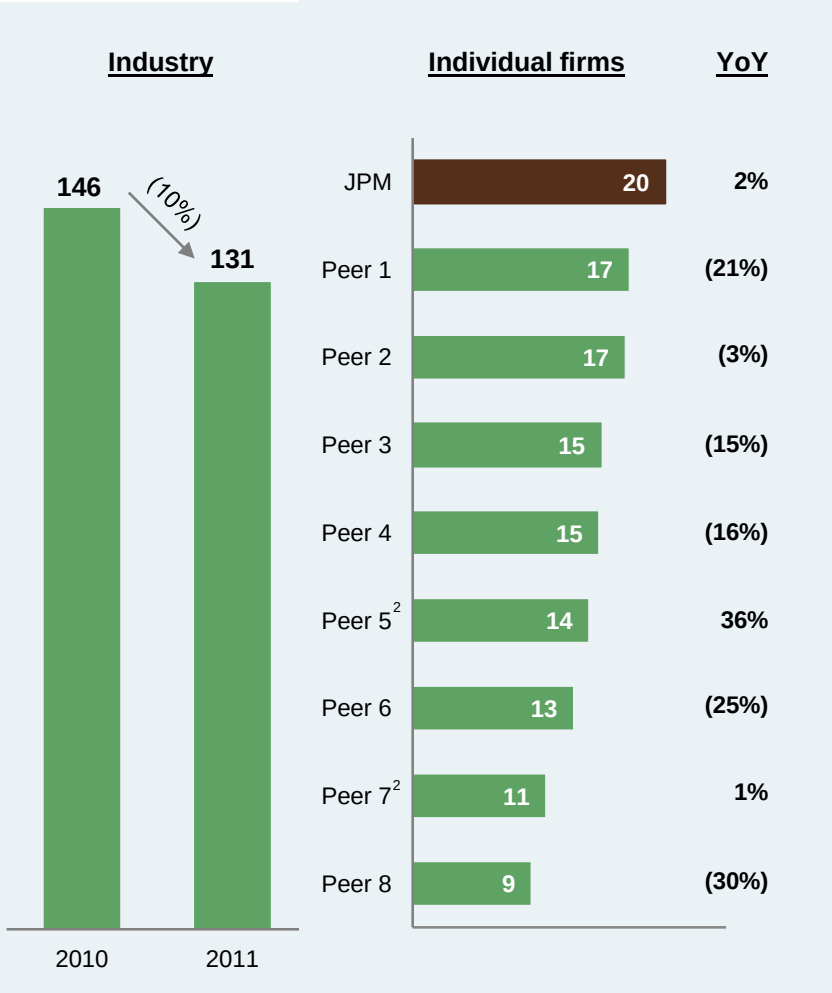
Consistency of results

Business highlights

JPM Investment Bank ROE vs. peers



Markets revenue (Equities and FICC, $B)

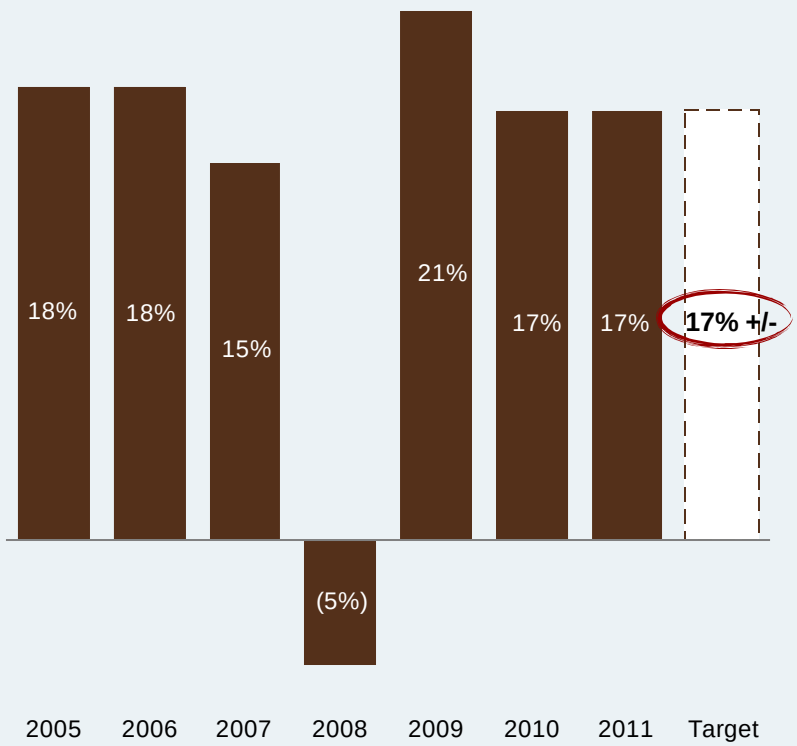


Source: Company filings
[1] Peer average ROE excludes firms without sufficient IB segment-level disclosure
[2] Adjusted for non-recurring items

Performance and outlook

Business highlights

J.P. Morgan IB ROE



	2005	2006	2007	2008	2009	2010	2011	Target
Allocated capital ($B)	**20**	**21**	**21**	**26**	**33**	**40**	**40**	**40**

Outlook

- We are holding 17% target going forward
- Headwinds to consider
  - Regulatory burden
  - Global market uncertainty
  - Tougher RWA calculations
  - Sustained low interest rate environment
- Key drivers
  - Scale and diversity of franchise
  - Market leadership
  - Growth initiatives
  - Disciplined expense management
  - Strong capital position