UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2007 Commission file number 1-5805

JPMORGAN CHASE & CO.

(Exact name of registrant as specified in its charter)

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

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

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.

[X] Yes [ ] No

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

Large accelerated filer [X] Accelerated filer [ ] Non-accelerated filer [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

[ ] Yes [X] No

Number of shares of common stock outstanding as of July 31, 2007: 3,383,895,701

FORM 10-Q
TABLE OF CONTENTS

		Page
Part I – Financial information		
Item 1	Consolidated Financial Statements – JPMorgan Chase & Co.:	
	Consolidated statements of income (unaudited) for the three and six months ended June 30, 2007 and 2006	68
	Consolidated balance sheets at June 30, 2007 (unaudited), and December 31, 2006	69
	Consolidated statements of changes in stockholders' equity and comprehensive income (unaudited) for the six months ended June 30, 2007 and 2006	70
	Consolidated statements of cash flows (unaudited) for the six months ended June 30, 2007 and 2006	71
	Notes to consolidated financial statements (unaudited)	72
	Consolidated average balance sheets, interest and rates (unaudited) for the three and six months ended June 30, 2007 and 2006	111
	Glossary of Terms and Line of Business Metrics	113
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations:	
	Consolidated Financial Highlights	3
	Introduction	4
	Executive Overview	6
	Consolidated Results of Operations	9
	Explanation and Reconciliation of the Firm's Use of Non-GAAP Financial Measures	13
	Business Segment Results	16
	Balance Sheet Analysis	42
	Capital Management	45
	Off-Balance Sheet Arrangements and Contractual Cash Obligations	47
	Risk Management	48
	Supervision and Regulation	65
	Critical Accounting Estimates Used by the Firm	66
	Accounting and Reporting Developments	66
	Forward-Looking Statements	118
Item 3	Quantitative and Qualitative Disclosures About Market Risk	119
Item 4	Controls and Procedures	119
Part II – Other information		
Item 1	Legal Proceedings	119
Item 1A	Risk Factors	120
Item 2	Unregistered Sales of Equity Securities and Use of Proceeds	120
Item 3	Defaults Upon Senior Securities	121
Item 4	Submission of Matters to a Vote of Security Holders	121
Item 5	Other Information	121
Item 6	Exhibits	121

JPMORGAN CHASE & CO.
CONSOLIDATED FINANCIAL HIGHLIGHTS

(unaudited)
(in millions, except per share, headcount and ratio data)

As of or for the period ended,	2Q07	1Q07	4Q06	3Q06	2Q06	Six months ended June 30, 2007	Six months ended June 30, 2006
Selected income statement data							
Noninterest revenue[(a)]	**$ 12,593**	$ 12,850	$ 10,501	$ 10,166	$ 9,908	**$ 25,443**	$ 20,090
Net interest income	**6,315**	6,118	5,692	5,379	5,178	**12,433**	10,171
Total net revenue	**18,908**	18,968	16,193	15,545	15,086	**37,876**	30,261
Provision for credit losses	**1,529**	1,008	1,134	812	493	**2,537**	1,324
Noninterest expense	**11,028**	10,628	9,885	9,796	9,382	**21,656**	19,162
Income tax expense	**2,117**	2, 545	1,268	1,705	1,727	**4,662**	3,264
Income from continuing operations	**4,234**	4,787	3,906	3,232	3,484	**9,021**	6,511
Income from discontinued operations[(b)]	**—**	—	620	65	56	**—**	110
Net income	**$ 4,234**	$ 4,787	$ 4,526	$ 3,297	$ 3,540	**$ 9,021**	$ 6,621
Per common share							
Basic earnings per share:							
Income from continuing operations	**$ 1.24**	$ 1.38	$ 1.13	$ 0.93	$ 1.00	**$ 2.63**	$ 1.87
Net income	**1.24**	1.38	1.31	0.95	1.02	**2.63**	1.91
Diluted earnings per share:							
Income from continuing operations	**$ 1.20**	$ 1.34	$ 1.09	$ 0.90	$ 0.98	**$ 2.55**	$ 1.82
Net income	**1.20**	1.34	1.26	0.92	0.99	**2.55**	1.85
Cash dividends declared per share	**0.38**	0.34	0.34	0.34	0.34	**0.72**	0.68
Book value per share	**35.08**	34.45	33.45	32.75	31.89	**35.08**	31.89
Common shares outstanding							
Average: Basic	**3,415**	3,456	3,465	3,469	3,474	**3,436**	3,473
Diluted	**3,522**	3,560	3,579	3,574	3,572	**3,541**	3,571
Common shares at period end	**3,399**	3,416	3,462	3,468	3,471		
Share price[(c)]							
High	**$ 53.25**	$ 51.95	$ 49.00	$ 47.49	$ 46.80	**$ 53.25**	$ 46.80
Low	**47.70**	45.91	45.51	40.40	39.33	**45.91**	37.88
Close	**48.45**	48.38	48.30	46.96	42.00		
Market capitalization	**164,659**	165,280	167,199	162,835	145,764		
Financial ratios							
Return on common equity ("ROE"):[(d)]							
Income from continuing operations	**14%**	17%	14%	11%	13%	**16%**	12%
Net income	**14**	17	16	12	13	**16**	12
Return on assets ("ROA"):[(d)]							
Income from continuing operations	**1.19**	1.41	1.14	0.98	1.05	**1.29**	1.03
Net income	**1.19**	1.41	1.32	1.00	1.06	**1.29**	1.03
Overhead ratio	**58**	56	61	63	62	**57**	63
Tier 1 capital ratio	**8.4**	8.5	8.7	8.6	8.5		
Total capital ratio	**12.0**	11.8	12.3	12.1	12.0		
Selected balance sheet data (period-end)							
Total assets	**$ 1,458,042**	$ 1,408,918	$1,351,520	$1,338,029	$1,328,001		
Loans	**465,037**	449,765	483,127	463,544	455,104		
Deposits	**651,370**	626,428	638,788	582,115	593,716		
Long-term debt	**159,493**	143,274	133,421	126,619	125,280		
Total stockholders' equity	**119,211**	117,704	115,790	113,561	110,684		
Headcount	**179,664**	176,314	174,360	171,589	172,423		
Credit quality metrics							
Allowance for credit losses	**$ 8,399**	$ 7,853	$ 7,803	$ 7,524	$ 7,500		
Nonperforming assets[(e)]	**2,586**	2,421	2,341	2,300	2,384		
Allowance for loan losses to total loans[(f)]	**1.71%**	1.74%	1.70%	1.65%	1.69%		
Net charge-offs	**$ 985**	$ 903	$ 930	$ 790	$ 654	**$ 1,888**	$ 1,322
Net charge-off rate[(d)(f)]	**0.90%**	0.85%	0.84%	0.74%	0.64%	**0.88%**	0.66%
Wholesale net charge-off (recovery) rate[(d)(f)]	**(0.07)**	(0.02)	0.07	(0.03)	(0.05)	**(0.04)**	(0.05)
Managed card net charge-off rate[(d)]	**3.62**	3.57	3.45	3.58	3.28	**3.59**	3.13

(a) The Firm adopted SFAS 157 in the first quarter of 2007. See Note 3 on page 73 of this Form 10-Q for additional information.

(b) 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 2006 period.

(c) 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.

(d) Ratios are based upon annualized amounts.

(e) Excludes nonperforming wholesale held-for-sale ("HFS") loans purchased as part of the Investment Bank's proprietary activities.

(f) Excluded from the allowance coverage ratios were end-of-period Loans held-for-sale and loans accounted for at fair value; and excluded from the net charge-off rates were average Loans held-for-sale and loans accounted for at fair value.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This section of the Form 10-Q provides management's discussion and analysis ("MD&A") of the financial condition and results of operations for JPMorgan Chase. See the Glossary of terms on pages 113–115 for definitions of terms used throughout this Form 10-Q. The MD&A included in this Form 10-Q 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 118 of this Form 10-Q) and in the JPMorgan Chase Annual Report on Form 10-K for the year ended December 31, 2006, as amended ("2006 Annual Report" or "2006 Form 10-K"), (see Part I, Item 1A: Risk factors and see Forward-looking Statements in the MD&A) to which reference is hereby made.

INTRODUCTION

JPMorgan Chase & Co. (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 $1.5 trillion in assets, $119.2 billion in stockholders' equity and operations worldwide. The Firm is a leader in investment banking, financial services for consumers and businesses, financial transaction processing, asset management and private equity. Under the JPMorgan 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 17 states; 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. 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

JPMorgan 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, and research. The Investment Bank ("IB") also commits the Firm's own capital to proprietary investing and trading activities.

Retail Financial Services

Retail Financial Services ("RFS"), which includes the Regional Banking, Mortgage Banking and Auto Finance reporting segments, helps meet the financial needs of consumers and businesses. RFS provides convenient consumer banking through the nation's fourth-largest branch network and third-largest ATM network. RFS is a top-five mortgage originator and servicer, the second-largest home equity originator, the largest noncaptive originator of automobile loans and one of the largest student loan originators.

RFS serves customers through more than 3,000 bank branches, 8,600 ATMs and 270 mortgage offices, and through relationships with more than 15,000 auto dealerships and 4,300 schools and universities. Nearly 13,000 branch salespeople assist customers, across a 17-state footprint from New York to Arizona, with checking and savings accounts, mortgage, home equity and business loans, investments and insurance. More than 1,200 additional mortgage officers provide home loans throughout the country.

Card Services

With more than 150 million cards in circulation and $148.0 billion in managed loans, Chase Card Services ("CS") is one of the nation's largest credit card issuers. Customers used Chase cards for more than $169.3 billion worth of transactions in the six months ended June 30, 2007.

Chase offers a wide variety of general-purpose cards to satisfy the needs of individual consumers, small businesses and partner organizations, including cards issued with AARP, Amazon, Continental Airlines, Marriott, Southwest Airlines, Sony, United Airlines, Walt Disney Company and many other well-known brands and organizations. Chase also issues private-label cards with Circuit City, Kohl's, Sears Canada and BP.

Chase Paymentech Solutions, LLC, a joint venture with JPMorgan Chase and First Data Corporation, is the largest processor of MasterCard and Visa payments in the world, having handled 9.3 billion transactions in the six months ended June 30, 2007.

Commercial Banking

Commercial Banking ("CB") serves more than 30,000 clients, including corporations, municipalities, financial institutions and not-for-profit entities. These clients generally have annual revenues ranging from $10 million to $2 billion. Commercial bankers serve clients nationally throughout the RFS footprint and in offices located in other major markets.

Commercial Banking offers its clients industry knowledge, experience, a dedicated service model, comprehensive solutions and local expertise. The Firm's broad platform positions CB to deliver extensive product capabilities – including lending, treasury services, investment banking and asset management – to meet its clients' U.S. and international financial needs.

Treasury & Securities Services

Treasury & Securities Services ("TSS") is a global leader in providing transaction, investment and information services to support the needs of institutional clients worldwide. TSS is one of the largest cash management providers in the world and a leading global custodian. Treasury Services ("TS") provides a variety of cash management products, trade finance and logistics solutions, wholesale card products, and liquidity management capabilities to small and midsized companies, multinational corporations, financial institutions and government entities. TS partners with the Commercial Banking, Retail Financial Services and Asset Management business segments to serve clients firmwide. As a result, certain TS revenues are included in other segments' results. Worldwide Securities Services ("WSS") stores, values, clears and services securities and alternative investments for investors and broker-dealers; and manages Depositary Receipt programs globally.

Asset Management

With assets under supervision of $1.5 trillion, Asset Management ("AM") 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 both money market instruments and bank deposits. AM also provides trust and estate and banking 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.

OTHER BUSINESS EVENTS

Investment in SLM Corporation

On April 16, 2007, an investor group, which comprised of JPMorgan Chase and three other firms, announced it had signed a definitive agreement to purchase SLM Corporation ("Sallie Mae") for approximately $25 billion. JPMorgan Chase will invest $2.2 billion and will own 24.9% of the company. The transaction requires the approval of Sallie Mae's stockholders and is subject to regulatory approvals and other closing conditions. If all such approvals are obtained and closing conditions are met, the transaction is expected to close in late 2007.

Headquarters for the Investment Bank in London and New York

On May 3, 2007, JPMorgan Chase announced plans to build a new investment banking headquarters in London. The building will have more than one million square feet, with up to five trading floors comprising 72,800 square feet each. The Firm expects the building to open by late 2012. On June 14, 2007, JPMorgan Chase announced it will build a new 1.3 million square-foot global investment banking headquarters in the World Trade Center complex in New York City. The Firm expects the building to open by early 2012.

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 Form 10-Q. For a more complete understanding of events, trends and uncertainties, as well as the liquidity, capital, credit and market risks, and the critical accounting estimates, affecting the Firm and its various lines of business, this Form 10-Q should be read in its entirety.

Financial performance of JPMorgan Chase

	Three months ended June 30,			Six months ended June 30,		
(in millions, except per share and ratio data)	**2007**	2006	Change	**2007**	2006	Change
Selected income statement data						
Total net revenue	**$18,908**	$ 15,086	25%	**$ 37,876**	$ 30,261	25%
Provision for credit losses	**1,529**	493	210	**2,537**	1,324	92
Total noninterest expense	**11,028**	9,382	18	**21,656**	19,162	13
Income from continuing operations	**4,234**	3,484	22	**9,021**	6,511	39
Income from discontinued operations	**—**	56	NM	**—**	110	NM
Net income	**4,234**	3,540	20	**9,021**	6,621	36
Diluted earnings per share						
Income from continuing operations	**$ 1.20**	$ 0.98	22%	**$ 2.55**	$ 1.82	40%
Net income	**1.20**	0.99	21	**2.55**	1.85	38
Return on common equity						
Income from continuing operations	**14%**	13%		**16%**	12%	
Net income	**14**	13		**16**	12	

Business overview

The Firm reported 2007 second-quarter Net income of $4.2 billion, or $1.20 per share, compared with Net income of $3.5 billion, or $0.99 per share, for the second quarter of 2006. Return on common equity for the quarter was 14% compared with 13% in the prior year.

Net income for the first six months of 2007 was $9.0 billion, or $2.55 per share, compared with $6.6 billion, or $1.85 per share, in the comparable period last year. Return on common equity was 16% for the first six months of 2007 compared with 12% for the prior-year period.

In the first quarter of 2007 the Firm adopted SFAS 157 ("Fair Value Measurements") and SFAS 159 ("Fair Value Option"). For a discussion of SFAS 157 and SFAS 159, see Note 3 on pages 73–80 and Note 4 on pages 80–83 of this Form 10-Q.

In the second quarter of 2007, the global economy continued to grow, as solid growth in the industrial economies supported continued progress in the emerging markets economies. Global capital markets activity was strong during the second quarter of 2007, with debt and equity underwriting and merger and acquisition activity surpassing levels from the second quarter of 2006. Both domestic and international equity markets rose, benefiting from favorable economic trends and benign inflation, with the S&P 500 and international indices increasing approximately 5.00% on average during the second quarter of 2007. The Federal Reserve Board held the federal funds rate steady at 5.25%. While long-term interest rates rose in response to indications of improving economic activity, the Treasury yield curve remained moderately inverted. During the second quarter, the U.S. economy rebounded to an approximate 3.40% annualized growth rate, even though high energy prices dampened consumer spending and the ongoing housing contraction continued to weigh on the overall economy. While demand for wholesale loans in the U.S. continued to grow in the second quarter at close to a double-digit pace, U.S. consumer loan growth slowed, and mortgage lending contracted.

The second quarter of 2007 economic environment was a contributing factor to the performance of the Firm and each of its businesses. The overall economic expansion, strong level of capital markets activity and positive performance in equity markets helped to drive new business volume and organic growth within each of the Firm's wholesale businesses. Weakness in the housing markets, however, led to increased losses in Retail Financial Services resulting in an increase in provision related to the home equity portfolio.

The discussion that follows highlights the current-quarter performance of each business segment compared with the prior-year quarter, 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 13–16 of this Form 10-Q .

Investment Bank net income increased from the prior year driven by strong Total net revenue growth, primarily offset by an increase in Total noninterest expense, as well as an increase in the Provision for credit losses. Investment banking fees were at a record level, driven by record advisory fees, strong debt underwriting fees and record equity underwriting fees. Fixed Income Markets revenue benefited from strong results across most products, partially offset by weaker commodities performance versus a strong prior-year quarter. Equity Markets revenue more than doubled from the prior year, benefiting from strong global derivatives and cash equities trading performance. The increase in the Provision for credit losses was largely related to lending-related commitments, reflecting portfolio activity. The increase in Total noninterest expense was due primarily to higher performance-based compensation expense.

Retail Financial Services net income decreased as declines in Regional Banking and Auto Finance were offset partially by improved results in Mortgage Banking. Total net revenue increased from the prior year due to The Bank of New York transaction, higher mortgage loan originations and increased deposit-related fees. Total net revenue also benefited from the classification of certain mortgage loan origination costs as expense due to the adoption of SFAS 159. These benefits were offset partially by the sale of the insurance business in 2006. The Provision for credit losses increased reflecting weak housing prices in select geographic areas and the resulting increase in estimated losses for high loan-to-value home equity loans, especially those originated through the wholesale channel. Total noninterest expense was up 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, an increase in loan originations in Mortgage Banking, and investments in retail distribution. These increases were offset partially by the sale of the insurance business.

Card Services net income decreased when compared with the prior year, primarily due to prior-year results benefiting from significantly lower net charge-offs following the change in bankruptcy legislation in the fourth quarter of 2005. Total net revenue was up compared with the prior year. The increase was driven by increased average loans, higher fees and increased interchange income from higher charge volume. These benefits were largely offset by higher volume-driven payments to partners and increased rewards expense; increased cost of funds on higher introductory, transactor and promotional balances; higher charge-offs, which resulted in increased revenue reversals; and the discontinuation of certain billing practices in the quarter (including the elimination of certain over-limit fees and the two-cycle billing method for calculating finance charges). The managed provision for credit losses increased, primarily due to the prior year benefiting from a lower level of net charge-offs, following the change in bankruptcy legislation in the fourth quarter of 2005. Total noninterest expense was down due mainly to lower Marketing expense and lower fraud-related expense, partially offset by higher volume-related expense.

Commercial Banking net income was flat compared with the prior year, as an increase in Total net revenue was offset by a higher Provision for credit losses. Total net revenue increased due to double-digit growth in liability balances and loans, which reflected organic growth and The Bank of New York transaction. In addition, Total net revenue benefited from higher investment banking revenue and deposit-related fees. These increases in Total net revenue were largely offset by the continued shift to narrower-spread liability products and spread compression in the liability and loan portfolios. The Provision for credit losses increased reflecting portfolio activity. Total noninterest expense was flat to the prior year.

Treasury & Securities Services achieved record net income driven by record Total net revenue partially offset by higher Compensation expense. Total net revenue growth was driven by increased product usage by new and existing clients, market appreciation, and seasonally strong activity in securities lending and depositary receipts. These benefits were offset partially by lower foreign exchange revenue, as a result of narrower-market spreads, and by a continued shift to narrower-spread liability products. Total noninterest expense increased due largely to higher Compensation expense related to business and volume growth, as well as investment in new product platforms.

Asset Management net income was a record benefiting from increased Total net revenue, partially offset by higher Compensation expense. Record Total net revenue, principally fees and commissions, benefited largely from increased assets under management and higher performance and placement fees. The Provision for credit losses was a slight benefit in both time periods. Total noninterest expense increased due largely to higher compensation, primarily performance-based, and investments in all business segments.

Corporate segment net income increased primarily from higher private equity gains, lower securities losses and improved Net interest income, partially offset by higher Total noninterest expense. Prior-year results also included Income from discontinued operations. Total net revenue benefited from a higher level of private equity gains, the classification of certain private equity carried interest as Compensation expense, a lower amount of securities losses and improved net interest spread. Total noninterest expense increased due to higher net legal costs, reflecting a lower level of recoveries and higher expense, including settlement costs relating to certain copper antitrust litigation. In addition, Total noninterest expense increased due to the classification of certain private equity carried interest as Compensation expense. These increases were offset partially by lower Compensation expense and business efficiencies.

Income from discontinued operations was $56 million in the prior year. Discontinued operations (included in the Corporate segment results) includes the income statement activity of selected corporate trust businesses that were sold to The Bank of New York.

During the quarter ended June 30, 2007, approximately $730 million (pretax) of merger savings were realized, which is an annualized rate of approximately $2.9 billion. Merger costs of $64 million were expensed during the second quarter of 2007, bringing the total amount expensed since the merger announcement to $3.6 billion (including capitalized costs).

The managed provision for credit losses was $2.1 billion, up by $1.1 billion, or 101%, from the prior year. The wholesale provision for credit losses was $198 million for the quarter compared with a benefit of $77 million in the prior year. The change was largely related to lending-related commitments, reflecting portfolio activity. Wholesale net recoveries were $29 million in the current quarter, compared with net recoveries of $19 million in the prior year, resulting in net recovery rates of 0.07% and 0.05%, respectively. The total consumer managed provision for credit losses was $1.9 billion, compared with $1.1 billion in the prior year. The prior year benefited from significantly lower credit card net charge-offs, following the change in bankruptcy legislation in the fourth quarter of 2005. The increase from the prior year also reflected additions to the allowance for credit losses and higher charge-offs related to the home equity loan portfolio. The Firm had total nonperforming assets of $2.6 billion at June 30, 2007, up by $202 million, or 8%, from the prior-year level of $2.4 billion.

The Firm had, at June 30, 2007, Total stockholders' equity of $119.2 billion and a Tier 1 capital ratio of 8.4%. The Firm purchased $1.9 billion, or 36.7 million shares, of common stock during the quarter.

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 results to differ materially from those set forth in such forward-looking statements.

JPMorgan Chase's outlook for the third quarter of 2007 should be viewed against the backdrop of the global economy, financial markets activity and the geopolitical environment, all of which are integrally linked.

The Investment Bank entered the third quarter with a strong Investment banking fee pipeline. However, recent market conditions include problems in the mortgage markets, the inability to successfully complete the syndication of certain leverage buyout financings, general widening of credit spreads, reduced liquidity and increased volatility across all markets. The effect of these market conditions has led and could continue to lead to lower trading revenues, reduced levels of client activity, lower realization of the Investment banking fee pipeline and an increase in retained loans resulting from leveraged finance activities. The increase in retained loans is likely to result in an increase in the allowance for loan losses and/or markdowns of loans related to leveraged buyout financing activities. Management continues to believe that the net loss in Treasury and Other Corporate on a combined basis will be approximately $50 million to $100 million per quarter; and that private equity results, which are dependent upon the capital markets, could continue to be volatile over time. The performance of each of the Firm's lines of business will be affected by overall global economic growth, financial market movements (including interest rate movements), the competitive environment and client activity levels in any given time period.

Future economic conditions may also cause the provision for credit losses to increase over time. The wholesale provision for credit losses may be increased over time as a result of portfolio activity and by a trend toward a more normal level of provisioning. The consumer provision for credit losses could be increased as a result of a higher level of net charge-offs in Card Services as losses return to a more normal level following the 2005 fourth quarter change in the bankruptcy law, and as a result of a higher level of losses in Retail Financial Services if housing prices continue to weaken. Given the continued downward pressure on housing prices and the elevated level of unsold houses nationally, management remains cautious with respect to the home equity portfolio. In addition, credit spread widening in the prime and sub-prime mortgage markets is causing downward valuation pressure on the mortgage loans in the Firm's mortgage warehouse.

Firmwide, Total noninterest expense is anticipated to reflect investments in each business, recent acquisitions and divestitures, continued merger savings and other operating efficiencies. Management continues to believe that annual merger savings will reach approximately $3.0 billion by the end of 2007 following completion of the last significant conversion activity, which is the wholesale deposit conversion scheduled for the 2007 third quarter. Merger costs of approximately $400 million are expected to be incurred during 2007 (including a modest amount related to The Bank of New York transaction). These additions are expected to bring total cumulative merger costs to $3.8 billion by the end of 2007.

CONSOLIDATED RESULTS OF OPERATIONS

The following section provides a comparative discussion of JPMorgan Chase's consolidated results of operations on a reported basis. Factors that relate primarily to a single business segment are discussed in more detail within that business segment than they are in this consolidated section. Total net revenue, Noninterest expense and Income tax expense for prior periods have been revised to reflect the impact of discontinued operations. For a discussion of the Critical accounting estimates used by the Firm that affect the Consolidated results of operations, see page 66 of this Form 10-Q and pages 83–85 of the JPMorgan Chase 2006 Form 10-K.

Total net revenue

The following table presents the components of Total net revenue.

	Three months ended June 30,			Six months ended June 30,		
(in millions)	**2007**	2006	Change	**2007**	2006	Change
Investment banking fees	**$ 1,898**	$ 1,370	39%	**$ 3,637**	$ 2,539	43%
Principal transactions	**3,566**	2,741	30	**8,037**	5,450	47
Lending & deposit related fees	**951**	865	10	**1,846**	1,706	8
Asset management, administration and commissions	**3,611**	2,966	22	**6,797**	5,840	16
Securities gains (losses)	**(223)**	(502)	56	**(221)**	(618)	64
Mortgage fees and related income	**523**	213	146	**999**	454	120
Credit card income	**1,714**	1,791	(4)	**3,277**	3,701	(11)
Other income	**553**	464	19	**1,071**	1,018	5
Noninterest revenue	**12,593**	9,908	27	**25,443**	20,090	27
Net interest income	**6,315**	5,178	22	**12,433**	10,171	22
Total net revenue	**$ 18,908**	$ 15,086	25	**$ 37,876**	$ 30,261	25

Total net revenue for the second quarter of 2007 was $18.9 billion, up by $3.8 billion, or 25%, from the prior year. This increase was a result of higher Net interest income, very strong private equity gains, higher Asset management, administration and commissions revenue, record Investment banking fees, a lower level of securities losses, and higher Mortgage fees and related income. For the first six months of 2007, Total net revenue was $37.9 billion, up by $7.6 billion, or 25%, from the prior year. The increase was driven primarily by the aforementioned items including the impact of the adoption of SFAS 157 and 159, and was partially offset by lower Credit card income.

Investment banking fees of $1.9 billion in the second quarter and $3.6 billion for the first six months of 2007 were at record levels for the Firm. These results were driven by record advisory and equity underwriting fees as well as strong debt underwriting fees. For a further discussion of Investment banking fees, which are primarily recorded in the IB, see the IB segment results on pages 17–20 of this Form 10-Q.

Principal transactions revenue consists of trading revenue, which includes changes in fair value associated with financial instruments held by the IB for which the SFAS 159 fair value option was elected, and private equity gains. Trading revenue of $2.1 billion in the second quarter of 2007 was flat compared with the same period last year. In the first six months of 2007, trading revenue of $5.3 billion was higher than in the first six months of 2006, reflecting strong performance in most fixed income and equities products. Credit Portfolio increased in the first six months of 2007 compared with the first six months of 2006 as a result of an adjustment to the valuation of the Firm's derivative liabilities measured at fair value to reflect the credit quality of the Firm, as a part of the adoption of SFAS 157. Private equity gains in the second quarter and first six months of 2007 benefited from a higher level of gains and the classification of certain private equity carried interest as Compensation expense. Also favorably affecting the first six months of 2007 was a fair value adjustment in the first quarter of 2007 on nonpublic investments resulting from the adoption of SFAS 157. For a further discussion of Principal transactions revenue, see the IB and Corporate segment results on pages 17–20 and 40–42, respectively, and Note 5 on pages 83–85 of this Form 10-Q.

Lending & deposit related fees rose from the second quarter and first six months of 2006 as a result of higher deposit-related fees and The Bank of New York transaction. For a further discussion of Lending & deposit related fees, which are partly recorded in RFS, see the RFS segment results on pages 21–28 of this Form 10-Q.

Asset management, administration and commissions revenue was higher in the second quarter and first six months of 2007 compared with the prior-year periods, primarily due to an increase in assets under management and higher performance and placement fees in AM. The growth in assets under management, which reached $1.1 trillion at the end of the second quarter of 2007, up 23% from the prior year, was the result of net asset inflows into the Institutional, Retail and Private Bank segments, and market appreciation. Also contributing to the increase was higher assets under custody in TSS, driven by market value appreciation and new business, as well as growth in other fees due to a combination of increased product usage by existing clients and new business growth. In addition, commissions revenue increased due to

higher brokerage transaction volume (primarily included within the Markets revenue of the IB), partly offset by the sale of the insurance business 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 17–20, RFS on pages 21–28, TSS on pages 35–36, and AM on pages 37–39 of this Form 10-Q.

The favorable variances in Securities gains (losses) for the second quarter and first half of 2007, when compared with the second quarter and first half of 2006, were due primarily to a lower level of securities losses in Treasury's portfolio repositioning results. For a further discussion of Securities gains (losses), which are mostly recorded in the Firm's Treasury business, see the Corporate segment discussion on pages 40–42 of this Form 10-Q.

Mortgage fees and related income increased in the second quarter and first six months of 2007 compared with the prior-year periods. Growth in production revenue reflected higher gain on sale income primarily attributable to increased mortgage loan originations, and the classification of certain loan origination costs as expense (loan origination costs previously netted against revenue are currently recorded as expense) due to the adoption of SFAS 159. Net mortgage servicing revenue improved due to an increase in third-party loans serviced. Mortgage fees and related income exclude the impact of NII and AFS securities gains and losses related to mortgage activities. For a discussion of Mortgage fees and related income, which is recorded primarily in RFS's Mortgage Banking business, see the Mortgage Banking discussion on pages 26–27 of this Form 10-Q.

Credit card income decreased from the second quarter and first six months of 2006, primarily due to lower servicing fees earned in connection with securitization activities, which were affected unfavorably by lower interest income earned and higher credit losses incurred. Also contributing to the decrease were increases in volume-driven payments to partners and expenses related to reward programs. These were offset partially by a higher level of fee-based revenue and increased customer charge volume that favorably impacted interchange income. For a further discussion of Credit card income, see CS's segment results on pages 29–32 of this Form 10-Q.

The increases in Other income from the second quarter and first six months of 2006 reflected higher gains on the sale of loans and leveraged leases, partly as a result of a loss in the first quarter of 2006 related to auto loans transferred to held-for-sale, and increased income from automobile operating leases. These benefits were offset partially by 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 and lower revenues from loan workouts.

Net interest income rose from the second quarter and first six months of 2006, primarily from 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; an improvement in Treasury's net interest spread; an increase in consumer loans; the impact of The Bank of New York transaction; and higher consumer deposits, wholesale liability balances, and loan fees. These increases were offset slightly by narrower spreads on consumer loans as well as deposits, which partly resulted from the continued shift to narrower–spread deposit products; the impact of higher credit card charge-offs which resulted in increased revenue reversals; and the sale of the insurance business. The Firm's total average interest-earning assets for the second quarter of 2007 were $1.1 trillion, up 9% from the second quarter of 2006. The increase was primarily a result of higher Trading assets – debt instruments, Loans, and Available-for-sale 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 2.35%, an increase of 28 basis points from the prior year, partly reflecting the adoption of SFAS 159. The Firm's total average interest earning assets for the first six months of 2007 were $1.1 trillion, up 10% from the first six months of 2006, and were also driven by the aforementioned items. The net interest yield on these assets, on a fully taxable-equivalent basis, was 2.37%, an increase of 24 basis points from the prior year.

Provision for credit losses

	Three months ended June 30,			Six months ended June 30,		
(in millions)	**2007**	2006	Change	**2007**	2006	Change
Provision for credit losses	**$ 1,529**	$ 493	210%	**$ 2,537**	$ 1,324	92%

The Provision for credit losses in the second quarter and first half of 2007 rose from the comparable prior-year periods. The increase in the consumer provision for credit losses in the second quarter of 2007 was due to a $329 million addition to the home equity allowance for loan losses driven by weak housing prices in select geographic areas and the resulting increase in estimated losses for high loan-to-value home equity loans, in particular those originated through the wholesale channel; the absence of prior-year benefits from significantly lower credit card net charge-offs following the change in bankruptcy legislation in the fourth quarter of 2005; and the release in the second quarter of 2006 of $90 million of provision related to Hurricane Katrina in CS. For the first half of 2007 the increase in the consumer Provision for credit losses also reflected higher losses in the subprime mortgage portfolio, partially offset by a reversal in the first quarter of 2007 of a portion of the reserves in RFS related to Hurricane Katrina. The increase in the wholesale provision for credit losses was due primarily to lending-related commitments, reflecting portfolio activity. For a more detailed discussion of the loan portfolio and the Allowance for loan losses, refer to Credit risk management on pages 51–62 of this Form 10-Q.

Noninterest expense

The following table presents the components of Noninterest expense.

	Three months ended June 30,			Six months ended June 30,		
(in millions)	**2007**	2006	Change	**2007**	2006	Change
Compensation expense	**$ 6,309**	$ 5,268	20%	**$12,543**	$10,816	16%
Occupancy expense	**652**	553	18	**1,292**	1,147	13
Technology, communications and equipment expense	**921**	876	5	**1,843**	1,745	6
Professional & outside services	**1,259**	1,085	16	**2,459**	2,093	17
Marketing	**457**	526	(13)	**939**	1,045	(10)
Other expense	**1,013**	631	61	**1,748**	1,447	21
Amortization of intangibles	**353**	357	(1)	**706**	712	(1)
Merger costs	**64**	86	(26)	**126**	157	(20)
Total noninterest expense	**$11,028**	$ 9,382	18	**$21,656**	$19,162	13

Total noninterest expense for the second quarter of 2007 was $11.0 billion, up by $1.6 billion, or 18%, from the prior year. Expense increased due to higher Compensation expense, primarily incentive-based, and increased net legal costs reflecting a lower level of recoveries and higher expense. Expense growth also was driven by The Bank of New York transaction, acquisitions and investments in all of the businesses. The increase in expense was offset partially by business divestitures and expense efficiencies. For the first six months of 2007, Total noninterest expense was $21.7 billion, up by $2.5 billion, or 13%, from the prior year, driven primarily by the aforementioned items.

The increase in Compensation expense from the second quarter and first half of 2006 was primarily the result of higher performance-based incentives; additional headcount in connection with The Bank of New York transaction, acquisitions and investments in businesses; the classification of certain private equity carried interest from Principal transactions revenue, and the classification of certain loan origination costs (previously netted against revenue) due to the adoption of SFAS 159. These increases were offset partially by merger-related savings. Also affecting the six month variance is the absence of a prior-year expense of $459 million from the adoption of SFAS 123R. For a detailed discussion of the adoption of SFAS 123R see Note 9 on page 88 of this Form 10-Q.

The increases in Occupancy expense from the second quarter and first half of 2006 were driven by ongoing investments in the retail distribution network, which included incremental expense from The Bank of New York branches, partially offset by operating expense efficiencies.

The increases in Technology, communications and equipment expense when compared with the second quarter and first six months of 2006 were due primarily to higher depreciation expense on owned automobiles subject to operating leases and technology investments to support business growth. These increases were offset partially by operating expense efficiencies.

Professional & outside services rose from the second quarter and first six months of 2006 reflecting higher brokerage expense and credit card processing costs as a result of growth in transaction volume. Also contributing to the increases were acquisitions and investments in businesses.

Marketing expense was lower when compared with the second quarter and first half of 2006 due to a reduction in credit card marketing.

Other expense was higher from the second quarter and first six months of 2006 due to increased net legal costs reflecting a lower level of recoveries and higher expense. Also contributing to the increase were the growth in business volume, acquisitions and investments in businesses. These increases were offset partially by the sale of the insurance business in the third quarter of 2006 and lower credit card fraud-related losses.

For a discussion of Amortization of intangibles and Merger costs, refer to Note 17 and Note 10 on pages 100–102 and 89, respectively, of this Form 10-Q.

Income tax expense

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

	Three months ended June 30,		Six months ended June 30,	
(in millions, except rate)	**2007**	2006	**2007**	2006
Income from continuing operations before income tax expense	**$ 6,351**	$5,211	**$ 13,683**	$ 9,775
Income tax expense	**2,117**	1,727	**4,662**	3,264
Effective tax rate	**33.3%**	33.1%	**34.1%**	33.4%

The effective tax rate increased for the second quarter and first half of 2007 compared with the second quarter and first half of 2006 primarily due to higher reported pretax income, combined with changes in the proportion of income subject to federal, state and local taxes.

Income from discontinued operations

Income from discontinued operations was zero in all periods of 2007 compared with $56 million and $110 million in the second quarter and first six months of 2006, respectively. Discontinued operations (included in the Corporate segment results) includes the income statement activity of selected corporate trust businesses that were sold to the Bank of New York on October 1, 2006.

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 68–71 of this Form 10-Q. 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 and the lines' of business results 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 assumes 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 still remain on the balance sheet and that the earnings on the securitized loans are classified in the same manner as the earnings on retained loans recorded on the balance sheet. 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 are used for both loans on the balance sheet 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 balance sheet. 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 balance sheet and the Firm's retained interests in securitized loans. For a reconciliation of reported to managed basis of CS results, see Card Services segment results on pages 29–32 of this Form 10-Q. For information regarding the securitization process, and loans and residual interests sold and securitized, see Note 15 on pages 94–98 of this Form 10-Q.

Total net revenue for each of the business segments and the Firm is presented on an 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 revenues 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 segment level because it believes these 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.

The following summary table provides reconciliation from the Firm's reported U.S. GAAP results to managed basis.

Three months ended June 30,	**2007**			
(in millions, except per share and ratio data)	Reported results	Credit card[(b)]	Tax-equivalent adjustments	Managed basis
Revenue				
Investment banking fees	**$ 1,898**	**$ —**	**$ —**	**$ 1,898**
Principal transactions	**3,566**	**—**	**—**	**3,566**
Lending & deposit related fees	**951**	**—**	**—**	**951**
Asset management, administration and commissions	**3,611**	**—**	**—**	**3,611**
Securities (losses)	**(223)**	**—**	**—**	**(223)**
Mortgage fees and related income	**523**	**—**	**—**	**523**
Credit card income	**1,714**	**(788)**	**—**	**926**
Other income	**553**	**—**	**199**	**752**
Noninterest revenue	**12,593**	**(788)**	**199**	**12,004**
Net interest income	**6,315**	**1,378**	**122**	**7,815**
Total net revenue	**18,908**	**590**	**321**	**19,819**
Provision for credit losses	**1,529**	**590**	**—**	**2,119**
Noninterest expense	**11,028**	**—**	**—**	**11,028**
Income from continuing operations before income tax expense	**6,351**	**—**	**321**	**6,672**
Income tax expense	**2,117**	**—**	**321**	**2,438**
Income from continuing operations	**4,234**	**—**	**—**	**4,234**
Income from discontinued operations	**—**	**—**	**—**	**—**
Net income	**$ 4,234**	**$ —**	**$ —**	**$ 4,234**
Net income – diluted earnings per share	**$ 1.20**	**$ —**	**$ —**	**$ 1.20**
Return on common equity[(a)]	**14%**	**—%**	**—%**	**14%**
Return on equity less goodwill[(a)]	**23**	**—**	**—**	**23**
Return on assets[(a)]	**1.19**	**NM**	**NM**	**1.13**
Overhead ratio	**58**	**NM**	**NM**	**56**

Three months ended June 30,	2006			
(in millions, except per share and ratio data)	Reported results	Credit card[(b)]	Tax-equivalent adjustments	Managed basis
Revenue				
Investment banking fees	$ 1,370	$ —	$ —	$ 1,370
Principal transactions	2,741	—	—	2,741
Lending & deposit related fees	865	—	—	865
Asset management, administration and commissions	2,966	—	—	2,966
Securities (losses)	(502)	—	—	(502)
Mortgage fees and related income	213	—	—	213
Credit card income	1,791	(937)	—	854
Other income	464	—	170	634
Noninterest revenue	9,908	(937)	170	9,141
Net interest income	5,178	1,498	47	6,723
Total net revenue	15,086	561	217	15,864
Provision for credit losses	493	561	—	1,054
Noninterest expense	9,382	—	—	9,382
Income from continuing operations before income tax expense	5,211	—	217	5,428
Income tax expense	1,727	—	217	1,944
Income from continuing operations	3,484	—	—	3,484
Income from discontinued operations	56	—	—	56
Net income	$ 3,540	$ —	$ —	$ 3,540
Net income – diluted earnings per share	$ 0.99	$ —	$ —	$ 0.99
Return on common equity[(a)]	13%	—%	—%	13%
Return on equity less goodwill[(a)]	21	—	—	21
Return on assets[(a)]	1.05	NM	NM	1.01
Overhead ratio	62	NM	NM	59

Six months ended June 30,	**2007**			
(in millions, except per share and ratio data)	Reported results	Credit card[(b)]	Tax-equivalent adjustments	Managed basis
Revenue				
Investment banking fees	**$ 3,637**	**$ —**	**$ —**	**$ 3,637**
Principal transactions	**8,037**	**—**	**—**	**8,037**
Lending & deposit related fees	**1,846**	**—**	**—**	**1,846**
Asset management, administration and commissions	**6,797**	**—**	**—**	**6,797**
Securities (losses)	**(221)**	**—**	**—**	**(221)**
Mortgage fees and related income	**999**	**—**	**—**	**999**
Credit card income	**3,277**	**(1,534)**	**—**	**1,743**
Other income	**1,071**	**—**	**309**	**1,380**
Noninterest revenue	**25,443**	**(1,534)**	**309**	**24,218**
Net interest income	**12,433**	**2,717**	**192**	**15,342**
Total net revenue	**37,876**	**1,183**	**501**	**39,560**
Provision for credit losses	**2,537**	**1,183**	**—**	**3,720**
Noninterest expense	**21,656**	**—**	**—**	**21,656**
Income from continuing operations before income tax expense	**13,683**	**—**	**501**	**14,184**
Income tax expense	**4,662**	**—**	**501**	**5,163**
Income from continuing operations	**9,021**	**—**	**—**	**9,021**
Income from discontinued operations	**—**	**—**	**—**	**—**
Net income	**$ 9,021**	**$ —**	**$ —**	**$ 9,021**
Net income – diluted earnings per share	**$ 2.55**	**$ —**	**$ —**	**$ 2.55**
Return on common equity[(a)]	**16%**	**—%**	**—%**	**16%**
Return on equity less goodwill[(a)]	**25**	**—**	**—**	**25**
Return on assets[(a)]	**1.29**	**NM**	**NM**	**1.24**
Overhead ratio	**57**	**NM**	**NM**	**55**

Six months ended June 30,	2006			
(in millions, except per share and ratio data)	Reported results	Credit card[(b)]	Tax-equivalent adjustments	Managed basis
Revenue				
Investment banking fees	$ 2,539	$ —	$ —	$ 2,539
Principal transactions	5,450	—	—	5,450
Lending & deposit related fees	1,706	—	—	1,706
Asset management, administration and commissions	5,840	—	—	5,840
Securities (losses)	(618)	—	—	(618)
Mortgage fees and related income	454	—	—	454
Credit card income	3,701	(2,062)	—	1,639
Other income	1,018	—	316	1,334
Noninterest revenue	20,090	(2,062)	316	18,344
Net interest income	10,171	3,072	118	13,361
Total net revenue	30,261	1,010	434	31,705
Provision for credit losses	1,324	1,010	—	2,334
Noninterest expense	19,162	—	—	19,162
Income from continuing operations before income tax expense	9,775	—	434	10,209
Income tax expense	3,264	—	434	3,698
Income from continuing operations	6,511	—	—	6,511
Income from discontinued operations	110	—	—	110
Net income	$ 6,621	$ —	$ —	$ 6,621
Net income – diluted earnings per share	$ 1.85	$ —	$ —	$ 1.85
Return on common equity[(a)]	12%	—%	—%	12%
Return on equity less goodwill[(a)]	20	—	—	20
Return on assets[(a)]	1.03	NM	NM	0.98
Overhead ratio	63	NM	NM	60

(a) Based upon Income from continuing operations.
(b) Credit card securitizations affect CS. See pages 29–32 of this Form 10-Q for further information.

Three months ended June 30,	2007			2006		
(in millions)	Reported	Securitized	Managed	Reported	Securitized	Managed
Loans – Period-end	**$ 465,037**	**$ 67,506**	**$ 532,543**	$ 455,104	$66,349	$ 521,453
Total assets – average	**1,431,986**	**65,920**	**1,497,906**	1,333,869	66,913	1,400,782

Six months ended June 30,	2007			2006		
(in millions)	Reported	Securitized	Managed	Reported	Securitized	Managed
Loans – Period-end	**$ 465,037**	**$ 67,506**	**$ 532,543**	$ 455,104	$66,349	$ 521,453
Total assets – average	**1,405,597**	**65,519**	**1,471,116**	1,291,349	67,233	1,358,582

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 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 further discussion of Business segment results, see pages 34–35 of JPMorgan Chase's 2006 Annual Report.

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. For a further discussion of those methodologies, see Business Segment Results – Description of business segment reporting methodology on page 34 of JPMorgan Chase's 2006 Annual Report. The Firm continues to assess the assumptions, methodologies and reporting classifications used for segment reporting, and further refinements may be implemented in future periods.

Segment Results – Managed Basis[(a)]

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

Three months ended June 30,	Total net revenue			Noninterest expense			Net income (loss)			Return on equity	
(in millions, except ratios)	**2007**	2006	Change	**2007**	2006	Change	**2007**	2006	Change	**2007**	2006
Investment Bank	**$ 5,798**	$ 4,329	34%	**$ 3,854**	$ 3,091	25%	**$1,179**	$ 839	41%	**23%**	16%
Retail Financial Services	**4,357**	3,779	15	**2,484**	2,259	10	**785**	868	(10)	**20**	24
Card Services	**3,717**	3,664	1	**1,188**	1,249	(5)	**759**	875	(13)	**22**	25
Commercial Banking	**1,007**	949	6	**496**	496	—	**284**	283	—	**18**	21
Treasury & Securities Services	**1,741**	1,588	10	**1,149**	1,050	9	**352**	316	11	**47**	58
Asset Management	**2,137**	1,620	32	**1,355**	1,081	25	**493**	343	44	**53**	39
Corporate[(b)]	**1,062**	(65)	NM	**502**	156	222	**382**	16	NM	**NM**	NM
Total	**$ 19,819**	$15,864	25%	**$ 11,028**	$ 9,382	18%	**$4,234**	$3,540	20%	**14%**	13%

Six months ended June 30,	Total net revenue			Noninterest expense			Net income (loss)			Return on equity	
(in millions, except ratios)	**2007**	2006	Change	**2007**	2006	Change	**2007**	2006	Change	**2007**	2006
Investment Bank	**$ 12,052**	$ 9,157	32%	**$ 7,685**	$ 6,411	20%	**$2,719**	$1,689	61%	**26%**	17%
Retail Financial Services	**8,463**	7,542	12	**4,891**	4,497	9	**1,644**	1,749	(6)	**21**	25
Card Services	**7,397**	7,349	1	**2,429**	2,492	(3)	**1,524**	1,776	(14)	**22**	25
Commercial Banking	**2,010**	1,849	9	**981**	994	(1)	**588**	523	12	**19**	19
Treasury & Securities Services	**3,267**	3,073	6	**2,224**	2,098	6	**615**	578	6	**41**	49
Asset Management	**4,041**	3,204	26	**2,590**	2,179	19	**918**	656	40	**49**	38
Corporate[(b)]	**2,330**	(469)	NM	**856**	491	74	**1,013**	(350)	NM	**NM**	NM
Total	**$ 39,560**	$31,705	25%	**$ 21,656**	$ 19,162	13%	**$9,021**	$6,621	36%	**16%**	12%

(a) Represents reported results on a tax-equivalent basis and excludes the impact of credit card securitizations.

(b) Net income (loss) includes Income from discontinued operations (after-tax) of $56 million and $110 million for the three and six months ended June 30, 2006, respectively. There was no income from discontinued operations during the first six months of 2007.

INVESTMENT BANK

For a discussion of the business profile of the IB, see pages 36–37 of JPMorgan Chase's 2006 Annual Report and page 4 of this Form 10-Q.

Selected income statement data	Three months ended June 30,			Six months ended June 30,		
(in millions, except ratios)	**2007**	2006	Change	**2007**	2006	Change
Revenue						
Investment banking fees	**$ 1,900**	$ 1,368	39%	**$ 3,629**	$ 2,538	43%
Principal transactions[(a)]	**2,178**	2,157	1	**5,304**	4,637	14
Lending & deposit related fees	**93**	134	(31)	**186**	271	(31)
Asset management, administration and commissions	**643**	583	10	**1,284**	1,159	11
All other income	**122**	3	NM	**164**	278	(41)
Noninterest revenue	**4,936**	4,245	16	**10,567**	8,883	19
Net interest income	**862**[(e)]	84	NM	**1,485**[(e)]	274	442
Total net revenue[(b)]	**5,798**	4,329	34	**12,052**	9,157	32
Provision for credit losses	**164**	(62)	NM	**227**	121	88
Credit reimbursement from TSS[(c)]	**30**	30	—	**60**	60	—
Noninterest expense						
Compensation expense	**2,589**	1,961	32	**5,226**	4,217	24
Noncompensation expense	**1,265**	1,130	12	**2,459**	2,194	12
Total noninterest expense	**3,854**	3,091	25	**7,685**	6,411	20
Income before income tax expense	**1,810**	1,330	36	**4,200**	2,685	56
Income tax expense	**631**	491	29	**1,481**	996	49
Net income	**$ 1,179**	$ 839	41	**$ 2,719**	$ 1,689	61
Financial ratios						
ROE	**23%**	16%		**26%**	17%	
ROA	**0.68**	0.50		**0.81**	0.52	
Overhead ratio	**66**	71		**64**	70	
Compensation expense as a % of total net revenue[(d)]	**45**	44		**43**	43	
Revenue by business						
Investment banking fees:						
Advisory	**$ 560**	$ 352	59	**$ 1,032**	$ 741	39
Equity underwriting	**509**	364	40	**902**	576	57
Debt underwriting	**831**	652	27	**1,695**	1,221	39
Total investment banking fees	**1,900**	1,368	39	**3,629**	2,538	43
Fixed income markets[(a)]	**2,445**	2,131	15	**5,037**	4,207	20
Equity markets[(a)]	**1,249**	580	115	**2,788**	1,842	51
Credit portfolio[(a)]	**204**	250	(18)	**598**	570	5
Total net revenue	**$ 5,798**	$ 4,329	34	**$12,052**	$ 9,157	32
Revenue by region						
Americas	**$ 2,655**	$ 2,110	26	**$ 6,021**	$ 4,263	41
Europe/Middle East/Africa	**2,327**	1,796	30	**4,578**	3,821	20
Asia/Pacific	**816**	423	93	**1,453**	1,073	35
Total net revenue	**$ 5,798**	$ 4,329	34	**$12,052**	$ 9,157	32

(a) As a result of the adoption on January 1, 2007, of SFAS 157, the IB recognized a benefit, in the first quarter of 2007, of $166 million in Total net revenue (primarily in Credit Portfolio, but with smaller impacts to Equity Markets and Fixed Income Markets) relating to the incorporation of an adjustment to the valuation of the Firm's derivative liabilities and other liabilities measured at fair value that reflects the credit quality of the Firm.

(b) Total net revenue included tax-equivalent adjustments, primarily due to tax-exempt income from municipal bond investments and income tax credits related to affordable housing investments, of $290 million and $193 million for the quarters ended June 30, 2007 and 2006, respectively, and $442 million and $387 million for year-to-date 2007 and 2006, respectively.

(c) Treasury & Securities Services is charged a credit reimbursement related to certain exposures managed within the Investment Bank credit portfolio on behalf of clients shared with TSS.

(d) For 2006, the Compensation expense to Total net revenue ratio was adjusted to present this ratio as if SFAS 123R had always been in effect. IB management believes that adjusting the Compensation expense to Total net revenue ratio for the incremental impact of adopting SFAS 123R provides a more meaningful measure of IB's Compensation expense to Total net revenue ratio for 2006.

(e) Net Interest Income for 2007 increased from the prior year due primarily to the adoption of SFAS 159. For certain IB structured notes, all components of earnings are reported in Principal transaction, causing a shift between Principal transactions revenue and Net interest income in 2007.

Quarterly results

Net income was $1.2 billion, up by $340 million, or 41%, compared with the prior year. The increase reflected strong revenue growth, primarily offset by an increase in Noninterest expense, primarily driven by performance-based compensation, as well as an increase in the provision for credit losses.

Net revenue was $5.8 billion, up by $1.5 billion, or 34%, from the prior year, driven by record investment banking fees and strong markets results. Investment banking fees of $1.9 billion were up 39% from the prior year, driven by record advisory fees, strong debt underwriting fees and record equity underwriting fees. Debt underwriting fees of $831 million were up 27%, driven by record loan syndication fees. Advisory fees of $560 million were up 59%, benefiting from strong performance across all regions. Equity underwriting fees of $509 million were up 40%, reflecting strong performance in Asia and Europe. Fixed Income Markets revenue increased 15% from the prior year, to $2.4 billion, driven by strong results across most products, partially offset by weaker commodities performance versus a strong prior-year quarter. Equity Markets revenue of $1.2 billion more than doubled from the prior year, benefiting from strong global derivatives and cash equities trading performance. Credit Portfolio revenue of $204 million was down 18% due largely to lower gains from loan sales and workouts.

Provision for credit losses was $164 million compared with a benefit of $62 million in the prior year. The increase in the provision for credit losses was primarily due to lending-related commitments, reflecting portfolio activity. Allowance for loan losses to average loans was 1.76% for the current quarter, which was flat compared with the prior year; nonperforming assets were $119 million, down 77% from the prior year.

Noninterest expense was $3.9 billion, up by $763 million, or 25%, from the prior year. This increase was due primarily to higher performance-based compensation expense.

Year-to-date results

Net income was $2.7 billion, up by $1.0 billion, or 61%, compared with the prior year. The increase reflected strong revenue growth, partially offset by an increase in Noninterest expense, primarily driven by performance-based compensation, as well as an increase in the provision for credit losses.

Net revenue was $12.1 billion, up by $2.9 billion, or 32%, from the prior year, driven by record investment banking fees and record markets results. Investment banking fees of $3.6 billion were up 43% from the prior year, driven by record advisory fees, debt underwriting fees, and equity underwriting fees. Debt underwriting fees of $1.7 billion were up 39%, driven by record loan syndication fees and record bond underwriting fees. Advisory fees of $1.0 billion were up 39%, benefiting from strong performance across all regions. Equity underwriting fees of $902 million were up 57% reflecting strong performance across all regions. Fixed Income Markets revenue increased 20% from the prior year, to $5.0 billion, driven by strong results across most products. Equity Markets revenue of $2.8 billion was up 51%, benefiting from strong global derivatives and cash equities trading performance. Credit Portfolio revenue of $598 million was up 5% due largely to the incorporation of an adjustment to the valuation of the Firm's derivative liabilities measured at fair value that reflects the credit quality of the Firm, in conjunction with SFAS 157, and higher trading revenue from credit portfolio management activities, partially offset by lower gains from loan sales and workouts.

Provision for credit losses was $227 million, up 88% from the prior year. The increase in the provision for credit losses was due primarily to lending-related commitments, reflecting portfolio activity. Allowance for loan losses to average loans was 1.76% for the first half of 2007, which was slightly down compared with the prior year.

Noninterest expense was $7.7 billion, up by $1.3 billion, or 20%, from the prior year. This increase was due primarily to higher performance-based compensation expense.

Selected metrics (in millions, except headcount and ratio data)	Three months ended June 30, 2007	2006	Change	Six months ended June 30, 2007	2006	Change
Selected average balances						
Total assets	**$ 696,230**	$ 672,056	4%	**$ 677,581**	$ 659,209	3%
Trading assets–debt and equity instruments[(a)]	**359,387**	268,091	34	**347,320**	260,296	33
Trading assets–derivatives receivables	**58,520**	55,692	5	**57,465**	52,557	9
Loans:						
Loans retained[(b)]	**60,330**	59,026	2	**60,102**	56,367	7
Loans held-for-sale[(a)]	**13,529**	19,920	(32)	**13,159**	19,568	(33)
Total loans	**73,859**	78,946	(6)	**73,261**	75,935	(4)
Adjusted assets[(c)]	**603,839**	530,057	14	**588,016**	511,285	15
Equity	**21,000**	21,000	—	**21,000**	20,503	2
Headcount	**25,356**	22,914	11	**25,356**	22,914	11
Credit data and quality statistics						
Net charge-offs (recoveries)	**$ (16)**	$ (12)	(33)	**$ (22)**	$ (33)	33
Nonperforming assets:[(d)]						
Nonperforming loans	**72**	488	(85)	**72**	488	(85)
Other nonperforming assets	**47**	37	27	**47**	37	27
Allowance for credit losses:						
Allowance for loan losses	**1,037**	1,038	—	**1,037**	1,038	—
Allowance for lending-related commitments	**487**	249	96	**487**	249	96
Total Allowance for credit losses	**1,524**	1,287	18	**1,524**	1,287	18
Net charge-off (recovery) rate[(a)(b)]	**(0.11)%**	(0.08)%		**(0.08)%**	(0.12)%	
Allowance for loan losses to average loans[(a)(b)]	**1.76**	1.76		**1.76**	1.84	
Allowance for loan losses to nonperforming loans[(d)]	**2,206**	248		**2,206**	248	
Nonperforming loans to average loans	**0.10**	0.62		**0.10**	0.64	
Market risk–average trading and credit portfolio VAR[(e)]						
By risk type:						
Fixed income	**$ 74**	$ 52	42	**$ 60**	$ 56	7
Foreign exchange	**20**	25	(20)	**19**	22	(14)
Equities	**51**	24	113	**46**	28	64
Commodities and other	**40**	52	(23)	**37**	50	(26)
Less: portfolio diversification[(f)]	**(73)**	(74)	1	**(65)**	(71)	8
Total trading VAR	**112**	79	42	**97**	85	14
Credit portfolio VAR[(g)]	**12**	14	(14)	**12**	14	(14)
Less: portfolio diversification[(f)]	**(14)**	(9)	(56)	**(12)**	(10)	(20)
Total trading and credit portfolio VAR	**$ 110**	$ 84	31	**$ 97**	$ 89	9

(a) Loans held-for-sale were excluded from the allowance coverage ratio and Net charge-off rate. As a result of the adoption of SFAS 159 in the first quarter of 2007 Loans held-for-sale of $11.7 billion were reclassified to Trading assets.

(b) Loans retained included credit portfolio loans, leveraged leases, bridge loans for underwriting, other accrual loans and certain loans carried at fair value. Average loans carried at fair value were $1.3 billion for the quarter ended June 30, 2007 and $1.1 billion for year-to-date June 30, 2007. Loans carried at fair value were excluded when calculating the allowance coverage ratio and Net charge-off rate.

(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 consolidated under FIN 46R; (3) cash and securities segregated and on deposit for regulatory and other purposes; and (4) goodwill and intangibles. The amount of adjusted assets is presented to assist the reader in comparing the 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. The IB believes an adjusted asset amount that excludes the assets discussed above, which are considered to have a low risk profile, provides a more meaningful measure of balance sheet leverage in the securities industry.

(d) Nonperforming loans included Loans held-for-sale of $25 million and $70 million at June 30, 2007 and 2006, respectively, which were excluded from the allowance coverage ratios. Nonperforming loans excluded distressed HFS loans purchased as part of IB's proprietary activities and assets classified as trading assets. Loans elected under the fair value option and classified within trading assets are also excluded from Nonperforming loans.

(e) For a more complete description of VAR, see pages 62–65 of this Form 10-Q.

(f) 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.

(g) Included VAR on derivative credit and debit valuation adjustments, hedges of the credit valuation adjustment and mark-to-market hedges of the retained loan portfolio, which were all reported in Principal Transactions revenue. The VAR did not include the retained loan portfolio.

According to Thomson Financial, for the first six months of 2007, the Firm was ranked #1 in Global Equity and Equity-Related; #1 in Global Syndicated Loans; #4 in Global Announced M&A; #2 in Global Debt, Equity and Equity-Related; and #2 in Global Long-term Debt based upon volume.

	Six months ended June 30, 2007		Full Year 2006	
Market shares and rankings[(a)]	Market Share	Rankings	Market Share	Rankings
Global debt, equity and equity-related	**8%**	**#2**	7%	#2
Global syndicated loans	**15**	**#1**	14	#1
Global long-term debt	**7**	**#2**	6	#3
Global equity and equity-related	**9**	**#1**	7	#6
Global announced M&A	**27**	**#4**	22	#4
U.S. debt, equity and equity-related	**10**	**#2**	9	#2
U.S. syndicated loans	**28**	**#1**	26	#1
U.S. long-term debt	**12**	**#2**	12	#2
U.S. equity and equity-related[(b)]	**11**	**#3**	8	#6
U.S. announced M&A	**30**	**#4**	27	#4

(a) Source: Thomson Financial Securities data. Global announced M&A was based upon rank value; all other rankings were 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%.

(b) References U.S. domiciled equity and equity-related transactions, per Thomson Financial.

RETAIL FINANCIAL SERVICES

For a discussion of the business profile of RFS, see pages 38–42 of JPMorgan Chase's 2006 Annual Report and page 4 of this Form 10-Q.

During the first quarter of 2006, RFS completed the purchase of Collegiate Funding Services, which contributed an education 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's distribution network in the New York Tri-state area.

Selected income statement data	Three months ended June 30,			Six months ended June 30,		
(in millions, except ratios)	**2007**	2006	Change	**2007**	2006	Change
Revenue						
Lending & deposit related fees	**$ 470**	$ 390	21%	**$ 893**	$ 761	17%
Asset management, administration and commissions	**344**	366	(6)	**607**	803	(24)
Securities (losses)	**—**	(39)	NM	**—**	(45)	NM
Mortgage fees and related income[(a)]	**495**	204	143	**977**	440	122
Credit card income	**163**	129	26	**305**	244	25
Other income	**212**	163	30	**391**	211	85
Noninterest revenue	**1,684**	1,213	39	**3,173**	2,414	31
Net interest income	**2,673**	2,566	4	**5,290**	5,128	3
Total net revenue	**4,357**	3,779	15	**8,463**	7,542	12
Provision for credit losses	**587**	100	487	**879**	185	375
Noninterest expense						
Compensation expense[(a)]	**1,104**	901	23	**2,169**	1,821	19
Noncompensation expense[(a)]	**1,264**	1,246	1	**2,488**	2,453	1
Amortization of intangibles	**116**	112	4	**234**	223	5
Total noninterest expense	**2,484**	2,259	10	**4,891**	4,497	9
Income before income tax expense	**1,286**	1,420	(9)	**2,693**	2,860	(6)
Income tax expense	**501**	552	(9)	**1,049**	1,111	(6)
Net income	**$ 785**	$ 868	(10)	**$ 1,644**	$ 1,749	(6)
Financial ratios						
ROE	**20%**	24%		**21%**	25%	
Overhead ratio[(a)]	**57**	60		**58**	60	
Overhead ratio excluding core deposit intangibles[(a)(b)]	**54**	57		**55**	57	

(a) The Firm adopted SFAS 159 in the first quarter of 2007. As a result, certain loan origination costs have been classified as expense (previously netted against revenue) for the three and six months ended June 30, 2007.

(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 excluded Regional Banking's core deposit intangible amortization expense related to The Bank of New York transaction and the Bank One merger of $115 million and $110 million for the three months ended June 30, 2007 and 2006, respectively, and $231 million and $219 million for the six months ended June 30, 2007 and 2006, respectively.

Quarterly results
Net income of $785 million was down by $83 million, or 10%, from the prior year, as declines in Regional Banking and Auto Finance were offset partially by improved results in Mortgage Banking.

Net revenue of $4.4 billion was up by $578 million, or 15%, from the prior year. Net interest income of $2.7 billion was up by $107 million, or 4%, due to The Bank of New York transaction and higher deposit balances. These benefits were offset partially by the sale of the insurance business and a continued shift to narrower–spread deposit products. Noninterest revenue of $1.7 billion was up by $471 million, or 39%, benefiting from increased mortgage loan originations; increases in deposit-related fees; increased mortgage loan servicing revenue; and The Bank of New York transaction. Noninterest revenue also benefited from the classification of certain mortgage loan origination costs as expense (loan origination costs previously netted against revenue are currently recorded as expense) due to the adoption of SFAS 159 in the first quarter of 2007. These benefits were offset partially by the sale of the insurance business.

The provision for credit losses was $587 million compared with $100 million in the prior year. The increase in provision reflects weak housing prices in select geographic areas and the resulting increase in estimated losses for high loan-to-value home equity loans, especially those originated through the wholesale channel. Home equity underwriting standards were further tightened during the quarter, and pricing actions were implemented to reflect elevated risks in this segment. The current-quarter provision includes an increase in the allowance for loan losses related to home equity loans of $329 million. Home equity net charge-offs were $98 million (0.44% net charge-off rate) in the current quarter compared with net charge-offs of $30 million (0.16% net charge-off rate) in the prior year.

Noninterest expense of $2.5 billion was up by $225 million, or 10%, due to The Bank of New York transaction, the classification of certain loan origination costs as expense due to the adoption of SFAS 159, an increase in loan originations in Mortgage Banking, and investments in retail distribution. These increases were offset partially by the sale of the insurance business.

Year-to-date results
Net income of $1.6 billion was down by $105 million, or 6%, from the prior year, as declines in Regional Banking and Auto Finance were offset partially by improved results in Mortgage Banking.

Net revenue of $8.5 billion was up by $921 million, or 12%, from the prior year. Net interest income of $5.3 billion was up by $162 million, or 3%, due to The Bank of New York transaction and higher deposit balances. These benefits were offset partially by the sale of the insurance business and a continued shift to narrower–spread deposit products. Noninterest revenue of $3.2 billion was up by $759 million, or 31%, reflecting higher gain on sale income primarily attributable to increased mortgage loan originations, and the classification of certain loan origination costs as expense (loan origination costs previously netted against revenue are currently recorded as expense) due to the adoption of SFAS 159. Noninterest revenue also benefited from increases in deposit-related fees, increased mortgage loan servicing revenue and The Bank of New York transaction. These benefits were offset partially by the sale of the insurance business and a charge resulting from accelerated surrenders of customer annuity contracts.

The provision for credit losses was $879 million compared with $185 million in the prior year. The increase in provision reflects weak housing prices in select geographic areas and the resulting increases in estimated losses for home equity and subprime mortgage loans. The year-to-date provision includes a net increase in the allowance for loan losses of $405 million related to home equity loans and the subprime mortgage portfolio, offset partially by the reversal of a portion of the reserves for Hurricane Katrina. Home equity and subprime mortgage underwriting standards were tightened during the year-to-date period and pricing actions were implemented to reflect elevated risks in these segments.

Noninterest expense of $4.9 billion was up by $394 million, or 9%, 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 retail distribution and an increase in loan originations in Mortgage Banking. These increases were offset partially by the sale of the insurance business.

Selected metrics (in millions, except headcount and ratio data)	Three months ended June 30, 2007	2006	Change	Six months ended June 30, 2007	2006	Change
Selected ending balances						
Assets	**$ 217,421**	$ 233,748	(7)%	**$ 217,421**	$ 233,748	(7)%
Loans [(a)(b)]	**190,493**	203,928	(7)	**190,493**	203,928	(7)
Deposits	**217,689**	198,273	10	**217,689**	198,273	10
Selected average balances						
Assets	**$ 216,692**	$ 234,097	(7)	**$ 216,912**	$ 232,849	(7)
Loans [(a)(b)]	**190,302**	201,635	(6)	**190,638**	200,224	(5)
Deposits	**219,171**	199,075	10	**218,058**	196,741	11
Equity	**16,000**	14,300	12	**16,000**	14,099	13
Headcount	**68,254**	62,450	9	**68,254**	62,450	9
Credit data and quality statistics						
Net charge-offs	**$ 270**	$ 113	139	**$ 455**	$ 234	94
Nonperforming loans[(c)]	**1,760**	1,339	31	**1,760**	1,339	31
Nonperforming assets	**2,099**	1,520	38	**2,099**	1,520	38
Allowance for loan losses	**1,772**	1,321	34	**1,772**	1,321	34
Net charge-off rate[(d)]	**0.66%**	0.24%		**0.56%**	0.25%	
Allowance for loan losses to ending loans[(d)]	**1.06**	0.69		**1.06**	0.69	
Allowance for loan losses to nonperforming loans[(d)]	**115**	99		**115**	99	
Nonperforming loans to total loans	**0.92**	0.66		**0.92**	0.66	

(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 $15.2 billion at June 30, 2007. Average Loans included $13.5 billion and $10.0 billion for the three and six months ended June 30, 2007.

(b) End-of-period Loans included Loans held-for-sale of $8.3 billion and $11.8 billion at June 30, 2007 and 2006, respectively. Average loans include Loans held-for-sale of $11.7 billion and $12.9 billion for the three months ended June 30, 2007 and 2006, and $16.7 billion and $14.6 billion for the six months ended June 30, 2007 and 2006, respectively.

(c) Nonperforming loans included Loans held-for-sale and loans accounted for at fair value under SFAS 159 of $217 million (of which $2 million were classified as Trading assets on the Consolidated balance sheet) and $9 million at June 30, 2007 and 2006, respectively.

(d) Loans held-for-sale and Loans accounted for at fair value under SFAS 159 were excluded when calculating the allowance coverage ratio and the Net charge-off rate.

REGIONAL BANKING

Selected income statement data (in millions, except ratios)	Three months ended June 30, 2007	2006	Change	Six months ended June 30, 2007	2006	Change
Noninterest revenue	**$ 977**	$ 851	15%	**$ 1,770**	$ 1,671	6%
Net interest income	**2,296**	2,212	4	**4,595**	4,432	4
Total Net revenue	**3,273**	3,063	7	**6,365**	6,103	4
Provision for credit losses	**494**	70	NM	**727**	136	435
Noninterest expense	**1,749**	1,746	—	**3,478**	3,484	—
Income before income tax expense	**1,030**	1,247	(17)	**2,160**	2,483	(13)
Net income	**$ 629**	$ 764	(18)	**$ 1,319**	$ 1,521	(13)
ROE	**21%**	30%		**23%**	31%	
Overhead ratio	**53**	57		**55**	57	
Overhead ratio excluding core deposit intangibles[(a)]	**50**	53		**51**	53	

(a) Regional Banking uses the overhead ratio excluding the amortization of CDI, a non-GAAP financial measure, to evaluate the underlying expense trends of the business. Including CDI amortization expense in the overhead ratio calculation 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 excluded Regional Banking's core deposit intangible amortization expense related to The Bank of New York transaction and the Bank One merger of $115 million and $110 million for the three months ended June 30, 2007 and 2006, respectively, and $231 million and $219 million for the six months ended June 30, 2007 and 2006, respectively.

Quarterly results

Regional Banking net income of $629 million was down by $135 million, or 18%, from the prior year. Net revenue of $3.3 billion was up by $210 million, or 7%, benefiting from The Bank of New York transaction, increases in deposit-related fees and growth in deposits. These benefits were offset partially by the sale of the insurance business and a continued shift to narrower–spread deposit products. The provision for credit losses was $494 million compared with $70 million in the prior year. The increase was largely related to the home equity portfolio, as the allowance for loan losses related to this portfolio was increased by $329 million. Home equity net charge-offs increased to $98 million in the current quarter from $30 million in the prior year (see Retail Financial Services discussion of provision for credit losses for further detail). Noninterest expense of $1.7 billion was flat, as increases due to The Bank of New York transaction and investments in retail distribution were offset by the sale of the insurance business.

Year-to-date results

Regional Banking net income of $1.3 billion was down by $202 million, or 13%, from the prior year. Net revenue of $6.4 billion was up by $262 million, or 4%, benefiting from The Bank of New York transaction, increases in deposit-related fees and growth in deposits. These benefits were offset partially by the sale of the insurance business, a continued shift to narrower–spread deposit products and a charge resulting from accelerated surrenders of customer annuity contracts. The provision for credit losses was $727 million compared with $136 million in the prior year. The increase in provision reflects higher losses on home equity and subprime mortgage loans, offset partially by the reversal of a portion of the reserves for Hurricane Katrina. Noninterest expense of $3.5 billion was flat, as increases due to The Bank of New York transaction and investments in retail distribution were largely offset by the sale of the insurance business.

Business metrics (in billions, except ratios)	Three months ended June 30, **2007**	2006	Change	Six months ended June 30, **2007**	2006	Change
Home equity origination volume	**$ 14.6**	$ 14.0	4%	**$ 27.3**	$ 25.7	6%
End-of-period loans owned						
Home equity	**$ 91.0**	$ 77.8	17	**$ 91.0**	$ 77.8	17
Mortgage[(a)]	**8.8**	48.6	(82)	**8.8**	48.6	(82)
Business banking	**14.6**	13.0	12	**14.6**	13.0	12
Education	**10.2**	8.3	23	**10.2**	8.3	23
Other loans[(b)]	**2.5**	2.6	(4)	**2.5**	2.6	(4)
Total end-of-period loans	**127.1**	150.3	(15)	**127.1**	150.3	(15)
End-of-period deposits						
Checking	**$ 67.3**	$ 62.3	8	**$ 67.3**	$ 62.3	8
Savings	**97.7**	89.1	10	**97.7**	89.1	10
Time and other	**41.9**	36.5	15	**41.9**	36.5	15
Total end-of-period deposits	**206.9**	187.9	10	**206.9**	187.9	10
Average loans owned						
Home equity	**$ 89.2**	$ 76.2	17	**$ 87.8**	$ 75.2	17
Mortgage[(a)]	**8.8**	47.1	(81)	**8.8**	45.9	(81)
Business banking	**14.5**	13.0	12	**14.4**	12.8	13
Education	**10.5**	8.7	21	**10.8**	7.1	52
Other loans[(b)]	**2.4**	2.6	(8)	**2.7**	2.8	(4)
Total average loans[(c)]	**125.4**	147.6	(15)	**124.5**	143.8	(13)
Average deposits						
Checking	**$ 67.2**	$ 62.6	7	**$ 67.3**	$ 62.8	7
Savings	**98.4**	89.8	10	**97.6**	89.6	9
Time and other	**41.7**	35.4	18	**42.1**	33.9	24
Total average deposits	**207.3**	187.8	10	**207.0**	186.3	11
Average assets	**137.7**	164.6	(16)	**136.8**	160.9	(15)
Average equity	**11.8**	10.2	16	**11.8**	10.0	18
Credit data and quality statistics (in millions, except ratios)						
30+ day delinquency rate[(d)(e)]	**1.88%**	1.48%		**1.88%**	1.48%	
Net charge-offs						
Home equity	**$ 98**	$ 30	227	**$ 166**	$ 63	163
Mortgage	**26**	9	189	**46**	21	119
Business banking	**30**	16	88	**55**	34	62
Other loans	**52**	13	300	**65**	20	225
Total net charge-offs	**206**	68	203	**332**	138	141
Net charge-off rate						
Home equity	**0.44%**	0.16%		**0.38%**	0.17%	
Mortgage	**1.19**	0.08		**1.05**	0.09	
Business banking	**0.83**	0.49		**0.77**	0.54	
Other loans	**2.32**	0.55		**1.39**	0.55	
Total net charge-off rate[(c)]	**0.68**	0.19		**0.56**	0.20	
Nonperforming assets[(f)(g)(h)]	**$ 1,968**	$ 1,349	46	**$ 1,968**	$ 1,349	46

(a) As of January 1, 2007, $19.4 billion of held-for-investment prime mortgage loans were transferred from RFS to Treasury within the Corporate segment for risk management and reporting purposes. Although the loans, together with the responsibility for the investment management of the portfolio, were transferred to Treasury, the transfer has no impact on the financial results of Regional Banking. The balance reported at and for the three and six months ended June 30, 2007, primarily reflected subprime mortgage loans owned.

(b) Included commercial loans derived from community development activities and, prior to July 1, 2006, insurance policy loans.

(c) Average loans included Loans held-for-sale of $3.9 billion and $1.9 billion for the three months ended June 30, 2007 and 2006, respectively and $4.1 billion and $2.6 billion for the six months ended June 30, 2007 and 2006, respectively. These amounts were excluded when calculating the Net charge-off rate.

(d) Excluded delinquencies related to loans eligible for repurchase as well as loans repurchased from Governmental National Mortgage Association ("GNMA") pools that are insured by government agencies and government-sponsored enterprises of $879 million and $828 million at June 30, 2007 and 2006, respectively. These amounts are excluded as reimbursement is proceeding normally.

(e) Excluded loans that are 30 days past due and still accruing, which are insured by government agencies under the Federal Family Education Loan Program of $523 million and $416 million at June 30, 2007 and 2006, respectively. These amounts are excluded as reimbursement is proceeding normally.

(f) Excluded loans that are 90 days past due and still accruing, which are insured by government agencies under the Federal Family Education Loan Program of $200 million and $163 million at June 30, 2007 and 2006, respectively. These amounts are excluded as reimbursement is proceeding normally.

(g) Excluded Nonperforming assets related to loans eligible for repurchase as well as loans repurchased from GNMA pools that are insured by government agencies and government-sponsored enterprises of $1.2 billion and $1.1 billion at June 30, 2007 and 2006, respectively. These amounts are excluded as reimbursement is proceeding normally.

(h) Nonperforming loans included Loans held-for-sale and loans accounted for at fair value under SFAS 159 of $217 million (of which $2 million were classified as Trading assets on the Consolidated balance sheet) and $9 million at June 30, 2007 and 2006, respectively.

Retail branch business metrics	Three months ended June 30,			Six months ended June 30,		
	2007	2006	Change	**2007**	2006	Change
Investment sales volume (in millions)	**$ 5,117**	$ 3,692	39%	**$ 9,900**	$ 7,245	37%
Number of:						
Branches	**3,089**	2,660	429#	**3,089**	2,660	429#
ATMs	**8,649**	7,753	896	**8,649**	7,753	896
Personal bankers[(a)]	**9,025**	7,260	1,765	**9,025**	7,260	1,765
Sales specialists[(a)]	**3,915**	3,376	539	**3,915**	3,376	539
Active online customers (in thousands)[(b)]	**5,448**	4,469	979	**5,448**	4,469	979
Checking accounts (in thousands)	**10,356**	9,072	1,284	**10,356**	9,072	1,284

(a) Employees acquired as part of The Bank of New York transaction are included beginning June 30, 2007. This transaction was completed on October 1, 2006.

(b) During the three months ended June 30, 2007, RFS changed the methodology for determining active online customers to include all individual RFS customers with one or more online accounts that have been active within 90 days of period end, including customers who also have online accounts with Card Services. Prior periods have been restated to conform to this new methodology.

MORTGAGE BANKING

Selected income statement data	Three months ended June 30,			Six months ended June 30,		
(in millions, except ratios and where otherwise noted)	**2007**	2006	Change	**2007**	2006	Change
Production revenue[(a)]	**$ 463**	$ 202	129%	**$ 863**	$ 421	105%
Net mortgage servicing revenue:						
Loan servicing revenue	**615**	563	9	**1,216**	1,123	8
Changes in MSR asset fair value:						
Due to inputs or assumptions in model[(b)]	**952**	491	94	**1,060**	1,202	(12)
Other changes in fair value[(c)]	**(383)**	(392)	2	**(761)**	(741)	(3)
Total changes in MSR asset fair value	**569**	99	475	**299**	461	(35)
Derivative valuation adjustments and other	**(1,014)**	(546)	(86)	**(1,141)**	(1,299)	12
Total net mortgage servicing revenue	**170**	116	47	**374**	285	31
Total net revenue	**633**	318	99	**1,237**	706	75
Noninterest expense[(a)]	**516**	329	57	**984**	653	51
Income before income tax expense	**117**	(11)	NM	**253**	53	377
Net income	**$ 71**	$ (7)	NM	**$ 155**	$ 32	384
ROE	**14%**	NM		**16%**	4%	
Business metrics (in billions)						
Third-party mortgage loans serviced (ending)	**$ 572.4**	$ 497.4	15	**$ 572.4**	$ 497.4	15
MSR net carrying value (ending)	**9.5**	8.2	16	**9.5**	8.2	16
Average mortgage loans held-for-sale[(d)]	**21.3**	9.8	117	**22.6**	11.4	98
Average assets	**35.6**	23.9	49	**36.8**	25.5	44
Average equity	**2.0**	1.7	18	**2.0**	1.7	18
Mortgage origination volume by channel (in billions)						
Retail	**$ 13.6**	$ 10.8	26	**$ 24.5**	$ 19.9	23
Wholesale	**12.8**	8.7	47	**22.7**	16.1	41
Correspondent	**6.4**	3.4	88	**11.2**	7.1	58
CNT (Negotiated transactions)	**11.3**	8.3	36	**21.8**	17.3	26
Total[(e)]	**$ 44.1**	$ 31.2	41	**$ 80.2**	$ 60.4	33

(a) The Firm adopted SFAS 159 in the first quarter of 2007. As a result, certain loan origination costs have been classified as expense (previously netted against revenue) in the three and six months ended June 30, 2007.

(b) 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.

(c) Includes changes in the MSR value due to modeled servicing portfolio runoff (or time decay).

(d) Included $13.5 billion and $10.0 billion of prime mortgage loans accounted for at fair value option for the three and six months ended June 30, 2007, respectively. These loans are classified as Trading assets on the Consolidated balance sheets for 2007.

(e) During the second quarter of 2007, RFS changed its definition of mortgage originations to include all newly originated mortgage loans sourced through RFS channels, and to exclude all mortgage loan originations sourced through the IB's channels. Prior periods have been restated to conform to this new definition.

Quarterly results

Mortgage Banking net income was $71 million compared with a net loss of $7 million in the prior year. Net revenue of $633 million was up by $315 million from the prior year. Revenue comprises production revenue and net mortgage servicing revenue. Production revenue was $463 million, up by $261 million, reflecting an increase in mortgage loan originations and the classification of certain loan origination costs as expense (loan origination costs previously netted against revenue are currently recorded as expense) due to the adoption of SFAS 159. Net mortgage servicing revenue, which includes loan servicing revenue, mortgage servicing rights ("MSR") risk management results and other changes in fair value, was $170 million compared with $116 million in the prior year. Loan servicing revenue of $615 million increased by $52 million on a 15% increase in third-party loans serviced. MSR risk management revenue of negative $62 million declined by $7 million from the prior year. Other changes in fair value of the MSR asset, representing run-off of the asset against the realization of servicing cash flows, were negative $383 million. Noninterest expense was $516 million, up by $187 million, or 57%, reflecting the classification of certain loan origination costs due to the adoption of SFAS 159, and higher compensation expense, reflecting higher loan originations and a greater number of loan officers.

Year-to-date results

Mortgage Banking net income was $155 million compared with $32 million in the prior year. Net revenue of $1.2 billion was up by $531 million from the prior year. Revenue comprises production revenue and net mortgage servicing revenue. Production revenue was $863 million, up by $442 million, reflecting higher gain on sale income primarily attributable to increased mortgage loan originations, and the classification of certain loan origination costs as expense (loan origination costs previously netted against revenue are currently recorded as expense) due to the adoption of SFAS 159. Net mortgage servicing revenue, which includes loan servicing revenue, MSR risk management results and other changes in fair value, was $374 million compared with $285 million in the prior year. Loan servicing revenue of $1.2 billion increased by $93 million on a 15% increase in third-party loans serviced. MSR risk management revenue of negative $81 million improved by $16 million from the prior year. Other changes in fair value of the MSR asset, representing run-off of the asset against the realization of servicing cash flows, were negative $761 million. Noninterest expense was $984 million, up by $331 million, or 51%, reflecting the classification of certain loan origination costs due to the adoption of SFAS 159, and higher compensation expense, reflecting higher loan originations and a greater number of loan officers.

AUTO FINANCE

Selected income statement data (in millions, except ratios and where otherwise noted)	Three months ended June 30, **2007**	2006	Change	Six months ended June 30, **2007**	2006	Change
Noninterest revenue	**$ 138**	$ 90	53%	**$ 269**	$ 134	101%
Net interest income	**312**	308	1	**591**	599	(1)
Total net revenue	**450**	398	13	**860**	733	17
Provision for credit losses	**92**	30	207	**151**	49	208
Noninterest expense	**219**	184	19	**429**	360	19
Income before income tax expense	**139**	184	(24)	**280**	324	(14)
Net income	**$ 85**	$ 111	(23)	**$ 170**	$ 196	(13)
ROE	**15%**	19%		**16%**	16%	
ROA	**0.79**	0.98		**0.79**	0.85	
Business metrics (in billions)						
Auto origination volume	**$ 5.3**	$ 4.5	18	**$ 10.5**	$ 8.8	19
End-of-period loans and lease related assets						
Loans outstanding	**$ 40.4**	$ 39.4	3	**$ 40.4**	$ 39.4	3
Lease financing receivables	**0.8**	2.8	(71)	**0.8**	2.8	(71)
Operating lease assets	**1.8**	1.3	38	**1.8**	1.3	38
Total end-of-period loans and lease related assets	**43.0**	43.5	(1)	**43.0**	43.5	(1)
Average loans and lease related assets						
Loans outstanding[(a)]	**$ 40.1**	$ 40.3	—	**$ 39.8**	$ 40.7	(2)
Lease financing receivables	**1.0**	3.2	(69)	**1.2**	3.6	(67)
Operating lease assets	**1.7**	1.2	42	**1.7**	1.1	55
Total average loans and lease related assets	**42.8**	44.7	(4)	**42.7**	45.4	(6)
Average assets	**43.4**	45.6	(5)	**43.3**	46.4	(7)
Average equity	**2.2**	2.4	(8)	**2.2**	2.4	(8)
Credit quality statistics						
30+ day delinquency rate	**1.43%**	1.37%		**1.43%**	1.37%	
Net charge-offs						
Loans	**$ 62**	$ 44	41	**$ 120**	$ 92	30
Lease receivables	**1**	1	—	**2**	4	(50)
Total net charge-offs	**63**	45	40	**122**	96	27
Net charge-off rate						
Loans[(a)]	**0.62%**	0.45%		**0.61%**	0.46%	
Lease receivables	**0.40**	0.13		**0.34**	0.22	
Total net charge-off rate[(a)]	**0.61**	0.43		**0.60**	0.44	
Nonperforming assets	**$ 131**	$ 171	(23)	**$ 131**	$ 171	(23)

(a) For the three and six month periods ended June 30, 2006, Average loans included Loans held-for-sale of $1.2 billion and $589 million, respectively. These amounts are excluded when calculating the Net charge-off rate. For the three and six month periods ended June 30, 2007, no Auto loans were classified as held-for-sale.

Quarterly results

Auto Finance net income of $85 million was down by $26 million, or 23%, compared with the prior year. Net revenue of $450 million was up by $52 million, or 13%, reflecting higher automobile operating lease revenue and wider loan spreads. The provision for credit losses was $92 million, an increase of $62 million, reflecting an increase in estimated losses from low prior-year levels. Noninterest expense of $219 million increased by $35 million, or 19%, driven by increased depreciation expense on owned automobiles subject to operating leases.

Year-to-date results

Auto Finance net income of $170 million was down by $26 million, or 13%, compared with the prior year. Net revenue of $860 million was up by $127 million, or 17%, reflecting higher automobile operating lease revenue, wider loan spreads and the absence of a prior-year $50 million pretax loss related to auto loans transferred to held-for-sale. These increases were offset partially by a decrease in Auto loans and lease balances. The provision for credit losses was $151 million, an increase of $102 million, reflecting an increase in estimated losses from low prior-year levels. Noninterest expense of $429 million increased by $69 million, or 19%, driven by increased depreciation expense on owned automobiles subject to operating leases.

CARD SERVICES

For a discussion of the business profile of CS, see pages 43–45 of JPMorgan Chase's 2006 Annual Report and pages 4–5 of this Form 10-Q.

JPMorgan Chase uses the concept of "managed receivables" to evaluate the credit performance of its credit card loans, both loans on the balance sheet and loans that have been securitized. 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. For further information, see Explanation and reconciliation of the Firm's use of non-GAAP financial measures on pages 13–16 of this Form 10-Q.

Selected income statement data – managed basis	Three months ended June 30,			Six months ended June 30,		
(in millions, except ratios)	**2007**	2006	Change	**2007**	2006	Change
Revenue						
Credit card income	**$ 682**	$ 653	4%	**$ 1,281**	$ 1,254	2%
All other income	**80**	49	63	**172**	120	43
Noninterest revenue	**762**	702	9	**1,453**	1,374	6
Net interest income	**2,955**	2,962	—	**5,944**	5,975	(1)
Total net revenue	**3,717**	3,664	1	**7,397**	7,349	1
Provision for credit losses[(a)]	**1,331**	1,031	29	**2,560**	2,047	25
Noninterest expense						
Compensation expense	**251**	251	—	**505**	510	(1)
Noncompensation expense	**753**	810	(7)	**1,556**	1,606	(3)
Amortization of intangibles	**184**	188	(2)	**368**	376	(2)
Total noninterest expense	**1,188**	1,249	(5)	**2,429**	2,492	(3)
Income before income tax expense	**1,198**	1,384	(13)	**2,408**	2,810	(14)
Income tax expense	**439**	509	(14)	**884**	1,034	(15)
Net Income	**$ 759**	$ 875	(13)	**$ 1,524**	$ 1,776	(14)
Memo: Net securitization gains (amortization)	**$ 16**	$ (6)	NM	**$ 39**	$ 2	NM
Financial metrics						
ROE	**22%**	25%		**22%**	25%	
Overhead ratio	**32**	34		**33**	34	

(a) Second quarter of 2006 included a $90 million release of a $100 million special provision, originally recorded in the third quarter of 2005, related to Hurricane Katrina.

Quarterly results

Net income of $759 million was down by $116 million, or 13%, 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.

End-of-period managed loans of $148.0 billion increased by $8.7 billion, or 6%, from the prior year. Average managed loans of $147.4 billion increased by $10.2 billion, or 7%, from the prior year.

Net managed revenue of $3.7 billion was up by $53 million, or 1%, from the prior year. Net interest income of $3.0 billion was flat compared with the prior year. Net interest income was negatively affected by the discontinuation of certain billing practices (including the elimination of certain over-limit fees and the two-cycle billing method for calculating finance charges); higher charge-offs, which resulted in increased revenue reversals; and increased cost of funds on growth in introductory and transactor balances. These decreases in net interest income were offset by increased average loans and higher fees. Noninterest revenue of $762 million was up by $60 million, or 9%, from the prior year. The increase reflects a higher level of fee-based revenue and increased interchange income, benefiting from 4% higher charge volume, primarily offset by higher volume-driven payments to partners and increased rewards expense (both of which are netted against interchange income). Charge volume reflects an approximate 10% growth rate in sales volume offset partially by a lower level of balance transfers, reflecting a more targeted marketing effort.

The managed provision for credit losses was $1.3 billion, up by $300 million, or 29%, from the prior year. The prior year benefited from lower net charge-offs, following the change in bankruptcy legislation in the fourth quarter of 2005, and the release of $90 million of provision related to Hurricane Katrina. Credit quality remained stable with a managed net charge-off rate for the quarter of 3.62%, up from 3.28% in the prior year. The 30-day managed delinquency rate was 3.00%, down from 3.14% in the prior year.

Noninterest expense of $1.2 billion was down by $61 million, or 5%, compared with the prior year, primarily due to lower marketing expense and lower fraud-related expense, partially offset by higher volume-related expense.

Year-to-date results

Net income of $1.5 billion was down by $252 million, or 14%, 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.

End-of-period managed loans of $148.0 billion increased by $8.7 billion, or 6%, from the prior year, benefiting from organic growth. Average managed loans of $148.4 billion increased by $10.8 billion, or 8%, from the prior year, benefiting from organic growth and loan portfolio acquisitions.

Net managed revenue of $7.4 billion was up by $48 million, or 1%, from the prior year. Net interest income of $5.9 billion was down by $31 million, or 1%, compared with the prior year. Net interest income was negatively impacted by increased cost of funds on growth in introductory, transactor and promotional balances; higher charge-offs, which resulted in increased revenue reversals; and the discontinuation of certain billing practices (including the elimination of certain over-limit fees and the two-cycle method for calculating finance charges). These decreases in net interest income were partially offset by increased average loans and higher fees. Noninterest revenue of $1.5 billion was up by $79 million, or 6%, from the prior year. The increase reflects a higher level of fee-based revenue and increased interchange income, benefiting from 7% higher charge volume, primarily offset by higher volume-driven payments to partners and increased rewards expense (both of which are netted against interchange income). Charge volume reflects an approximate 10% growth rate in sales volume offset partially by a lower level of balance transfers, reflecting a more targeted marketing effort.

The managed provision for credit losses was $2.6 billion, up by $513 million, or 25%, from the prior year. The prior year benefited from lower net charge-offs, following the change in bankruptcy legislation in the fourth quarter of 2005. The managed net charge-off rate increased to 3.59%, up from 3.13% in the prior year. The 30-day managed delinquency rate was 3.00%, down from 3.14% in the prior year.

Noninterest expense of $2.4 billion was down by $63 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.

Selected metrics (in millions, except headcount, ratios and where otherwise noted)	Three months ended June 30,			Six months ended June 30,		
	2007	2006	Change	**2007**	2006	Change
% of average managed outstandings:						
Net interest income	**8.04%**	8.66%		**8.08%**	8.76%	
Provision for credit losses	**3.62**	3.01		**3.48**	3.00	
Noninterest revenue	**2.07**	2.05		**1.97**	2.01	
Risk adjusted margin[(a)]	**6.49**	7.70		**6.57**	7.77	
Noninterest expense	**3.23**	3.65		**3.30**	3.65	
Pretax income (ROO)	**3.26**	4.05		**3.27**	4.12	
Net income	**2.06**	2.56		**2.07**	2.60	
Business metrics						
Charge volume (in billions)	**$ 88.0**	$ 84.4	4%	**$ 169.3**	$ 158.7	7%
Net accounts opened (in thousands)[(b)]	**3,706**	24,573	(85)	**7,145**	27,291	(74)
Credit cards issued (in thousands)	**150,883**	136,685	10	**150,883**	136,685	10
Number of registered Internet customers (in millions)	**24.6**	19.1	29	**24.6**	19.1	29
Merchant acquiring business[(c)]						
Bank card volume (in billions)	**$ 179.7**	$ 166.3	8	**$ 343.3**	$ 314.0	9
Total transactions (in millions)	**4,811**	4,476	7	**9,276**	8,606	8
Selected ending balances						
Loans:						
Loans on balance sheets	**$ 80,495**	$ 72,961	10	**$ 80,495**	$ 72,961	10
Securitized loans	**67,506**	66,349	2	**67,506**	66,349	2
Managed loans	**$ 148,001**	$ 139,310	6	**$ 148,001**	$ 139,310	6
Selected average balances						
Managed assets	**$ 154,406**	$ 144,284	7	**$ 155,333**	$ 145,134	7
Loans:						
Loans on balance sheets	**$ 79,000**	$ 68,185	16	**$ 80,458**	$ 68,319	18
Securitized loans	**68,428**	69,005	(1)	**67,959**	69,287	(2)
Managed loans	**$ 147,428**	$ 137,190	7	**$ 148,417**	$ 137,606	8
Equity	**$ 14,100**	$ 14,100	—	**$ 14,100**	$ 14,100	—
Headcount	**18,913**	18,753	1	**18,913**	18,753	1
Managed credit quality statistics						
Net charge-offs	**$ 1,331**	$ 1,121	19	**$ 2,645**	$ 2,137	24
Net charge-off rate	**3.62%**	3.28%		**3.59%**	3.13%	
Managed delinquency ratios						
30+ days	**3.00%**	3.14%		**3.00%**	3.14%	
90+ days	**1.42**	1.52		**1.42**	1.52	
Allowance for loan losses	**$ 3,096**	$ 3,186	(3)	**$ 3,096**	$ 3,186	(3)
Allowance for loan losses to period-end loans	**3.85%**	4.37%		**3.85%**	4.37%	

(a) Represents Total net revenue less Provision for credit losses.
(b) Second quarter of 2006 included approximately 21 million accounts from the acquisition of the Kohl's private label portfolio.
(c) Represents 100% of the merchant acquiring business.

Reconciliation from reported basis to managed basis

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

	Three months ended June 30,			Six months ended June 30,		
(in millions)	**2007**	2006	Change	**2007**	2006	Change
Income statement data[(a)]						
Credit card income						
Reported basis for the period	**$ 1,470**	$ 1,590	(8)%	**$ 2,815**	$ 3,316	(15)%
Securitization adjustments	**(788)**	(937)	16	**(1,534)**	(2,062)	26
Managed credit card income	**$ 682**	$ 653	4	**$ 1,281**	$ 1,254	2
Net interest income						
Reported basis for the period	**$ 1,577**	$ 1,464	8	**$ 3,227**	$ 2,903	11
Securitization adjustments	**1,378**	1,498	(8)	**2,717**	3,072	(12)
Managed net interest income	**$ 2,955**	$ 2,962	—	**$ 5,944**	$ 5,975	(1)
Total net revenue						
Reported basis for the period	**$ 3,127**	$ 3,103	1	**$ 6,214**	$ 6,339	(2)
Securitization adjustments	**590**	561	5	**1,183**	1,010	17
Managed total net revenue	**$ 3,717**	$ 3,664	1	**$ 7,397**	$ 7,349	1
Provision for credit losses						
Reported basis for the period[(b)]	**$ 741**	$ 470	58	**$ 1,377**	$ 1,037	33
Securitization adjustments	**590**	561	5	**1,183**	1,010	17
Managed provision for credit losses[(b)]	**$ 1,331**	$ 1,031	29	**$ 2,560**	$ 2,047	25
Balance sheet – average balances[(a)]						
Total average assets						
Reported basis for the period	**$ 88,486**	$ 77,371	14	**$ 89,814**	$ 77,901	15
Securitization adjustments	**65,920**	66,913	(1)	**65,519**	67,233	(3)
Managed average assets	**$ 154,406**	$ 144,284	7	**$ 155,333**	$ 145,134	7
Credit quality statistics[(a)]						
Net charge-offs						
Reported net charge-offs data for the period	**$ 741**	$ 560	32	**$ 1,462**	$ 1,127	30
Securitization adjustments	**590**	561	5	**1,183**	1,010	17
Managed net charge-offs	**$ 1,331**	$ 1,121	19	**$ 2,645**	$ 2,137	24

(a) JPMorgan Chase uses the concept of "managed receivables" to evaluate the credit performance and overall performance of the underlying credit card loans, both sold and not sold; as the same borrower is continuing to use the credit card for ongoing charges, a borrower's credit performance will affect both the receivables sold under SFAS 140 and those not sold. Thus, in its disclosures regarding managed receivables, JPMorgan Chase treated the sold receivables as if they were still on the balance sheet in order to disclose the credit performance (such as Net charge-off rates) of the entire managed credit card portfolio. Managed results excluded the impact of credit card securitizations on Total net revenue, the Provision for credit losses, net charge-offs and loan receivables. Securitization did not change reported net income versus managed earnings; however, it did affect the classification of items on the Consolidated statements of income and Consolidated balance sheets. For further information, see Explanation and reconciliation of the Firm's use of non-GAAP measures on pages 13–16 of this Form 10-Q.

(b) Second quarter of 2006 included a $90 million release of a $100 million special provision, originally recorded in the third quarter of 2005, related to Hurricane Katrina.

COMMERCIAL BANKING

For a discussion of the business profile of CB, see pages 46–47 of JPMorgan Chase's 2006 Annual Report and page 5 of this Form 10-Q.

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.

Selected income statement data	Three months ended June 30,			Six months ended June 30,		
(in millions, except ratios)	**2007**	2006	Change	**2007**	2006	Change
Revenue						
Lending & deposit related fees	**$ 158**	$ 147	7%	**$ 316**	$ 289	9%
Asset management, administration and commissions	**21**	16	31	**44**	31	42
All other income[(a)]	**133**	111	20	**287**	187	53
Noninterest revenue	**312**	274	14	**647**	507	28
Net interest income	**695**	675	3	**1,363**	1,342	2
Total net revenue	**1,007**	949	6	**2,010**	1,849	9
Provision for credit losses	**45**	(12)	NM	**62**	(5)	NM
Noninterest expense						
Compensation expense	**182**	179	2	**362**	376	(4)
Noncompensation expense	**300**	302	(1)	**590**	587	1
Amortization of intangibles	**14**	15	(7)	**29**	31	(6)
Total noninterest expense	**496**	496	—	**981**	994	(1)
Income before income tax expense	**466**	465	—	**967**	860	12
Income tax expense	**182**	182	—	**379**	337	12
Net income	**$ 284**	$ 283	—	**$ 588**	$ 523	12
Financial ratios						
ROE	**18%**	21%		**19%**	19%	
Overhead ratio	**49**	52		**49**	54	

(a) IB-related and commercial card revenues are included in All other income.

Quarterly results

Net income of $284 million was flat compared with the prior year, as an increase in net revenue was offset by higher provision for credit losses.

Net revenue was $1.0 billion, up by $58 million, or 6%, from the prior year. Net interest income of $695 million was up by $20 million, or 3%, from the prior year. The increase was 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 liability and loan portfolios. Noninterest revenue of $312 million was up by $38 million, or 14%, from the prior year, primarily due to higher investment banking revenue and increased deposit-related fees.

On a segment basis, Middle Market Banking revenue of $653 million increased by $19 million, or 3%, from the prior year, due to The Bank of New York transaction and growth in investment banking revenue. Mid-Corporate Banking revenue of $197 million increased by $36 million, or 22%, reflecting higher lending, investment banking and treasury services revenue. Real Estate Banking revenue of $109 million decreased by $5 million, or 4%.

Provision for credit losses was $45 million compared with a benefit of $12 million in the prior year. The increase in the allowance for credit losses reflects portfolio activity. The allowance for loan losses to average loans was 2.63% in the current quarter compared with 2.68% in the prior year; nonperforming loans of $135 million decreased by $90 million, or 40%, from the prior year.

Noninterest expense of $496 million was flat compared with the prior year.

Year-to-date results

Net income of $588 million increased by $65 million, or 12%, from the prior year due to higher revenues, partially offset by higher provision for credit losses.

Net revenue of $2.0 billion increased by $161 million, or 9%. Net interest income of $1.4 billion increased by $21 million, or 2%, 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 liability and

loan portfolios. Noninterest revenue was $647 million, up by $140 million, or 28%, due to higher IB-related revenue, increased deposit-related fees and gains related to the sale of securities acquired in the satisfaction of debt.

On a segment basis, Middle Market Banking revenue of $1.3 billion increased by $57 million, or 5%, primarily due to growth in investment banking revenue and the Bank of New York transaction. Mid-Corporate Banking revenue of $409 million increased by $111 million, or 37%, reflecting higher investment banking, lending revenue and gains on sales of securities acquired in the satisfaction debt. Real Estate Banking revenue of $211 million decreased by $8 million, or 4%.

Provision for credit losses was $62 million compared to a net recovery of $5 million in the prior year. The increase in the allowance for credit losses reflects portfolio activity. The allowance for loan losses to average loans was 2.67% compared with 2.72% in the prior year.

Noninterest expenses of $981 million decreased by $13 million, or 1%, due to the absence of prior-year expense from the adoption of SFAS 123R primarily offset by expense related to The Bank of New York transaction.

Selected metrics	Three months ended June 30,			Six months ended June 30,		
(in millions, except ratio and headcount data)	**2007**	2006	Change	**2007**	2006	Change
Revenue by product:						
Lending	**$ 348**	$ 331	5%	**$ 696**	$ 650	7%
Treasury services	**569**	566	1	**1,125**	1,116	1
Investment banking	**82**	66	24	**158**	106	49
Other	**8**	(14)	NM	**31**	(23)	NM
Total Commercial Banking revenue	**$ 1,007**	$ 949	6	**$ 2,010**	$ 1,849	9
IB revenues, gross[(a)]	**$ 236**	$ 186	27	**$ 467**	$ 300	56
Revenue by business:						
Middle Market Banking	**$ 653**	$ 634	3	**$ 1,314**	$ 1,257	5
Mid-Corporate Banking	**197**	161	22	**409**	298	37
Real Estate Banking	**109**	114	(4)	**211**	219	(4)
Other	**48**	40	20	**76**	75	1
Total Commercial Banking revenue	**$ 1,007**	$ 949	6	**$ 2,010**	$ 1,849	9
Selected average balances						
Total assets	**$ 84,687**	$ 56,561	50	**$ 83,622**	$ 55,671	50
Loans and leases[(b)]	**59,812**	52,413	14	**58,742**	51,629	14
Liability balances[(c)]	**84,187**	72,556	16	**82,976**	71,664	16
Equity	**6,300**	5,500	15	**6,300**	5,500	15
Average loans by business:						
Middle Market Banking	**$ 37,099**	$ 32,492	14	**$ 36,710**	$ 32,178	14
Mid-Corporate Banking	**11,692**	8,269	41	**11,183**	7,925	41
Real Estate Banking	**6,894**	7,515	(8)	**6,984**	7,476	(7)
Other	**4,127**	4,137	—	**3,865**	4,050	(5)
Total Commercial Banking loans	**$ 59,812**	$ 52,413	14	**$ 58,742**	$ 51,629	14
Headcount	**4,295**	4,320	(1)	**4,295**	4,320	(1)
Credit data and quality statistics:						
Net charge-offs (recoveries)	**$ (8)**	$ (3)	(167)	**$ (9)**	$ (10)	10
Nonperforming loans	**135**	225	(40)	**135**	225	(40)
Allowance for credit losses:						
Allowance for loan losses	**1,551**	1,394	11	**1,551**	1,394	11
Allowance for lending-related commitments	**222**	157	41	**222**	157	41
Total allowance for credit losses	**1,773**	1,551	14	**1,773**	1,551	14
Net charge-off (recovery) rate[(b)]	**(0.05)%**	(0.02)%		**(0.03)%**	(0.04)%	
Allowance for loan losses to average loans[(b)]	**2.63**	2.68		**2.67**	2.72	
Allowance for loan losses to nonperforming loans	**1,149**	620		**1,149**	620	
Nonperforming loans to average loans	**0.23**	0.43		**0.23**	0.44	

(a) Represents the total revenue related to investment banking products sold to CB clients.

(b) Average loans include Loans held-for-sale of $741 million and $334 million for the quarters ended June 30, 2007 and 2006, respectively, and $609 million and $301 million for year-to-date 2007 and 2006, respectively. These amounts are excluded when calculating the Net charge-off (recovery) rate and the allowance coverage ratio.

(c) Liability balances included deposits and deposits swept to on-balance sheet liabilities.

TREASURY & SECURITIES SERVICES

For a discussion of the business profile of TSS, see pages 48–49 of JPMorgan Chase's 2006 Annual Report and page 5 of this Form 10-Q.

Selected income statement data	Three months ended June 30,			Six months ended June 30,		
(in millions, except ratios)	**2007**	2006	Change	**2007**	2006	Change
Revenue						
Lending & deposit related fees	**$ 219**	$ 184	19%	**$ 432**	$ 366	18%
Asset management, administration and commissions	**828**	683	21	**1,514**	1,333	14
All other income	**184**	178	3	**309**	324	(5)
Noninterest revenue	**1,231**	1,045	18	**2,255**	2,023	11
Net interest income	**510**	543	(6)	**1,012**	1,050	(4)
Total net revenue	**1,741**	1,588	10	**3,267**	3,073	6
Provision for credit losses	**—**	4	NM	**6**	—	NM
Credit reimbursement to IB[(a)]	**(30)**	(30)	—	**(60)**	(60)	—
Noninterest expense						
Compensation expense	**609**	537	13	**1,167**	1,086	7
Noncompensation expense	**523**	493	6	**1,025**	973	5
Amortization of intangibles	**17**	20	(15)	**32**	39	(18)
Total noninterest expense	**1,149**	1,050	9	**2,224**	2,098	6
Income before income tax expense	**562**	504	12	**977**	915	7
Income tax expense	**210**	188	12	**362**	337	7
Net income	**$ 352**	$ 316	11	**$ 615**	$ 578	6
Financial ratios						
ROE	**47%**	58%		**41%**	49%	
Overhead ratio	**66**	66		**68**	68	
Pretax margin ratio[(b)]	**32**	32		**30**	30	

(a) TSS was charged a credit reimbursement related to certain exposures managed within the IB credit portfolio on behalf of clients shared with TSS. For a further discussion, see Credit reimbursement on page 35 of JPMorgan Chase's 2006 Annual Report.

(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.

Quarterly results

Net income was a record $352 million, up by $36 million, or 11%, from the prior year. The increase was driven by record revenue partially offset by higher compensation expense.

Net revenue was a record $1.7 billion, up by $153 million, or 10%, from the prior year. Worldwide Securities Services net revenue of $1.0 billion was up by $135 million, or 15%, driven by increased product usage by new and existing clients, market appreciation, and seasonally strong activity in securities lending and depositary receipts. These benefits were offset partially by lower foreign exchange revenue, as a result of narrower-market spreads. Treasury Services net revenue of $720 million was up by $18 million, or 3%, driven by volume increases in clearing, ACH and commercial cards, partially offset by a continued shift to narrower–spread liability products. TSS firmwide net revenue, which includes Treasury Services net revenue recorded in other lines of business, grew to $2.4 billion, up by $171 million, or 8%. Treasury Services firmwide net revenue grew to $1.4 billion, up by $36 million, or 3%.

Noninterest expense was $1.1 billion, up by $99 million, or 9%, from the prior year. The increase was due largely to higher compensation expense related to business and volume growth, as well as investment in new product platforms.

Year-to-date results

Net income was $615 million, up by $37 million, or 6% from the prior year. The increase was driven by record revenue from seasonally strong activity in securities lending and depositary receipts, offset by higher compensation expense driven by increased business volumes.

Net revenue was $3.3 billion, up by $194 million, or 6%, from the prior year. Worldwide Securities Services net revenue of $1.9 billion was up by $180 million, or 11%, driven by increased product usage by new and existing clients, market appreciation, and seasonally strong activity in securities lending and depositary receipts. These benefits were offset partially by lower foreign exchange revenue as a result of narrower market spreads. Treasury Services net revenue of $1.4 billion was up by $14 million, or 1%, driven by volume increases in clearing, ACH and cards, partially offset by a continued shift to narrower–spread liability products. TSS firmwide net revenue, which includes Treasury Services net revenue recorded in other lines of business, grew to $4.5 billion, up by $230 million, or 5%. Treasury Services firmwide net revenue grew to $2.7 billion, up by $50 million, or 2%.

Noninterest expense was $2.2 billion, up by $126 million, or 6%. The increase was largely due to higher compensation expense related to business and volume growth as well as investment in new product platforms.

Selected metrics (in millions, except headcount, ratio data and where otherwise noted)	Three months ended June 30,			Six months ended June 30,		
	2007	2006	Change	**2007**	2006	Change
Revenue by business						
Treasury Services	**$ 720**	$ 702	3%	**$ 1,409**	$ 1,395	1%
Worldwide Securities Services	**1,021**	886	15	**1,858**	1,678	11
Total net revenue	**$ 1,741**	$ 1,588	10	**$ 3,267**	$ 3,073	6
Business metrics						
Assets under custody (in billions)	**$ 15,203**	$ 11,536	32	**$ 15,203**	$ 11,536	32
Number of:						
US$ ACH transactions originated (in millions)	**972**	848	15	**1,943**	1,686	15
Total US$ clearing volume (in thousands)	**27,779**	26,506	5	**54,619**	51,688	6
International electronic funds transfer volume (in thousands)[(a)]	**42,068**	35,255	19	**84,467**	68,996	22
Wholesale check volume (in millions)	**767**	904	(15)	**1,538**	1,756	(12)
Wholesale cards issued (in thousands)[(b)]	**17,535**	16,271	8	**17,535**	16,271	8
Selected balance sheets (average)						
Total assets	**$ 50,687**	$ 31,774	60	**$ 48,359**	$ 30,509	59
Loans	**20,195**	14,993	35	**19,575**	13,972	40
Liability balances[(c)]	**217,514**	194,181	12	**214,095**	186,201	15
Equity	**3,000**	2,200	36	**3,000**	2,372	26
Headcount	**25,206**	24,100	5	**25,206**	24,100	5
TSS firmwide metrics						
Treasury Services firmwide revenue[(d)]	**$ 1,354**	$ 1,318	3	**$ 2,659**	$ 2,609	2
Treasury & Securities Services firmwide revenue[(d)]	**2,375**	2,204	8	**4,517**	4,287	5
Treasury Services firmwide overhead ratio[(e)]	**59%**	56%		**59%**	56%	
Treasury & Securities Services firmwide overhead ratio[(e)]	**60**	59		**61**	61	
Treasury Services firmwide liability balances (average)[(f)]	**$ 189,214**	$161,866	17	**$ 187,930**	$158,662	18
Treasury & Securities Services firmwide liability balances (average)[(f)]	**301,701**	265,398	14	**297,072**	256,910	16

(a) International electronic funds transfer includes non-US$ ACH and clearing volume.

(b) Wholesale cards issued included domestic commercial card, stored value card, prepaid card, and government electronic benefit card products.

(c) Liability balances included deposits and deposits swept to on–balance sheet liabilities.

TSS firmwide metrics

TSS firmwide metrics include certain TSS product revenues and liability balances reported in other lines of business for customers who are also customers of those lines of business. In order to capture the firmwide impact of TS and TSS products and revenues, management reviews firmwide metrics such as liability balances, revenues and overhead ratios in assessing financial performance for TSS. Firmwide metrics are necessary in order to understand the aggregate TSS business.

(d) Firmwide revenue included TS revenue recorded in the CB, Regional Banking and AM lines of business (see below) and excluded FX revenues recorded in the IB for TSS-related FX activity.

(in millions)	Three months ended June 30,			Six months ended June 30,		
	2007	2006	Change	**2007**	2006	Change
Treasury Services revenue reported in CB	**$ 569**	$ 566	1%	**$ 1,125**	$ 1,116	1%
Treasury Services revenue reported in other lines of business	**65**	50	30	**125**	98	28

TSS firmwide FX revenue, which include FX revenue recorded in TSS and FX revenue associated with TSS customers who are FX customers of the IB, was $139 million and $146 million for the quarters ended June 30, 2007 and 2006, respectively, and $251 million and $264 million year-to-date 2007 and 2006, respectively.

(e) Overhead ratios have been calculated based upon firmwide revenues and TSS and TS expenses, respectively, including those allocated to certain other lines of business. FX revenues and expenses recorded in the IB for TSS-related FX activity were not included in this ratio.

(f) Firmwide liability balances included TS' liability balances recorded in certain other lines of business. Liability balances associated with TS customers who were also customers of the CB line of business were not included in TS liability balances.

ASSET MANAGEMENT

For a discussion of the business profile of AM, see pages 50–52 of JPMorgan Chase's 2006 Annual Report and page 5 of this Form 10-Q.

Selected income statement data	Three months ended June 30,			Six months ended June 30,		
(in millions, except ratios)	**2007**	2006	Change	**2007**	2006	Change
Revenue						
Asset management, administration and commissions	**$ 1,671**	$ 1,279	31%	**$ 3,160**	$ 2,501	26%
All other income	**173**	93	86	**343**	209	64
Noninterest revenue	**1,844**	1,372	34	**3,503**	2,710	29
Net interest income	**293**	248	18	**538**	494	9
Total net revenue	**2,137**	1,620	32	**4,041**	3,204	26
Provision for credit losses	**(11)**	(7)	(57)	**(20)**	(14)	(43)
Noninterest expense						
Compensation expense	**879**	669	31	**1,643**	1,351	22
Noncompensation expense	**456**	390	17	**907**	784	16
Amortization of intangibles	**20**	22	(9)	**40**	44	(9)
Total noninterest expense	**1,355**	1,081	25	**2,590**	2,179	19
Income before income tax expense	**793**	546	45	**1,471**	1,039	42
Income tax expense	**300**	203	48	**553**	383	44
Net income	**$ 493**	$ 343	44	**$ 918**	$ 656	40
Financial ratios						
ROE	**53%**	39%		**49%**	38%	
Overhead ratio	**63**	67		**64**	68	
Pretax margin ratio[(a)]	**37**	34		**36**	32	
Selected metrics						
Revenue by client segment						
Private bank	**$ 646**	$ 469	38%	**$ 1,206**	$ 910	33%
Institutional	**617**	449	37	**1,168**	884	32
Retail	**602**	446	35	**1,129**	888	27
Private client services	**272**	256	6	**538**	522	3
Total net revenue	**$ 2,137**	$ 1,620	32	**$ 4,041**	$ 3,204	26

(a) 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.

Quarterly results

Net income was a record $493 million, up by $150 million, or 44%, from the prior year. Results benefited from increased revenue, partially offset by higher compensation expense.

Net revenue was a record $2.1 billion, up by $517 million, or 32%, from the prior year. Noninterest revenue, principally fees and commissions, of $1.8 billion was up by $472 million, or 34%. This increase was due largely to increased assets under management and higher performance and placement fees. Net interest income of $293 million was up by $45 million, or 18%, from the prior year, largely due to higher loan and deposit balances.

Private Bank revenue grew 38%, to $646 million, due to higher asset management and placement fees, and higher loan and deposit balances. Institutional revenue grew 37%, to $617 million, due to net asset inflows and performance fees. Retail revenue grew 35%, to $602 million, primarily due to net asset inflows and market appreciation. Private Client Services revenue grew 6%, to $272 million, due to increased revenue from higher assets under management and higher deposit balances.

Provision for credit losses was a benefit of $11 million compared with a benefit of $7 million in the prior year.

Noninterest expense of $1.4 billion was up by $274 million, or 25%, from the prior year. The increase was due largely to higher compensation, primarily performance-based, and investments in all business segments.

Year-to-date results

Net income was a record $918 million, up by $262 million, or 40%, from the prior year. Results benefited from increased revenue and absence of prior-year expense from adoption of SFAS 123R, partially offset by higher compensation expense.

Net revenue was a record $4.0 billion, up by $837 million, or 26%, from the prior year. Noninterest revenue, principally fees and commissions, of $3.5 billion was up by $793 million, or 29%. This increase was due largely to increased assets under management and higher performance and placement fees. Net interest income of $538 million was up by $44 million, or 9%, from the prior year, primarily due to higher loan and deposit balances, partially offset by a shift to narrower–spread deposit products.

Private Bank revenue grew 33%, to $1.2 billion, due to higher asset management and placement fees, and higher loan and deposit balances. Institutional revenue grew 32%, to $1.2 billion, due to net asset inflows and performance fees. Retail revenue grew 27%, to $1.1 billion, primarily due to net asset inflows and market appreciation. Private Client Services revenue grew 3%, to $538 million, due to increased revenue from higher assets under management and higher deposit balances, partially offset by a shift to narrower-spread deposit products.

Provision for credit losses was a benefit of $20 million compared with a benefit of $14 million in the prior year.

Noninterest expense of $2.6 billion was up by $411 million, or 19%, from the prior year. The increase was due largely to higher compensation, primarily performance-based; investments in all business segments; and increased minority interest expense related to Highbridge Capital Management. These factors were partially offset by the absence of prior-year expense from the adoption of SFAS 123R.

Business metrics (in millions, except headcount, ratios and ranking data, and where otherwise noted)	Three months ended June 30,			Six months ended June 30,		
	2007	2006	Change	**2007**	2006	Change
Number of:						
Client advisors	**1,582**	1,486	6%	**1,582**	1,486	6%
Retirement planning services participants	**1,477,000**	1,361,000	9	**1,477,000**	1,361,000	9
% of customer assets in 4 & 5 Star Funds[(a)]	**65%**	56%	16	**65%**	56%	16
% of AUM in 1st and 2nd quartiles:[(b)]						
1 year	**65%**	71%	(8)	**65%**	71%	(8)
3 years	**77%**	75%	3	**77%**	75%	3
5 years	**76%**	81%	(6)	**76%**	81%	(6)
Selected balance sheets data (average)						
Total assets	**$ 51,710**	$ 43,228	20	**$ 48,779**	$ 42,126	16
Loans[(c)]	**28,695**	25,807	11	**27,176**	25,148	8
Deposits	**55,981**	51,583	9	**55,402**	49,834	11
Equity	**3,750**	3,500	7	**3,750**	3,500	7
Headcount	**14,108**	12,786	10	**14,108**	12,786	10
Credit data and quality statistics						
Net charge-offs (recoveries)	**$ (5)**	$ (4)	(25)	**$ (5)**	$ 3	NM
Nonperforming loans	**21**	76	(72)	**21**	76	(72)
Allowance for loan losses	**105**	117	(10)	**105**	117	(10)
Allowance for lending-related commitments	**7**	3	133	**7**	3	133
Net charge-off (recovery) rate	**(0.07)%**	(0.06)%		**(0.04)%**	0.02%	
Allowance for loan losses to average loans	**0.37**	0.45		**0.39**	0.47	
Allowance for loan losses to nonperforming loans	**500**	154		**500**	154	
Nonperforming loans to average loans	**0.07**	0.29		**0.08**	0.30	

(a) Derived from Morningstar for the United States; Micropal for the United Kingdom, Luxembourg, Hong Kong and Taiwan; and Nomura for Japan.

(b) Quartile rankings sourced from Lipper for the United States and Taiwan; Micropal for the United Kingdom, Luxembourg and Hong Kong; and Nomura for Japan.

(c) As of January 1, 2007, $5.3 billion of held-for-investment prime mortgage loans were transferred from AM to Treasury within the Corporate segment. Although the loans, together with the responsibility for the investment management of the portfolio, were transferred to Treasury, the transfer has no impact on the financial results of AM.

Assets under supervision

Assets under supervision were $1.5 trillion, up 21%, or $259 billion, from the prior year. Assets under management were $1.1 trillion, up 23%, or $211 billion, from the prior year. The increase was the result of net asset inflows into the Institutional segment (primarily in liquidity and alternative products), the Retail segment (primarily fixed income and alternative products) and the Private Bank segment (primarily in liquidity and alternative products); and from market appreciation. Custody, brokerage, administration and deposit balances were $363 billion, up by $48 billion.

ASSETS UNDER SUPERVISION[(a)] (in billions)

As of June 30,	**2007**	2006
Assets by asset class		
Liquidity[(b)]	**$ 333**	$ 247
Fixed income	**190**	172
Equities & balanced	**467**	393
Alternatives	**119**	86
Total Assets under management	**1,109**	898
Custody/brokerage/administration/deposits	**363**	315
Total Assets under supervision	**$ 1,472**	$ 1,213
Assets by client segment		
Institutional	**$ 565**	$ 484
Private Bank	**185**	143
Retail	**300**	219
Private Client Services	**59**	52
Total Assets under management	**$ 1,109**	$ 898
Institutional	**$ 566**	$ 486
Private Bank	**402**	331
Retail	**393**	295
Private Client Services	**111**	101
Total Assets under supervision	**$ 1,472**	$ 1,213
Assets by geographic region		
U.S./Canada	**$ 700**	$ 577
International	**409**	321
Total Assets under management	**$ 1,109**	$ 898
U.S./Canada	**$ 971**	$ 828
International	**501**	385
Total Assets under supervision	**$ 1,472**	$ 1,213
Mutual fund assets by asset class		
Liquidity	**$ 268**	$ 178
Fixed income	**49**	47
Equity	**235**	194
Total mutual fund assets	**$ 552**	$ 419

(a) Excludes Assets under management of American Century Companies, Inc, in which the Firm has 44% ownership.

(b) In the third quarter of 2006, $19 billion of assets under management were reclassified into liquidity from other asset classes. Prior-period data was not reclassified.

Assets under management rollforward	Three months ended June 30,		Six months ended June 30,	
(in billions)	**2007**	2006	**2007**	2006
Beginning balance	**$ 1,053**	$ 873	**$ 1,013**	$ 847
Flows:				
Liquidity	**12**	10	**19**	5
Fixed income	**6**	6	**8**	6
Equities, balanced and alternatives	**12**	13	**22**	26
Market/performance/other impacts	**26**	(4)	**47**	14
Ending balance	**$ 1,109**	$ 898	**$ 1,109**	$ 898
Assets under supervision rollforward				
Beginning balance	**$ 1,395**	$ 1,197	**$ 1,347**	$ 1,149
Net asset flows	**38**	33	**65**	45
Market/performance/other impacts	**39**	(17)	**60**	19
Ending balance	**$ 1,472**	$ 1,213	**$ 1,472**	$ 1,213

CORPORATE

For a discussion of the business profile of Corporate, see pages 53–54 of JPMorgan Chase's 2006 Annual Report.

The transaction with The Bank of New York closed on October 1, 2006. As a result of this transaction, select corporate trust businesses were transferred from TSS to the Corporate segment and are reported in discontinued operations for 2006.

Selected income statement data	Three months ended June 30,			Six months ended June 30,		
(in millions, except headcount)	**2007**	2006	Change	**2007**	2006	Change
Revenue						
Principal transactions[(a)(b)]	**$ 1,372**	$ 551	149%	**$ 2,697**	$ 750	260%
Securities gains (losses)	**(227)**	(492)	54	**(235)**	(650)	64
All other income[(c)]	**90**	231	(61)	**158**	333	(53)
Noninterest revenue	**1,235**	290	326	**2,620**	433	NM
Net interest income	**(173)**	(355)	51	**(290)**	(902)	68
Total net revenue	**1,062**	(65)	NM	**2,330**	(469)	NM
Provision for credit losses	**3**	—	NM	**6**	—	NM
Noninterest expense						
Compensation expense[(b)]	**695**	770	(10)	**1,471**	1,455	1
Noncompensation expense[(d)]	**818**	336	143	**1,374**	948	45
Merger costs	**64**	86	(26)	**126**	157	(20)
Subtotal	**1,577**	1,192	32	**2,971**	2,560	16
Net expenses allocated to other businesses	**(1,075)**	(1,036)	(4)	**(2,115)**	(2,069)	(2)
Total noninterest expense	**502**	156	222	**856**	491	74
Income (loss) from continuing operations before income tax expense	**557**	(221)	NM	**1,468**	(960)	NM
Income tax expense (benefit)	**175**	(181)	NM	**455**	(500)	NM
Income (loss) from continuing operations	**382**	(40)	NM	**1,013**	(460)	NM
Income from discontinued operations[(e)]	**—**	56	NM	**—**	110	NM
Net income (loss)	**$ 382**	$ 16	NM	**$ 1,013**	$ (350)	NM
Total net revenue						
Private equity[(a)(b)]	**$ 1,293**	$ 500	159	**$ 2,546**	$ 704	262
Treasury and Corporate other	**(231)**	(565)	59	**(216)**	(1,173)	82
Total net revenue	**$ 1,062**	$ (65)	NM	**$ 2,330**	$ (469)	NM
Net income (loss)						
Private equity[(a)]	**$ 702**	$ 293	140	**$ 1,400**	$ 396	254
Treasury and Corporate other	**(280)**	(280)	—	**(309)**	(759)	59
Merger costs	**(40)**	(53)	25	**(78)**	(97)	20
Income (loss) from continuing operations	**382**	(40)	NM	**1,013**	(460)	NM
Income from discontinued operations[(e)]	**—**	56	NM	**—**	110	NM
Total net income (loss)	**$ 382**	$ 16	NM	**$ 1,013**	$ (350)	NM
Headcount	**23,532**	27,100	(13)	**23,532**	27,100	(13)

(a) The Firm adopted SFAS 157 in the first quarter of 2007. See Note 3 on pages 73–80 of this Form 10-Q for additional information.
(b) 2007 included the classification of certain private equity carried interest from Net revenue to Compensation expense.
(c) Included a gain of $103 million in the second quarter of 2006 related to the sale of Mastercard shares in its initial public offering.
(d) Included insurance recoveries related to settlement of the Enron and WorldCom class action litigations and for certain other material proceedings of $260 million and $358 million for the quarter and six months ended June 30, 2006, respectively.
(e) On October 1, 2006, the Firm completed the exchange of selected corporate trust businesses, including trustee, paying agent, loan agency and document management services, for the consumer, business banking and middle-market banking businesses of The Bank of New York. The results of operations of these corporate trust businesses were reported as discontinued operations for 2006.

Quarterly results

Net income was $382 million compared with $16 million in the prior year. Results benefited from higher private equity gains, lower securities losses and improved net interest income, partially offset by higher expense. Prior-year results also included Income from discontinued operations of $56 million.

Net revenue was $1.1 billion compared with negative $65 million in the prior year. Private Equity gains were $1.3 billion compared with $549 million in the prior year, benefiting from a higher level of gains and the classification of certain private equity carried interest as compensation expense. Revenue also benefited from a lower amount of securities losses and improved net interest income. Prior-year results also included a gain of $103 million related to the sale of MasterCard shares in its initial public offering.

Noninterest expense was $502 million, up by $346 million from the prior year. The increase was driven by higher net legal costs, reflecting a lower level of recoveries and higher expense, including settlement costs relating to certain copper antitrust litigation. In addition, expense increased due to the classification of certain private equity carried interest as compensation expense. The increase in Noninterest expense was offset partially by lower compensation expense and business efficiencies.

Year-to-date results

Net income was $1.0 billion compared with a net loss of $350 million. Results benefited from higher private equity gains, improved net interest income and lower securities losses, partially offset by higher expense. Prior-year results also included Income from discontinued operations of $110 million.

Net revenue was $2.3 billion compared with a negative $469 million in the prior year. Private Equity gains were $2.6 billion compared with $786 million in the prior year, benefiting from a higher level of gains, the classification of certain private equity carried interest as compensation expense and a fair value adjustment on nonpublic investments resulting from the adoption of SFAS 157. Revenue also benefited from improved net interest income and a lower amount of securities losses. Prior-year results also included a gain of $103 million related to the sale of Mastercard shares in its initial public offering.

Noninterest expense was $856 million compared with $491 million in the prior year. The increase was driven by higher net legal costs, reflecting a lower level of recoveries and higher expense. In addition, expense increased due to the classification of certain private equity carried interest as compensation expense. The increase in Noninterest expense was offset partially by business efficiencies.

Selected income statement and balance sheet data	Three months ended June 30,			Six months ended June 30,		
(in millions)	**2007**	2006	Change	**2007**	2006	Change
Treasury						
Securities gains (losses)[a]	**$ (227)**	$ (492)	54%	**$ (235)**	$ (650)	64%
Investment securities portfolio (average)	**87,760**	63,714	38	**87,102**	51,917	68
Investment securities portfolio (ending)	**86,821**	61,990	40	**86,821**	61,990	40
Mortgage loans (average)[b]	**26,830**	—	NM	**26,041**	—	NM
Mortgage loans (ending)[b]	**27,299**	—	NM	**27,299**	—	NM
Private equity						
Realized gains	**$ 985**	$ 568	73	**$ 1,708**	$ 775	120
Unrealized gains (losses)	**290**	(25)	NM	**811**	(11)	NM
Total direct investments[c]	**1,275**	543	135	**2,519**	764	230
Third-party fund investments	**53**	6	NM	**87**	22	295
Total private equity gains[d]	**$ 1,328**	$ 549	142	**$ 2,606**	$ 786	232

Private equity portfolio information[e]

Direct investments	**June 30, 2007**	December 31, 2006	Change
Publicly-held securities			
Carrying value	**$ 465**	$ 587	(21)%
Cost	**367**	451	(19)
Quoted public value	**600**	831	(28)
Privately-held direct securities			
Carrying value	**5,247**	4,692	12
Cost	**5,228**	5,795	(10)
Third-party fund investments[f]			
Carrying value	**812**	802	1
Cost	**1,067**	1,080	(1)
Total private equity portfolio – Carrying value	**$ 6,524**	$ 6,081	7
Total private equity portfolio – Cost	**$ 6,662**	$ 7,326	(9)

(a) Losses reflected repositioning of the Treasury investment securities portfolio.

(b) As of January 1, 2007, $19.4 billion and $5.3 billion of held-for-investment residential mortgage loans were transferred from RFS and AM, respectively, to the Corporate segment for risk management and reporting purposes. Although the loans, together with the responsibility for the investment management of the portfolio, were transferred to Treasury, the transfer has no impact on the financial results of Corporate.

(c) Private equity gains include a fair value adjustment related to the adoption of SFAS 157 in the first quarter of 2007. In addition, 2007 includes the classification of certain private equity carried interest from Net revenue to Compensation expense.

(d) Included in Principal transactions revenue.

(e) For more information on the Firm's policies regarding the valuation of the private equity portfolio, see Note 5 on pages 83–85 of this Form 10-Q.

(f) Unfunded commitments to third-party equity funds were $742 million and $589 million at June 30, 2007 and December 31, 2006, respectively.

The carrying value of the private equity portfolio at June 30, 2007, was $6.5 billion, up $443 million from 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 8.8% of the Firm's stockholders' equity less goodwill at June 30, 2007, up from 8.6% at December 31, 2006.

BALANCE SHEET ANALYSIS

Selected balance sheet data (in millions)		**June 30, 2007**		December 31, 2006
Assets				
Cash and due from banks	**$**	**35,449**	$	40,412
Deposits with banks		**41,736**		13,547
Federal funds sold and securities purchased under resale agreements		**125,930**		140,524
Securities borrowed		**88,360**		73,688
Trading assets:				
Debt and equity instruments		**391,508**		310,137
Derivative receivables		**59,038**		55,601
Securities:				
Available-for-sale		**95,934**		91,917
Held-to-maturity		**50**		58
Loans, net of Allowance for loan losses		**457,404**		475,848
Other receivables		**31,947**		27,585
Goodwill		**45,254**		45,186
Other intangible assets		**16,193**		14,852
All other assets		**69,239**		62,165
Total assets	**$**	**1,458,042**	$	1,351,520
Liabilities				
Deposits	**$**	**651,370**	$	638,788
Federal funds purchased and securities sold under repurchase agreements		**205,961**		162,173
Commercial paper and other borrowed funds		**54,379**		36,902
Trading liabilities:				
Debt and equity instruments		**93,969**		90,488
Derivative payables		**61,396**		57,469
Long-term debt and trust preferred capital debt securities		**172,163**		145,630
Beneficial interests issued by consolidated variable interest entities		**14,808**		16,184
All other liabilities		**84,785**		88,096
Total liabilities		**1,338,831**		1,235,730
Stockholders' equity		**119,211**		115,790
Total liabilities and stockholders' equity	**$**	**1,458,042**	$	1,351,520

Consolidated Balance sheets overview

At June 30, 2007, the Firm's total assets were $1.5 trillion, an increase of $106.5 billion, or 8%, from December 31, 2006. Total liabilities were $1.3 trillion, an increase of $103.1 billion, or 8%, from December 31, 2006. Stockholders' equity was $119.2 billion, an increase of $3.4 billion, or 3% from December 31, 2006. The following is a discussion of the significant changes in balance sheet items from December 31, 2006.

Deposits with banks; Federal funds sold and securities purchased under resale agreements; Securities borrowed; Federal funds purchased and securities sold under repurchase agreements; and Commercial paper and other borrowed funds

The Firm utilizes Deposits with banks, Federal funds sold and securities purchased under resale agreements, Securities borrowed, Federal funds purchased and securities sold under repurchase agreements and Commercial paper and other borrowed funds as part of its liquidity management activities to manage the Firm's cash positions and risk-based capital requirements, to maximize liquidity access and minimize funding costs. The net increase from December 31, 2006, in Deposits with banks, Federal funds sold, and Securities borrowed reflected higher levels of funds that were available for short-term investment opportunities. Securities sold under repurchase agreements and Commercial paper and other borrowed funds increased primarily due to higher short-term requirements to fund trading positions and AFS securities inventory levels, as well as growth in demand for Commercial paper. For additional information on the Firm's Liquidity risk management, see pages 49–51 of this Form 10-Q.

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 primarily of fixed income securities (including government and corporate debt), equity securities and convertible cash instruments, loans and physical commodities. The increase in trading assets from December 31, 2006, was due primarily to the generally more favorable capital markets environment, with growth in client-driven market-making activities, particularly for debt securities. In addition, a total of $35.2 billion of loans are now accounted for at fair value under SFAS 159 and classified as trading assets in the Consolidated balance sheets. These are primarily loans warehoused by the IB and certain prime mortgage loans warehoused by RFS for sale or securitization purposes. For additional information, refer to Note 4 and Note 5 on pages 80–83 and 83–85, respectively, of this Form 10-Q.

Trading assets and liabilities – derivative receivables and payables
The Firm utilizes various interest rate, foreign exchange, equity, credit and commodity derivatives for market-making, proprietary risk-taking and risk-management purposes. The increase in derivative receivables from December 31, 2006, was related primarily to higher receivables on equity-related and interest rate derivatives due to the strength of the equities markets, as well as rising interest rates and the decline in the value of the U.S. Dollar, respectively. The increase in derivative receivables was offset partially by lower commodity receivables as a result of termination of contracts and risk management activities. The increase in derivative payables from December 31, 2006, was due primarily to higher payables on equity-related and foreign exchange derivatives due to the strength of the equities markets and the decline in the value of the U.S. Dollar, respectively. The increase in derivative payables was offset partially by lower commodity payables as a result of the termination of contracts and risk management activities. For additional information, refer to Derivative contracts and Note 5 on pages 56–58 and 83–85, respectively, of this Form 10-Q.

Securities
Almost all of the Firm's securities portfolios are classified as AFS and are used primarily to manage the Firm's exposure to interest rate movements. The AFS portfolio increased by $4.0 billion from December 31, 2006, primarily due to net purchases of securities by Treasury associated with managing the Firm's exposure to interest rates. For additional information related to securities, refer to the Corporate segment discussion and to Note 11 on pages 40–42 and 89–90, respectively, of this Form 10-Q.

Loans
The Firm provides loans to customers of all sizes, from large corporate and institutional clients to individual consumers. The Firm manages the risk/reward relationship of each portfolio and discourages the retention of loan assets that do not generate a positive return above the cost of risk-adjusted capital. Loans, net of the Allowance for loan losses, declined by $18.4 billion, or 4%, from December 31, 2006, primarily due to the decline of RFS loans as certain prime mortgage loans originated after January 1, 2007, are classified as Trading assets and accounted for at fair value under SFAS 159. In addition, certain loans warehoused in the IB were transferred to Trading assets on January 1, 2007, as part of the adoption of SFAS 159. Also contributing to the decrease were typical seasonal declines in credit card receivables and the restructuring during the first quarter of 2007 of a Firm-administered multi-seller conduit, which resulted in the deconsolidation of $3.2 billion of Loans. These decreases were offset partly by an increase in wholesale lending activity, primarily in the IB. For a more detailed discussion of the loan portfolio and the Allowance for loan losses, refer to Credit risk management on pages 51–62 of this Form 10-Q.

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 $68 million increase in Goodwill primarily resulted from certain acquisitions by TSS and tax-related purchase accounting adjustments associated with the Bank One merger, partially offset by a reduction from the adoption of FIN 48. For additional information related to Goodwill, including the impact of adopting FIN 48, see Note 17 on pages 100–102 and Note 20 on page 104 of this Form 10-Q.

Other intangible assets
The Firm's Other intangible assets consists of MSRs, purchased credit card relationships, other credit card–related intangibles, core deposit intangibles, and all other intangibles. The $1.3 billion increase in Other intangible assets partly reflects higher MSRs of $2.0 billion, primarily due to MSR additions from loan sales, MSR purchases and an increase in the MSR valuation largely attributable to increased long-term interest rates. Partially offsetting these increases were other changes in the fair value of MSRs related primarily to modeled mortgage servicing portfolio runoff (or time decay) and the amortization of intangibles, in particular, credit card–related and core deposit intangibles. For additional information on MSRs and other intangible assets, see Note 17 on pages 100–102 of this Form 10-Q.

Deposits

The Firm's deposits represent a liability to customers, both retail and wholesale, for 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 accounts ("MMDAs"), savings, time or negotiable order of withdrawal ("NOW") accounts). Deposits provide a stable and consistent source of funding to the Firm. Deposits increased by $12.6 billion, or 2%, from December 31, 2006. These were primarily wholesale deposits driven by net growth in business volumes, in particular, interest-bearing deposits within TSS. For more information on deposits, refer to the RFS, TSS and AM segment discussions and the Liquidity risk management discussion on pages 21–28, 35–36, 37–39 and 49–51, respectively, of this Form 10-Q. For more information on wholesale liability balances, including deposits, refer to the CB and TSS segment discussions on pages 33–34 and 35–36, respectively, of this Form 10-Q.

Beneficial interests issued by consolidated variable interest entities ("VIEs")

Beneficial interests issued by consolidated VIEs declined by $1.4 billion, or 9%, from December 31, 2006, as a result of the restructuring during the first quarter of 2007 of a Firm-administered multi-seller conduit, partially offset by new issuances by an existing consolidated VIE in the second quarter of 2007. For additional information related to multi-seller conduits refer to Off–balance sheet arrangements and contractual cash obligations on pages 47–48 and Note 16 on pages 99–100 of this Form 10-Q.

Long-term debt and trust preferred capital debt securities

The Firm utilizes Long-term debt and trust preferred capital debt securities as part of its liquidity and capital management activities. Long-term debt and trust preferred capital debt securities increased by $26.5 billion, or 18%, from December 31, 2006, reflecting net new issuances, including client-driven structured notes in the IB. For additional information on the Firm's long-term debt activities, see the Liquidity risk management discussion on pages 49–51 of this Form 10-Q.

Stockholders' equity

Total stockholders' equity increased by $3.4 billion, or 3%, from year-end 2006 to $119.2 billion at June 30, 2007. The increase was primarily the result of Net income for the first six months of 2007, net shares issued under the Firm's employee stock-based compensation plans, and the cumulative effect on Retained earnings of changes in accounting principles of $915 million, offset partially by stock repurchases and the declaration of cash dividends. The $915 million increase in Retained earnings resulting from the adoption of new accounting principles primarily reflected $287 million related to SFAS 157, $199 million related to SFAS 159 and $436 million related to FIN 48 in the first quarter of 2007. For a further discussion of capital, see the Capital management section that follows; for a further discussion of the accounting changes see Accounting and Reporting Developments on pages 66–67, Note 3 on pages 73–80, Note 4 on pages 80–83 and Note 20 on page 104 of this Form 10-Q.

CAPITAL MANAGEMENT

The following discussion of JPMorgan Chase's capital management highlights developments since December 31, 2006, and should be read in conjunction with Capital Management, on pages 57–59 of JPMorgan Chase's 2006 Annual Report.

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, as measured by economic risk capital, and to maintain "well-capitalized" status under regulatory requirements. In addition, the Firm holds capital above these requirements in amounts deemed appropriate to achieve management'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 Asset-Liability Committee ("ALCO").

Line of business equity

Equity for a line of business represents the amount of capital 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. Return on equity is measured and internal targets for expected returns are established as a key measure of a business segment's performance. The Firm may revise its equity capital-allocation methodology in the future.

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 and Note 16 on pages 85 and 121, respectively, of JPMorgan Chase's 2006 Annual Report, and Note 17 on page 100 of this Form 10-Q.

Line of business equity	Quarterly Averages	
(in billions)	**2Q07**	2Q06
Investment Bank	**$ 21.0**	$ 21.0
Retail Financial Services	**16.0**	14.3
Card Services	**14.1**	14.1
Commercial Banking	**6.3**	5.5
Treasury & Securities Services	**3.0**	2.2
Asset Management	**3.8**	3.5
Corporate	**53.9**	48.4
Total common stockholders' equity	**$ 118.1**	$ 109.0

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, principally for the Firm's private equity business.

Economic risk capital	Quarterly Averages	
(in billions)	**2Q07**	2Q06
Credit risk	**$ 23.5**	$ 21.2
Market risk	**9.9**	10.2
Operational risk	**5.6**	5.8
Private equity risk	**3.8**	3.2
Economic risk capital	**42.8**	40.4
Goodwill	**45.2**	43.5
Other[(a)]	**30.1**	25.1
Total common stockholders' equity	**$ 118.1**	$ 109.0

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

Regulatory capital

The Firm's banking regulator, the Federal Reserve Board ("FRB"), 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.

In 2005, the FRB issued a final rule, which became effective April 11, 2005, that continues the inclusion of trust preferred capital debt securities in Tier 1 capital, subject to stricter quantitative limits and revised qualitative standards, and broadens the definition of restricted core capital elements. The rule provides for a transition period that ends March

31, 2009. As an internationally active bank holding company, JPMorgan Chase is subject to the rule's limitation on restricted core capital elements, including trust preferred capital debt securities, to 15% of total core capital elements, net of goodwill less any associated deferred tax liability. At June 30, 2007, JPMorgan Chase's restricted core capital elements were 15% of total core capital elements.

Tier 1 capital was $85.1 billion at June 30, 2007, compared with $81.1 billion at December 31, 2006, an increase of $4.0 billion. The increase was due primarily to net income of $9.0 billion; net issuances of common stock under the Firm's employee stock-based compensation plans of $2.4 billion; net issuances of $634 million qualifying trust preferred capital debt securities; and the effects of the adoption of new accounting principles reflecting increases of $287 million for SFAS 157, $199 million for SFAS 159 and $436 million for FIN 48. Partially offsetting these increases were decreases in Stockholders' equity net of Accumulated other comprehensive income (loss) due to common stock repurchases of $5.9 billion and dividends declared of $2.5 billion. In addition, the change in capital reflects the exclusion of a $289 million valuation adjustment to certain liabilities pursuant to SFAS 157 to reflect the credit quality of the Firm. Additional information regarding the Firm's capital ratios and the federal regulatory capital standards to which it is subject is presented in Note 26 on pages 129–130 of JPMorgan Chase's 2006 Annual Report.

The following table presents the risk-based capital ratios for JPMorgan Chase and its significant banking subsidiaries at June 30, 2007, and December 31, 2006.

(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
June 30, 2007[a]							
JPMorgan Chase & Co.	**$ 85,096**	**$ 122,276**	**$ 1,016,031**	**$ 1,376,727**	**8.4%**	**12.0%**	**6.2%**
JPMorgan Chase Bank, N.A.	**71,500**	**100,798**	**917,322**	**1,210,657**	**7.8**	**11.0**	**5.9**
Chase Bank USA, N.A.	**9,444**	**11,369**	**68,520**	**60,961**	**13.8**	**16.6**	**15.5**
December 31, 2006[a]							
JPMorgan Chase & Co.	$ 81,055	$ 115,265	$ 935,909	$ 1,308,699	8.7%	12.3%	6.2%
JPMorgan Chase Bank, N.A.	68,726	96,103	840,057	1,157,449	8.2	11.4	5.9
Chase Bank USA, N.A.	9,242	11,506	77,638	66,202	11.9	14.8	14.0
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 FRB, OCC and FDIC.

(c) Includes off–balance sheet risk-weighted assets in the amounts of $330.4 billion, $313.3 billion and $12.0 billion, respectively, at June 30, 2007, and $305.3 billion, $290.1 billion and $12.7 billion, respectively, at December 31, 2006, for JPMorgan Chase and its significant banking subsidiaries.

(d) Average adjusted 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 FRB and OCC.

Dividends

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 continues to target a dividend payout ratio of approximately 30–40% of Net income over time. On April 17, 2007, the Board of Directors declared a quarterly dividend of $0.38 per share on the outstanding shares of the corporation's common stock, an increase of $0.04 per share, or 12% from the prior quarter; that dividend is payable on July 31, 2007, to stockholders of record at the close of business on July 6, 2007.

Stock repurchases

During the quarter and six months ended June 30, 2007, under the respective stock repurchase programs then in effect, the Firm repurchased a total of 36.7 million and 117.6 million shares for $1.9 billion and $5.9 billion at an average price per share of $51.13 and $49.97, respectively. During the quarter and six months ended June 30, 2006, under the respective stock repurchase programs then in effect, the Firm repurchased a total of 17.7 million and 49.5 million shares for $745 million and $2.0 billion at an average price per share of $42.24 and $41.14, respectively.

On April 17, 2007, the Board of Directors authorized the repurchase of up to $10.0 billion of the Firm's common shares. The new authorization commenced April 19, 2007, and replaced the Firm's previous $8.0 billion repurchase program. The new $10.0 billion authorization will be utilized at management's discretion, and the timing of purchases and the exact number of shares purchased will depend on market conditions and alternative investment opportunities. The new repurchase program does not include specific price targets or timetables; may be executed through open market purchases, privately negotiated transactions or utilizing Rule 10b5-1 programs; and may be suspended at any time. For additional information regarding repurchases of the Firm's equity securities, see Part II, Item 2, Unregistered Sales of Equity Securities and Use of Proceeds, on pages 120–121 of this Form 10-Q.

OFF–BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL CASH OBLIGATIONS

Special-purpose entities

JPMorgan Chase is involved with several types of off–balance sheet arrangements, including special purpose entities ("SPEs"), lines of credit and loan commitments. The principal uses of SPEs are to obtain sources of liquidity for JPMorgan Chase and its clients by securitizing financial assets, and to create other investment products for clients. These arrangements are an important part of the financial markets, providing market liquidity by facilitating investors' access to specific portfolios of assets and risks. For example, SPEs are integral to the markets for mortgage-backed securities, commercial paper and other asset-backed securities.

JPMorgan Chase is involved with SPEs in three broad categories: loan securitizations, multi-seller conduits and client intermediation. Capital is held, as deemed appropriate, against all SPE-related transactions and related exposures, such as derivative transactions and lending-related commitments. For further discussion of SPEs and the Firm's accounting for these types of exposures, see Note 1 on pages 72–73 of this Form 10-Q and Note 14 on pages 114–118 and Note 15 on pages 118–120 of JPMorgan Chase's 2006 Annual Report.

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. were downgraded below specific levels, primarily P-1, A-1 and F1 for Moody's, Standard & Poor's and Fitch, respectively. The amounts of these liquidity commitments were $92.4 billion and $74.4 billion at June 30, 2007 and December 31, 2006, respectively. These liquidity commitments are generally included in the Firm's other unfunded commitments to extend credit and asset purchase agreements, as shown in the table on the following page. 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, could facilitate the sale or refinancing of the assets in the SPE in order to provide liquidity. For further information, refer to Note 15 on pages 118–120 of JPMorgan Chase's 2006 Annual Report.

The Firm also has exposure to certain SPEs arising from derivative transactions; these transactions are recorded at fair value on the Firm's Consolidated balance sheets with changes in fair value (i.e., mark-to-market ("MTM") gains and losses) recorded in Principal transactions revenue. Such MTM gains and losses are not included in the revenue amounts reported in the following table.

The following table summarizes certain revenue information related to consolidated and nonconsolidated VIEs with which the Firm has significant involvement, and qualifying SPEs ("QSPEs"). The revenue reported in the table below primarily represents servicing and credit fee income.

Revenue from VIEs and QSPEs

	Three months ended June 30,			Six months ended June 30,		
(in millions)	VIEs	QSPEs	Total	VIEs	QSPEs	Total
2007	**$ 55**	**$ 841**	**$ 896**	**$ 102**	**$ 1,687**	**$ 1,789**
2006	53	785	838	107	1,578	1,685

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 down 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. 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, 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 Credit risk management on pages 64–76 and Note 29 on pages 132–134 of JPMorgan Chase's 2006 Annual Report.

The following table presents off–balance sheet lending-related financial instruments and guarantees for the periods indicated.

By remaining maturity (in millions)	June 30, 2007 < 1 year	1-<3 years	3-5 years	> 5 years	Total	Dec. 31, 2006 Total
Lending-related						
Consumer[(a)]	**$ 707,640**	**$ 3,384**	**$ 3,421**	**$ 67,218**	**$ 781,663**	$ 747,535
Wholesale:						
Unfunded commitments to extend credit[(b)(c)(d)]	**99,407**	**54,516**	**71,719**	**17,018**	**242,660**	229,204
Asset purchase agreements[(e)]	**34,823**	**42,147**	**10,432**	**4,091**	**91,493**	67,529
Standby letters of credit and guarantees[(c)(f)(g)]	**24,066**	**23,558**	**41,043**	**6,945**	**95,612**	89,132
Other letters of credit[(c)]	**4,398**	**1,333**	**200**	**22**	**5,953**	5,559
Total wholesale	**162,694**	**121,554**	**123,394**	**28,076**	**435,718**	391,424
Total lending-related	**$ 870,334**	**$124,938**	**$ 126,815**	**$ 95,294**	**$1,217,381**	$1,138,959
Other guarantees						
Securities lending guarantees[(h)]	**$ 400,132**	**$ —**	**$ —**	**$ —**	**$ 400,132**	$ 318,095
Derivatives qualifying as guarantees[(i)]	**17,636**	**9,066**	**26,817**	**29,344**	**82,863**	71,531

(a) Includes Credit card lending-related commitments of $685.3 billion at June 30, 2007, and $657.1 billion at December 31, 2006, that represent the total available credit to the Firm's cardholders. The Firm has not experienced, and does not anticipate, that all of its cardholders will utilize their entire available lines of credit at the same time. The Firm can reduce or cancel a credit card commitment by providing the cardholder prior notice or, in some cases, without notice as permitted by law.

(b) Includes unused advised lines of credit totaling $40.2 billion at June 30, 2007, and $39.0 billion at December 31, 2006, which are not legally binding. In regulatory filings with the FRB, unused advised lines are not reportable.

(c) Represents contractual amount net of risk participations totaling $26.5 billion at June 30, 2007, and $32.8 billion at December 31, 2006.

(d) Excludes firmwide unfunded commitments to private third-party equity funds of $839 million and $686 million at June 30, 2007, and December 31, 2006, respectively.

(e) The maturity is based upon the underlying assets in the SPE, which are primarily multi-seller asset-backed commercial paper conduits. It includes $1.4 billion of asset purchase agreements to other third-party entities at both June 30, 2007, and December 31, 2006.

(f) JPMorgan Chase held collateral relating to $14.4 billion and $13.5 billion of these arrangements at June 30, 2007, and December 31, 2006, respectively.

(g) Includes unused commitments to issue standby letters of credit of $52.8 billion and $45.7 billion at June 30, 2007, and December 31, 2006, respectively.

(h) Collateral held by the Firm in support of securities lending indemnification agreements was $402.6 billion at June 30, 2007, and $317.9 billion at December 31, 2006, respectively.

(i) Represents notional amounts of derivatives qualifying as guarantees. For further discussion of guarantees, see Note 29 on pages 132–134 of JPMorgan Chase's 2006 Annual Report.

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. In addition, this framework recognizes the diversity among the Firm's core businesses, which helps reduce the impact of volatility in any particular area on the Firm's operating results as a whole. There are eight major risk types identified in the business activities of the Firm: liquidity risk, credit risk, market risk, interest rate risk, operational risk, legal and reputation risk, fiduciary risk and private equity risk.

For further discussion of these risks see pages 61–82 of JPMorgan Chase's 2006 Annual Report.

LIQUIDITY RISK MANAGEMENT

The following discussion of JPMorgan Chase's liquidity management framework highlights developments since December 31, 2006, and should be read in conjunction with pages 62–63 of JPMorgan Chase's 2006 Annual Report.

Liquidity risk arises from the general funding needs of the Firm's activities and in the management of its assets and liabilities. JPMorgan Chase's liquidity management framework is intended to maximize liquidity access and minimize funding costs. Through active liquidity management the Firm seeks to preserve stable, reliable and cost-effective sources of funding. This access enables the Firm to replace maturing obligations when due and fund assets at appropriate maturities and rates. To accomplish this, management uses a variety of measures to mitigate liquidity and related risks, taking into consideration market conditions, prevailing interest rates, liquidity needs and the desired maturity profile of liabilities, among other factors.

Funding

Sources of funds

As of June 30, 2007, the Firm's liquidity position remained strong based upon its liquidity metrics. JPMorgan Chase's long-dated funding, including core liabilities, exceeded illiquid assets, and the Firm believes its obligations can be met even if access to funding is impaired.

Consistent with its liquidity management policy, the Firm has raised funds at the parent holding company level sufficient to cover its obligations and those of its nonbank subsidiaries that mature over the next 12 months.

The diversity of the Firm's funding sources enhances financial flexibility and limits dependence on any one source, thereby minimizing the cost of funds. The deposits held by the RFS, CB, TSS and AM lines of business are generally a consistent source of funding for JPMorgan Chase Bank, N.A. As of June 30, 2007, total deposits for the Firm were $651.4 billion. A significant portion of the Firm's deposits are retail deposits, which are less sensitive to interest rate changes and therefore are considered more stable than market-based liability balances. The Firm also benefits from stable wholesale liability balances originated by RFS, CB, TSS and AM through the normal course of business. Such liability balances include deposits that are swept to on–balance sheet liabilities (e.g., commercial paper, Federal funds purchased and securities sold under repurchase agreements). These liability balances are also a stable and consistent source 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 17–39 and 42–44, respectively, of this Form 10-Q.

Additional sources of funds include a variety of both short- and long-term instruments, including federal funds purchased, commercial paper, bank notes, long-term debt, and trust preferred capital debt securities. This funding is managed centrally, using regional expertise and local market access, to ensure active participation by the Firm in the global financial markets while maintaining consistent global pricing. These markets serve as cost-effective and diversified sources of funds and are critical components of the Firm's liquidity management. Decisions concerning the timing and tenor of accessing these markets are based upon relative costs, general market conditions, prospective views of balance sheet growth and a targeted liquidity profile.

Finally, funding flexibility is provided by the Firm's ability to access the repurchase and asset securitization markets. These markets are evaluated on an ongoing basis to achieve an appropriate balance of secured and unsecured funding. The ability to securitize loans, and the associated gains on those securitizations, are principally dependent upon the credit quality and yields of the assets securitized and are generally not dependent upon the credit ratings of the issuing entity. Transactions between the Firm and its securitization structures are reflected in JPMorgan Chase's consolidated financial statements and notes to the consolidated financial statements; these relationships include retained interests in securitization trusts, liquidity facilities and derivative transactions. For further details, see Off–balance sheet arrangements and contractual cash obligations, Note 15 and Note 23 on pages 47–48, 94–98 and 105–106, respectively, of this Form 10-Q.

Issuance

During the second quarter and first half of 2007, JPMorgan Chase opportunistically issued $29.7 billion and $52.9 billion, respectively, of long-term debt and trust preferred capital debt securities. These issuances included IB structured notes, the issuances of which are generally client-driven and not issued for funding or capital management purposes. The issuances of Long-term debt and trust preferred capital debt securities were offset partially by $15.5 billion and $30.4 billion, respectively, of debt and trust preferred securities that matured or were redeemed during the second quarter and first half of 2007, including IB structured notes. In addition, during the second quarter and first half of 2007, the Firm securitized $10.9 billion and $23.9 billion, respectively, of residential mortgage loans, and $4.9 billion and $10.7 billion, respectively, of credit card loans. The Firm did not securitize any RFS auto loans during the six months ended June 30, 2007. For further discussion of loan securitizations, see Note 15 on pages 94–98 of this Form 10-Q.

In connection with the issuance of certain of its trust preferred capital debt securities, the Firm has 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 except, with limited exceptions, to the extent that JPMorgan Chase has received 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, see the Forms 8-K filed by the Firm on August 17, 2006, September 28, 2006, February 2, 2007, and May 30, 2007.

Cash Flows

Cash and due from banks decreased $5.0 billion in the first six months of 2007 compared with an increase of $1.7 billion in the first half of 2006. A discussion of the significant changes in Cash and due from banks during the six months ended June 30, 2007 and 2006, follows:

Cash Flows from Operating Activities

For the six months ended June 30, 2007 and 2006, net cash used in operating activities was $66.4 billion and $53.7 billion, respectively. JPMorgan Chase's operating assets and liabilities vary significantly in the normal course of business due to the amount and timing of cash flows. In both 2007 and 2006, net cash was used in operating activities to support the Firm's capital markets and lending activities. In 2007, proceeds from sales and securitizations of loans held-for-sale exceeded originations and purchases; in 2006, net cash used for such loans exceeded sales proceeds. Management believes cash flows from operations, available cash balances and short- and long-term borrowings will be sufficient to fund the Firm's operating liquidity needs.

Cash Flows from Investing Activities

The Firm's investing activities primarily include originating loans to be held to maturity, other receivables, and the AFS investment securities portfolio. For the six months ended June 30, 2007, net cash of $28.3 billion was used in investing activities, primarily for purchases of investment securities in Treasury's AFS portfolio to manage the Firm's exposure to interest rates; net additions to the retained wholesale and consumer (primarily home equity) loans portfolios; and to increase Deposits with banks as a result of the availability of excess cash for short-term investment opportunities. Partially offsetting these uses of cash were cash proceeds received from: sales and maturities of AFS securities; credit card, residential mortgage, auto and wholesale loan sales and securitization activities; and the typical seasonal decline in consumer credit card receivables as customer payments exceeded new loans generated from customer charges.

For the six months ended June 30, 2006, net cash of $74.2 billion was used in investing activities. Net cash was invested to fund: purchases of Treasury's AFS securities in connection with repositioning the portfolio in response to changes in interest rates; net additions to the retained wholesale loan portfolio, mainly resulting from capital markets activity in the IB (including leveraged financings and syndications); and the acquisition in the second quarter of a private-label credit card portfolio. These uses of cash were partially offset by cash proceeds provided from: sales and maturities of AFS securities; credit card, residential mortgage, auto and wholesale loan sales and securitization activities; and the net decline in auto loans and leases, which was caused partially by the de-emphasis of vehicle leasing.

Cash Flows from Financing Activities

The Firm's financing activities primarily include the issuance of debt and receipt of customer deposits. JPMorgan Chase pays quarterly dividends on its common stock and has an ongoing common stock repurchase program. In the first half of 2007, net cash provided by financing activities was $89.6 billion due to a higher level of securities sold under repurchase agreements in connection with the funding of trading and AFS securities positions; net issuances of Long-term debt and trust preferred capital debt securities; and a net increase in wholesale deposits from growth in business volumes, in particular, interest-bearing deposits at TSS. Cash was used to repurchase common stock and the payment of cash dividends on common stock (including a 12% increase in the quarterly dividend in the second quarter of 2007).

In the first half of 2006, net cash provided by financing activities was $129.4 billion due to: net cash received from growth in deposits reflecting, on the retail side, new account acquisitions and the ongoing expansion of the retail branch distribution network, and on the wholesale side, higher business volumes; increases in securities sold under repurchase agreements to fund trading positions and higher levels of AFS securities positions; and net issuances of Long-term debt and trust preferred capital debt securities. The net cash provided was partially offset by cash used for common stock repurchases and the payment of cash dividends on common and preferred stock.

Credit ratings

The credit ratings of JPMorgan Chase's parent holding company and each of its significant banking subsidiaries as of June 30, 2007, 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+	Aa2	AA-	AA-
JPMorgan Chase Bank, N.A.	P-1	A-1+	F1+	Aaa	AA	AA-
Chase Bank USA, N.A.	P-1	A-1+	F1+	Aaa	AA	AA-

On March 2, 2007, Moody's raised senior long-term debt ratings on JPMorgan Chase & Co. and the operating bank subsidiaries to Aa2 and Aaa, respectively, from Aa3 and Aa2, respectively. The cost and availability of unsecured financing are influenced by credit ratings. A reduction in these ratings could have an adverse effect on the Firm's access to liquidity sources, increase the cost of funds, trigger additional collateral requirements and decrease the number of investors and counterparties willing to lend. 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.

If the Firm's ratings were downgraded by one notch, the Firm estimates the incremental cost of funds and the potential loss of funding to be negligible. Additionally, the Firm estimates the additional funding requirements for VIEs and other third-party commitments would not be material. 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 page 47 and Ratings profile of derivative receivables MTM on pages 56–57, of this Form 10-Q.

CREDIT RISK MANAGEMENT

The following discussion of JPMorgan Chase's credit portfolio as of June 30, 2007, highlights developments since December 31, 2006. This section should be read in conjunction with pages 64–76 and page 83, and Notes 12, 13, 29, and 30 of JPMorgan Chase's 2006 Annual Report.

The Firm assesses its consumer credit exposure on a managed basis, which includes credit card receivables that have been securitized. For a reconciliation of the Provision for credit losses on a reported basis to managed basis, see pages 13–15 of this Form 10-Q.

CREDIT PORTFOLIO

The following table presents JPMorgan Chase's credit portfolio as of June 30, 2007, and December 31, 2006. Total credit exposure at June 30, 2007, increased by $64.3 billion from December 31, 2006, reflecting an increase of $45.9 billion and $18.4 billion in the wholesale and consumer credit portfolios, respectively. During the first six months of 2007 lending-related commitments increased $78.4 billion ($44.3 billion and $34.1 billion in the wholesale and consumer portfolios, respectively). The increase in lending-related commitments was partially offset by the decrease in loans. Loans decreased primarily due to the decline of RFS loans accounted for at lower of cost or fair value as certain prime mortgage loans originated after January 1, 2007, are classified as Trading assets and accounted for at fair value under SFAS 159. In addition, certain loans warehoused in the IB were transferred to Trading assets on January 1, 2007, as part of the adoption of SFAS 159. These decreases were offset partially by an increase in wholesale lending activity, primarily in the IB. Also effective January 1, 2007, $24.7 billion of prime mortgages held for investment purposes were transferred from RFS ($19.4 billion) and AM ($5.3 billion) to the Corporate sector for risk management purposes. While this transfer had no impact on the RFS, AM or Corporate financial results, the AM prime mortgages that were transferred are now reported in consumer mortgage loans.

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

	Credit exposure		Nonperforming assets[i]	
(in millions, except ratios)	**June 30, 2007**	December 31, 2006	**June 30, 2007**	December 31, 2006
Total credit portfolio				
Loans – reported[a][b]	**$ 465,037**	$ 483,127	**$ 2,169**[j]	$ 2,077[j]
Loans – securitized[c]	**67,506**	66,950	**—**	—
Total managed loans[d]	**532,543**	550,077	**2,169**	2,077
Derivative receivables	**59,038**	55,601	**30**	36
Total managed credit-related assets	**591,581**	605,678	**2,199**	2,113
Lending-related commitments[e]	**1,217,381**	1,138,959	**NA**	NA
Assets acquired in loan satisfactions	**NA**	NA	**387**	228
Total credit portfolio	**$ 1,808,962**	$ 1,744,637	**$ 2,586**	$ 2,341
Net credit derivative hedges notional[f]	**$ (60,704)**	$ (50,733)	**$ (4)**	$ (16)
Collateral held against derivatives[g]	**(6,603)**	(6,591)	**NA**	NA
Held-for-sale				
Total HFS loans	**18,334**	55,251	**240**	120
Nonperforming – purchased[h]	**—**	251	**NA**	NA

	Three months ended June 30				Six months ended June 30			
(in millions, except ratios)	Net charge-offs		Average annual net charge-off rate		Net charge-offs		Average annual net charge-off rate	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Total credit portfolio								
Loans – reported	**$ 985**	$ 654	**0.90%**	0.64%	**$ 1,888**	$ 1,322	**0.88%**	0.66%
Loans – securitized[c]	**590**	561	**3.46**	3.26	**1,183**	1,010	**3.51**	2.94
Total managed loans	**$1,575**	$1,215	**1.25%**	1.02%	**$ 3,071**	$ 2,332	**1.23%**	1.00%

(a) Loans are presented net of unearned income and net deferred loan fees of $1.1 billion and $1.3 billion at June 30, 2007, and December 31, 2006, respectively.

(b) Includes $1.5 billion of loans for which the Firm has elected the fair value option of accounting in 2007.

(c) Represents securitized credit card receivables. For a further discussion of credit card securitizations, see Card Services on pages 29–32 of this Form 10-Q.

(d) Loans past-due 90 days and over and accruing includes credit card receivables of $1.2 billion and $1.3 billion at June 30, 2007, and December 31, 2006, respectively, and related credit card securitizations of $862 million and $962 million at June 30, 2007, and December 31, 2006, respectively.

(e) Includes wholesale unused advised lines of credit totaling $40.2 billion and $39.0 billion at June 30, 2007, and December 31, 2006, respectively, which are not legally binding. In regulatory filings with the Federal Reserve Board, unused advised lines are not reportable. Credit card lending-related commitments of $685.3 billion and $657.1 billion at June 30, 2007, and December 31, 2006, respectively, represent the total available credit to its cardholders. The Firm has not experienced, and does not anticipate, that all of its cardholders will utilize their entire available lines of credit at the same time. The Firm can reduce or cancel a credit card commitment by providing the cardholder prior notice or, in some cases, without notice as permitted by law.

(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. June 30, 2007 and December 31, 2006, both include $22.7 billion notional amount for structured portfolio protection, for which the Firm retains the first risk of loss.

(g) Represents other liquid securities collateral held by the Firm as of June 30, 2007, and December 31, 2006, respectively.

(h) Represents distressed HFS loans purchased as part of the IB's proprietary activities, which are excluded from nonperforming assets. During the first quarter of 2007, the Firm elected the fair value option of accounting for this portfolio of nonperforming loans. These loans are classified as Trading assets at June 30, 2007.

(i) Includes nonperforming HFS loans of $240 million and $120 million as of June 30, 2007, and December 31, 2006, respectively. Loans elected under fair value option and classified within Trading assets are excluded from Nonperforming loans.

(j) 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 and U.S. government-sponsored enterprises of $1.2 billion at both June 30, 2007, and December 31, 2006, and (2) education loans that are 90 days past due and still accruing, which are insured by government agencies under the Federal Family Education Loan Program, of $200 million and $219 million as of June 30, 2007, and December 31, 2006, respectively. These amounts for GNMA and education loans are excluded, as reimbursement is proceeding normally.

WHOLESALE CREDIT PORTFOLIO

As of June 30, 2007, wholesale exposure (IB, CB, TSS and AM) increased by $45.9 billion from December 31, 2006, primarily due to a $44.3 billion increase in lending-related commitments and a $3.4 billion increase in derivative receivables. Loans decreased by $1.8 billion, from December 31, 2006, primarily reflecting the $11.7 billion first quarter transfer of certain loans warehoused in the IB to Trading assets upon the adoption of SFAS 159. This decrease was partly offset by an increase in wholesale lending activity, primarily in the IB.

	Credit exposure		Nonperforming assets[f]	
(in millions, except ratios)	**June 30, 2007**	December 31, 2006	**June 30, 2007**	December 31, 2006
Loans – reported[a]	**$ 181,968**	$ 183,742	**$ 228**	$ 391
Derivative receivables	**59,038**	55,601	**30**	36
Total wholesale credit-related assets	**241,006**	239,343	**258**	427
Lending-related commitments[b]	**435,718**	391,424	**NA**	NA
Assets acquired in loan satisfactions	**NA**	NA	**21**	3
Total wholesale credit exposure	**$ 676,724**	$ 630,767	**$ 279**	$ 430
Net credit derivative hedges notional[c]	**$ (60,704)**	$ (50,733)	**$ (4)**	$ (16)
Collateral held against derivatives[d]	**(6,603)**	(6,591)	**NA**	NA
Held-for-sale				
Total HFS loans	**10,052**	22,507	**25**	4
Nonperforming – purchased[e]	**—**	251	**NA**	NA

(a) Excludes $11.7 billion of wholesale loans reclassified to Trading assets as a result of the adoption of SFAS 159 effective January 1, 2007. Includes loans greater or equal to 90 days past due that continue to accrue interest, which totaled $23 million and $29 million at June 30, 2007, and December 31, 2006, respectively. Also, see Note 4 on pages 80–83 and Note 13 on pages 91–93, respectively, of this Form 10-Q.

(b) Includes unused advised lines of credit totaling $40.2 billion and $39.0 billion at June 30, 2007, and December 31, 2006, respectively, which are not legally binding. In regulatory filings with the Federal Reserve Board, unused advised lines are not reportable.

(c) 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. June 30, 2007 and December 31, 2006, both include $22.7 billion notional amount for structured portfolio protection, for which the Firm retains the first risk of loss.

(d) Represents other liquid securities collateral held by the Firm as of June 30, 2007, and December 31, 2006, respectively.

(e) Represents distressed HFS loans purchased as part of IB's proprietary activities, which are excluded from nonperforming assets. During the first quarter of 2007, the Firm elected the fair value option of accounting for this portfolio of nonperforming loans. These loans are classified as Trading assets at June 30, 2007.

(f) Includes nonperforming HFS loans of $25 million and $4 million at June 30, 2007, and December 31, 2006, respectively. Loans elected under fair value option and classified within Trading assets are excluded from Nonperforming loans.

Net charge-offs/recoveries
Wholesale

	Three months ended June 30,		Six months ended June 30,	
(in millions, except ratios)	**2007**	2006	**2007**	2006
Loans – reported				
Net recoveries	**$ 29**	$ 19	**$ 35**	$ 39
Average annual net recovery rate[a]	**0.07%**	0.05%	**0.04%**	0.05%

(a) Excludes average HFS loans of $14.3 billion and $20.3 billion for the quarters ended June 30, 2007 and 2006, respectively and $13.8 billion and $19.9 billion year-to-date 2007 and 2006, respectively.

Net recoveries of $29 million in the second quarter of 2007 and $35 million year-to-date 2007 do not include gains from sales of nonperforming loans that were sold from the credit portfolio (as shown in the following table). There were no gains from these sales during 2007 compared with gains of $15 million in the second quarter of 2006 and $35 million year-to-date 2006. Gains are reflected in Noninterest revenue.

Nonperforming loan activity
Wholesale

Six months ended June 30, (in millions)	**2007**	2006
Beginning balance, January 1	**$ 391**	$ 992
Additions	**263**	247
Reductions:		
Paydowns and other	**(360)**	(216)
Charge-offs	**(30)**	(62)
Returned to performing	**(33)**	(73)
Sales	**(3)**	(77)
Total reductions	**(426)**	(428)
Net reductions	**(163)**	(181)
Ending balance, June 30	**$ 228**	$ 811

The following table presents summaries of the maturity and ratings profiles of the wholesale portfolio as of June 30, 2007, and December 31, 2006. The ratings scale is based upon the Firm's internal risk ratings and is presented on an S&P-equivalent basis.

Wholesale exposure

	Maturity profile[c]				Ratings profile			
					Investment-grade ("IG")	Noninvestment-grade		
At June 30, 2007 (in billions, except ratios)	<1 year	1–5 years	> 5 years	Total	AAA to BBB-	BB+ & below	Total	Total % of IG
Loans	**47%**	**41%**	**12%**	**100%**	**$ 109**	**$ 63**	**$ 172**	**63%**
Derivative receivables	**15**	**34**	**51**	**100**	**50**	**9**	**59**	**85**
Lending-related commitments	**37**	**56**	**7**	**100**	**375**	**61**	**436**	**86**
Total excluding HFS	**38%**	**51%**	**11%**	**100%**	**$ 534**	**$ 133**	**$ 667**	**80%**
Loans held-for-sale[a]							**10**	
Total exposure							**$ 677**	
Net credit derivative hedges notional[b]	**35%**	**56%**	**9%**	**100%**	**$ (53)**	**$ (8)**	**$ (61)**	**87%**

	Maturity profile[c]				Ratings profile			
					Investment-grade ("IG")	Noninvestment-grade		
At December 31, 2006 (in billions, except ratios)	<1 year	1–5 years	> 5 years	Total	AAA to BBB-	BB+ & below	Total	Total % of IG
Loans	44%	41%	15%	100%	$ 104	$ 57	$ 161	65%
Derivative receivables	16	34	50	100	49	7	56	88
Lending-related commitments	36	58	6	100	338	53	391	86
Total excluding HFS	37%	51%	12%	100%	$ 491	$ 117	$ 608	81%
Loans held-for-sale[a]							23	
Total exposure							$ 631	
Net credit derivative hedges notional[b]	16%	75%	9%	100%	$ (45)	$ (6)	$ (51)	88%

(a) HFS loans relate primarily to syndication loans and loans transferred from the retained portfolio. During the first quarter of 2007 the Firm elected the fair value option of accounting for loans related to securitization activities, and these loans are classified as Trading assets.
(b) Ratings are based upon the underlying referenced assets.
(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 70 of JPMorgan Chase's 2006 Annual Report for further discussion of Average exposure.

Wholesale credit exposure – selected industry concentration

The Firm continues to focus on the management and diversification of its industry concentrations, with particular attention paid to industries with actual or potential credit concerns. At June 30, 2007, the top 10 industries were the same as those at December 31, 2006. The increases in Asset managers, Healthcare and Oil and gas were due to lending-related activities. Below is a summary of the Top 10 industry concentrations as of June 30, 2007, and December 31, 2006.

	June 30, 2007		December 31, 2006	
Top 10 industries[(a)] (in millions, except ratios)	Credit exposure[(c)]	% of portfolio	Credit exposure[(c)]	% of portfolio
Banks and finance companies	**$ 66,935**	**10%**	$ 61,792	10%
Asset managers	**38,713**	**6**	24,570	4
Real estate	**35,540**	**5**	32,102	5
Healthcare	**33,086**	**5**	28,998	5
Consumer products	**28,688**	**4**	27,114	4
State and municipal governments	**27,993**	**4**	27,485	5
Utilities	**25,587**	**4**	24,938	4
Securities firms and exchanges	**25,582**	**4**	23,127	4
Retail and consumer services	**23,870**	**4**	22,122	4
Oil and gas	**21,436**	**3**	18,544	3
All other	**339,242**	**51**	317,468	52
Total excluding HFS	**666,672**	**100%**	608,260	100%
Held-for-sale[(b)]	**10,052**		22,507	
Total exposure	**$ 676,724**		$ 630,767	

(a) Rankings are based upon exposure at June 30, 2007.

(b) HFS loans relate primarily to syndication loans and loans transferred from the retained portfolio. During the first quarter of 2007 the Firm elected the fair value option of accounting for loans related to securitization activities; these loans are classified as Trading assets at June 30, 2007.

(c) Credit exposure is net of risk participations and excludes the benefit of credit derivative hedges and collateral held against Derivative receivables or Loans.

Wholesale criticized exposure

Exposures deemed criticized generally represent a ratings profile similar to a rating of CCC+/Caa1 and lower, as defined by Standard & Poor's/Moody's. The total criticized component of the portfolio decreased by $293 million, or 5%, when compared with year-end 2006.

Wholesale criticized exposure – industry concentrations

	June 30, 2007		December 31, 2006	
Top 10 industries[(a)] (in millions, except ratios)	Amount	% of portfolio	Amount	% of portfolio
Automotive	**$ 1,697**	**32%**	$ 1,442	29%
Consumer products	**391**	**7**	383	7
Real estate	**347**	**7**	243	5
Media	**276**	**5**	392	8
Healthcare	**249**	**5**	284	6
Business services	**244**	**5**	222	4
Agriculture/paper manufacturing	**229**	**4**	239	5
Building materials/construction	**180**	**3**	113	2
Banks and finance companies	**169**	**3**	74	1
Retail and consumer services	**169**	**3**	278	6
All other	**1,297**	**26**	1,356	27
Total excluding HFS	**5,248**	**100%**	5,026	100%
Held-for-sale[(b)]	**109**		624	
Total	**$ 5,357**		$ 5,650	

(a) Rankings are based upon exposure at June 30, 2007.

(b) HFS loans relate primarily to syndication loans and loans transferred from the retained portfolio. During the first quarter of 2007 the Firm elected the fair value option of accounting for loans related to securitization activities; these loans are classified as Trading assets at June 30, 2007. HFS loans exclude purchased nonperforming HFS loans.

Derivative contracts

In the normal course of business, the Firm uses derivative instruments to meet the needs of customers; to generate revenues through trading activities; to manage exposure to fluctuations in interest rates, currencies and other markets; and to manage the Firm's credit exposure. For further discussion of these contracts, see Note 22 on page 105 of this Form 10-Q, and Derivative contracts on pages 69–72 of JPMorgan Chase's 2006 Annual Report.

The following table summarizes the aggregate notional amounts and the net derivative receivables MTM for the periods presented.

Notional amounts and derivative receivables marked-to-market ("MTM")

	Notional amounts[(b)]		Derivative receivables MTM	
(in billions)	**June 30, 2007**	December 31, 2006	**June 30, 2007**	December 31, 2006
Interest rate	**$ 60,645**	$ 50,201	**$ 32**	$ 29
Foreign exchange	**2,977**	2,520	**4**	4
Equity	**887**	809	**9**	6
Credit derivatives	**6,512**	4,619	**6**	6
Commodity	**500**	507	**8**	11
Total, net of cash collateral[(a)]	**$ 71,521**	$ 58,656	**59**	56
Liquid securities collateral held against derivative receivables	**NA**	NA	**(7)**	(7)
Total, net of all collateral	**NA**	NA	**$ 52**	$ 49

(a) Collateral is only applicable to Derivative receivables MTM amounts.

(b) Represents the gross sum of long and short third-party notional derivative contracts, excluding written options and foreign exchange spot contracts.

The amount of Derivative receivables reported on the Consolidated balance sheets of $59.0 billion and $55.6 billion at June 30, 2007, and December 31, 2006, respectively, is the amount of the mark-to-market ("MTM") or fair value of the derivative contracts after giving effect to legally enforceable master netting agreements and cash collateral held by the Firm and represents 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 $6.6 billion at both June 30, 2007, and December 31, 2006, resulting in total exposure, net of all collateral, of $52.4 billion and $49.0 billion at June 30, 2007, and December 31, 2006, respectively.

The Firm also holds additional collateral delivered by clients at the initiation of transactions, but this collateral does not reduce the credit risk of the Derivative receivables in the table above. This additional collateral secures potential exposure that could arise in the derivatives portfolio should the MTM of the client's transactions move in the Firm's favor. As of June 30, 2007, and December 31, 2006, the Firm held $14.0 billion and $12.3 billion of this additional collateral, respectively. The derivative receivables MTM, net of all collateral, also does not include other credit enhancements in the forms of letters of credit and surety receivables.

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

	June 30, 2007		December 31, 2006	
Rating equivalent (in millions, except ratios)	**Net MTM**	**% of Net MTM**	Net MTM	% of Net MTM
AAA to AA-	**$ 29,521**	**57%**	$ 28,150	58%
A+ to A-	**7,496**	**14**	7,588	15
BBB+ to BBB-	**7,867**	**15**	8,044	16
BB+ to B-	**7,463**	**14**	5,150	11
CCC+ and below	**88**	**—**	78	—
Total	**$ 52,435**	**100%**	$ 49,010	100%

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 decreased slightly, to 79% as of June 30, 2007, from 80% at December 31, 2006.

The Firm posted $28.3 billion and $26.6 billion of collateral at June 30, 2007, and December 31, 2006, 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 AA- at June 30, 2007, would have required $170 million of additional collateral to be posted by the Firm; the impact of a six-notch ratings downgrade (from AA to BBB) would have required $2.9 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

The following table presents the Firm's notional amounts of credit derivatives protection purchased and sold by the respective businesses as of June 30, 2007, and December 31, 2006.

Credit derivatives positions

	Notional amount				
	Credit portfolio		Dealer/client		
(in billions)	Protection purchased[(a)]	Protection sold	Protection purchased	Protection sold	Total
June 30, 2007	**$ 61**	**$ 1**	**$ 3,215**	**$ 3,212**	**$ 6,489**
December 31, 2006	52	1	2,277	2,289	4,619

(a) Included $22.7 billion at both June 30, 2007, and December 31, 2006, that represented the notional amount for structured portfolio protection; the Firm retains the first risk of loss on this portfolio.

In managing wholesale credit exposure, the Firm purchases single-name and portfolio credit derivatives; this activity does not reduce the reported level of assets on the balance sheet or the level of reported off–balance sheet commitments. The Firm also diversifies exposures by providing (i.e., selling) credit protection, which increases exposure to industries or clients where the Firm has little or no client-related exposure. This activity is not material to the Firm's overall credit exposure.

JPMorgan Chase has limited counterparty exposure as a result of credit derivatives transactions. Of the $59.0 billion of total Derivative receivables MTM at June 30, 2007, $6.1 billion, or 10%, was associated with credit derivatives, before the benefit of liquid securities collateral.

Dealer/client

At June 30, 2007, the total notional amount of protection purchased and sold in the dealer/client business increased $1.9 trillion from year-end 2006 as a result of increased trade volume in the market. The risk positions are largely matched when securities used to risk-manage certain derivative positions are taken into consideration and the notional amounts are adjusted to a duration-based equivalent basis or to reflect different degrees of subordination in tranched structures.

Credit portfolio management activities

Use of single-name and portfolio credit derivatives

	Notional amount of protection purchased	
(in millions)	**June 30, 2007**	December 31, 2006
Credit derivatives used to manage:		
Loans and lending-related commitments	**$ 51,722**	$ 40,755
Derivative receivables	**9,561**	11,229
Total[(a)]	**$ 61,283**	$ 51,984

(a) Included $22.7 billion at both June 30, 2007, and December 31, 2006, that represented the notional amount for structured portfolio protection; the Firm retains the 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. These derivatives are reported at fair value, with gains and losses recognized in Principal transactions revenue. The MTM value incorporates both the cost of credit derivative premiums and changes in value due to movement in spreads and credit events; in contrast, the loans and lending-related commitments being risk-managed are accounted for on an accrual basis. 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 credit valuation adjustment ("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.

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2007**	2006	**2007**	2006
Hedges of lending-related commitments[(a)]	**$ (14)**	$ (41)	**$ (23)**	$ (123)
CVA and hedges of CVA[(a)]	**(55)**	12	**(48)**	35
Net gains (losses)[(b)]	**$ (69)**	$ (29)	**$ (71)**	$ (88)

(a) These hedges do not qualify for hedge accounting under SFAS 133.

(b) Excludes gains of $65 million and $9 million for the quarters ended June 30, 2007 and 2006, respectively, and $211 million and $3 million of gains year-to-date 2007 and 2006, respectively, of other Principal transaction revenues that are not associated with hedging activities. The Firm adopted SFAS 157 on January 1, 2007, which incorporated adjusting the valuation of the Firm's derivative liabilities.

The Firm also actively manages wholesale credit exposure through loan and commitment sales. During the second quarter of 2007 and 2006, the Firm sold $1.5 billion and $885 million of loans and commitments, respectively, recognizing losses of $6 million and gains of $20 million, respectively. During the first six months of 2007 and 2006, the Firm sold $3.1 billion and $1.6 billion of loans and commitments, respectively, recognizing losses of $12 million and gains of $40 million, respectively. These activities are not related to the Firm's securitization activities, which are undertaken for liquidity and balance sheet management purposes. For further discussion of securitization activity, see Liquidity Risk Management and Note 15 on pages 49–51, and 94–98, respectively, of this Form 10-Q.

Lending-related commitments

The contractual amount of wholesale lending-related commitments was $435.7 billion at June 30, 2007, compared with $391.4 billion at December 31, 2006. 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 $234.0 billion and $212.3 billion as of June 30, 2007, and December 31, 2006, respectively.

Emerging markets country exposure

The Firm has a comprehensive internal process for measuring and managing exposures and risk in emerging markets countries – defined as those countries potentially vulnerable to sovereign events. As of June 30, 2007, based upon its internal methodology, the Firm's exposure to any individual emerging-markets country was not significant, in that total exposure to any such country did not exceed 0.75% of the Firm's total assets. In evaluating and managing its exposures to emerging markets countries, the Firm takes into consideration all credit-related lending, trading, and investment activities, whether cross-border or locally funded. Exposure amounts are then adjusted for credit enhancements (e.g., guarantees and letters of credit) provided by third parties located outside the country, if the enhancements fully cover the country risk as well as the credit risk. For information regarding the Firm's cross-border exposure based upon guidelines of the Federal Financial Institutions Examination Council ("FFIEC"), see Part 1, Item 1, "Loan portfolio, Cross-border outstandings," on page 155, of the Firm's 2006 Annual Report.

CONSUMER CREDIT PORTFOLIO

JPMorgan Chase's consumer portfolio consists primarily of residential mortgages, home equity loans, credit cards, auto loans and leases, education loans and business banking loans, and reflects the benefit of diversification from both a product and a geographic perspective. The primary focus is serving the prime consumer credit market. RFS offers Home Equity lines of credit and Mortgage loans with interest-only payment options to predominantly prime borrowers; there are no products in the real estate portfolios that result in negative amortization. The Firm proactively manages its consumer credit operation. Ongoing efforts include continual review and enhancement of credit underwriting criteria and refinement of pricing and risk management models.

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

	Credit exposure		Nonperforming assets[f]	
(in millions, except ratios)	**June 30, 2007**	December 31, 2006	**June 30, 2007**	December 31, 2006
Consumer loans – reported[a]				
Home equity	**$ 90,989**	$ 85,730	**$ 483**	$ 454
Mortgage	**43,114**	59,668	**1,034**	769
Auto loans and leases[b]	**41,231**	41,009	**81**	132
Credit card – reported[c]	**80,495**	85,881	**8**	9
All other loans	**27,240**	27,097	**335**	322
Total consumer loans – reported	**283,069**	299,385	**1,941**[g]	1,686[g]
Credit card – securitizations[c][d]	**67,506**	66,950	**—**	—
Total consumer loans – managed[c]	**350,575**	366,335	**1,941**	1,686
Assets acquired in loan satisfactions	**NA**	NA	**366**	225
Total consumer related assets – managed	**350,575**	366,335	**2,307**	1,911
Consumer lending–related commitments:				
Home equity	**74,027**	69,559	**NA**	NA
Mortgage	**7,370**	6,618	**NA**	NA
Auto loans and leases	**8,636**	7,874	**NA**	NA
Credit card[e]	**685,344**	657,109	**NA**	NA
All other loans	**6,286**	6,375	**NA**	NA
Total lending-related commitments	**781,663**	747,535	**NA**	NA
Total consumer credit portfolio	**$ 1,132,238**	$ 1,113,870	**$ 2,307**	$ 1,911
Total HFS loans	**$ 8,282**	$ 32,744	**$ 215**	$ 116
Memo: Credit card – managed	**148,001**	152,831	**8**	9

	Three months ended June 30,				Six months ended June 30,			
	Net charge-offs		Average annual net charge-off rate[h]		Net charge-offs		Average annual net charge-off rate[h]	
(in millions, except ratios)	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Consumer loans – reported[a]								
Home equity	**$ 98**	$ 30	**0.44%**	0.16%	**$ 166**	$ 63	**0.38%**	0.17%
Mortgage	**30**	9	**0.32**	0.08	**53**	21	**0.29**	0.09
Auto loans and leases[b]	**63**	45	**0.61**	0.43	**122**	96	**0.60**	0.44
Credit card – reported	**741**	560	**3.76**	3.29	**1,462**	1,127	**3.66**	3.33
All other loans	**82**	29	**1.40**	0.52	**120**	54	**1.02**	0.54
Total consumer loans – reported	**1,014**	673	**1.50**	1.05	**1,923**	1,361	**1.43**	1.08
Credit card – securitizations[d]	**590**	561	**3.46**	3.26	**1,183**	1,010	**3.51**	2.94
Total consumer loans – managed	**$ 1,604**	$ 1,234	**1.90**	1.52	**$ 3,106**	$ 2,371	**1.85**	1.48
Memo: Credit card – managed	**$ 1,331**	$ 1,121	**3.62%**	3.28%	**$ 2,645**	$ 2,137	**3.59%**	3.13%

(a) Includes RFS, CS and residential mortgage loans reported in the Corporate segment.

(b) Excludes operating lease–related assets of $1.8 billion and $1.6 billion for June 30, 2007, and December 31, 2006, respectively.

(c) Loans past-due 90 days and over and accruing includes credit card receivables of $1.2 billion and $1.3 billion at June 30, 2007, and December 31, 2006, respectively, and related credit card securitizations of $862 million and $962 million for June 30, 2007, and December 31, 2006, respectively.

(d) Represents securitized credit card receivables. For a further discussion of credit card securitizations, see CS on pages 29–32 of this Form 10-Q.

(e) The credit card lending–related commitments represent the total available credit to the Firm's cardholders. The Firm has not experienced, and does not anticipate, that all of its cardholders will utilize their entire available lines of credit at the same time. The Firm can reduce or cancel a credit card commitment by providing the cardholder prior notice or, in some cases, without notice as permitted by law.

(f) Includes nonperforming HFS loans of $215 million and $116 million at June 30, 2007, and December 31, 2006, respectively. Loans elected under fair value option and classified within Trading assets are excluded from Nonperforming loans.

(g) 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 and U.S. government-sponsored enterprises of $1.2 billion for both June 30, 2007, and December 31, 2006, and (2) education 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 $200 million and $219 million as of June 30, 2007, and December 31, 2006, respectively. These amounts for GNMA and education loans are excluded, as reimbursement is proceeding normally.

(h) Net charge-off rates exclude average loans HFS of $11.7 billion and $12.9 billion for the quarters ended June 30, 2007 and 2006, respectively, and $16.7 billion and $14.6 billion year-to-date 2007 and 2006, respectively.

Total managed consumer loans as of June 30, 2007, were $350.6 billion, down from $366.3 billion at year-end 2006, reflecting the classification of a portion of mortgage loans as Trading Assets as a result of adopting SFAS 159, and the seasonal decrease of credit card loans, partially offset by organic growth in home equity loans. Consumer lending–related commitments increased 5%, to $781.7 billion at June 30, 2007, primarily reflecting growth in credit cards and home equity lines of credit.

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 overall economic returns of its held-for-investment loan portfolio under prevailing market conditions to determine whether to retain or sell loans in the portfolio. When it is determined that a loan that was previously classified as held-for-investment will be sold, it is transferred to held-for-sale.

The following discussion relates to the specific loan and lending-related categories within the consumer portfolio.

Home equity: Home equity loans at June 30, 2007, were $91.0 billion, an increase of $5.3 billion from year-end 2006. The change in the portfolio from December 31, 2006, reflected organic growth. The Allowance for loan losses for the Home equity portfolio was increased during the three and six months ended June 30, 2007, due to weak housing prices in select geographic areas and the resulting increase in estimated losses for high loan-to-value home equity loans, especially those originated through the wholesale channel. Loss mitigation activities have been intensified to assist customers and to proactively manage risks in this portfolio, while underwriting standards have been tightened and pricing actions have been implemented to reflect elevated risks related to new originations.

Mortgage: Substantially all of the Firm's prime and low documentation mortgages, both fixed-rate and adjustable-rate, are originated with the intent to sell, although some of the prime adjustable rate products are originated into the held-for-investment portfolio. As a result, products in the portfolio consist primarily of adjustable rate products. Subprime mortgages are either originated with the intent to sell or hold-for-investment, depending upon market conditions. All mortgages, irrespective of whether they are originated with the intent to sell or hold-for-investment, are underwritten to the same standards applicable to the respective type of mortgage.

Mortgage loans that are held-for-investment or held-for-sale at June 30, 2007, were $43.1 billion, reflecting a $16.6 billion decrease from year-end 2006, primarily due to the change in classification to Trading assets for prime mortgages originated with the intent to sell and elected to be fair valued under SFAS 159. As of June 30, 2007, over 70% of the outstanding mortgage loans on the Consolidated balance sheet related to the prime market segment. As a result, the Firm deems its exposure to subprime mortgages manageable. During the first quarter, the provision for credit losses was increased and underwriting standards were tightened to reflect management's expectation of elevated credit losses in this market segment. The subprime mortgage portfolio's credit performance during the second quarter was consistent with these expectations.

Auto loans and leases: As of June 30, 2007, Auto loans and leases of $41.2 billion were up slightly from year-end 2006. The Allowance for loan losses for the Auto loan portfolio was increased during the three and six months ended June 30, 2007, reflecting an increase in estimated losses from low prior-year levels.

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 $148.0 billion at June 30, 2007, a decrease of $4.8 billion from year-end 2006, reflecting the typical seasonal pattern of outstanding loans.

The managed credit card net charge-off rate increased to 3.62% and 3.59% in the second quarter of 2007 and year-to-date 2007, respectively, from 3.28% and 3.13% in the comparable prior periods. This increase was due primarily to lower bankruptcy-related net charge-offs in 2006. The 30-day delinquency rates decreased slightly to 3.00% at June 30, 2007, from 3.14% at June 30, 2006, reflecting continued strength in underlying credit quality. The managed credit card portfolio continues to reflect a well-seasoned 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), Education loans, Community Development loans and other secured and unsecured consumer loans. As of June 30, 2007, Other loans of $27.2 billion were up slightly from year-end 2006.

ALLOWANCE FOR CREDIT LOSSES

For a further discussion of the components of the Allowance for credit losses, see Critical accounting estimates used by the Firm on page 83 and Note 13 on pages 113–114 of JPMorgan Chase's 2006 Annual Report. At June 30, 2007, 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).

Summary of changes in the Allowance for credit losses

Six months ended June 30,	**2007**			2006		
(in millions)	Wholesale	Consumer	Total	Wholesale	Consumer	Total
Loans:						
Beginning balance at January 1	**$ 2,711**	**$ 4,568**	**$ 7,279**	$ 2,453	$ 4,637	$ 7,090
Cumulative effect of changes in accounting principles[(a)]	**(56)**	**—**	**(56)**	—	—	—
Beginning balance at January 1, adjusted	**2,655**	**4,568**	**7,223**	2,453	4,637	7,090
Gross charge-offs	**(30)**	**(2,286)**	**(2,316)**	(62)	(1,668)	(1,730)
Gross recoveries	**65**	**363**	**428**	101	307	408
Net (charge-offs) recoveries	**35**	**(1,923)**	**(1,888)**	39	(1,361)	(1,322)
Provision for loan losses	**31**	**2,264**	**2,295**	77	1,223	1,300
Other	**(19)[(b)]**	**22[(b)]**	**3**	—	8	8
Ending balance at June 30	**$ 2,702[(c)]**	**$ 4,931[(d)]**	**$ 7,633**	$ 2,569[(c)]	$ 4,507[(d)]	$ 7,076
Components:						
Asset-specific	**$ 52**	**$ —**	**$ 52**	$ 160	$ —	$ 160
Formula-based	**2,650**	**4,931**	**7,581**	2,409	4,507	6,916
Total Allowance for loan losses	**$ 2,702**	**$ 4,931**	**$ 7,633**	$ 2,569	$ 4,507	$ 7,076
Lending-related commitments:						
Beginning balance at January 1	**$ 499**	**$ 25**	**$ 524**	$ 385	$ 15	$ 400
Provision for lending-related commitments	**244**	**(2)**	**242**	25	(1)	24
Ending balance at June 30	**$ 743**	**$ 23**	**$ 766**	$ 410	$ 14	$ 424
Components:						
Asset-specific	**$ 29**	**$ —**	**$ 29**	$ 45	$ —	$ 45
Formula-based	**714**	**23**	**737**	365	14	379
Total Allowance for lending-related commitments	**$ 743**	**$ 23**	**$ 766**	$ 410	$ 14	$ 424
Total Allowance for credit losses	**$ 3,445**	**$ 4,954**	**$ 8,399**	$ 2,979	$ 4,521	$ 7,500

(a) Reflects the affect of the adoption of SFAS 159 at January 1, 2007. For a further discussion of SFAS 159, see Note 4 on pages 80–83 of this Form 10-Q.

(b) Partially related to the transfer of allowance between wholesale and consumer in conjunction with prime mortgages transferred to the Corporate sector.

(c) The ratio of the wholesale allowance for loan losses to total wholesale loans was 1.59% and 1.67%, excluding wholesale HFS loans and loans accounted for at fair value at June 30, 2007 and 2006, respectively.

(d) The ratio of the consumer allowance for loan losses to total consumer loans was 1.79% and 1.70%, excluding consumer HFS loans and loans accounted for at fair value at June 30, 2007 and 2006, respectively.

The Allowance for credit losses increased by $596 million, when compared with December 31, 2006.

The Allowance for loan losses at June 30, 2007, increased $354 million, or 5%, when compared with December 31, 2006, mainly related to home equity loans. Excluding Loans held-for-sale and loans carried at fair value, the Allowance for loan losses represented 1.71% of loans at June 30, 2007, compared with 1.70% at December 31, 2006.

To provide for the risk of loss inherent in the Firm's process of extending credit, management computes an asset-specific component and a formula-based component for wholesale lending–related commitments. These components are computed using a methodology similar to that used for the wholesale loan portfolio, modified for expected maturities and probabilities of drawdown. This allowance, which is reported in Accounts payable, accrued expenses and other liabilities, was $766 million and $524 million at June 30, 2007, and December 31, 2006, respectively. The increase of $242 million, or 46%, was due primarily to portfolio activity, mainly in the IB.

Provision for credit losses

For a discussion of the reported Provision for credit losses, see pages 10–11 of this Form 10-Q. The managed provision for credit losses includes credit card securitizations. The increase in provision for credit losses was due to a higher estimate of losses for home equity loans and the subprime mortgage portfolio. The prior-year quarter and year-to-date periods benefited from the absence of prior-year benefits from a lower level of credit card net charge-offs, which reflected a lower level of losses following the change in bankruptcy legislation in the fourth quarter of 2005. Also in the second quarter of 2006, $90 million of provision related to Hurricane Katrina was released in CS. The increase in Provision for credit losses was also due to lending-related commitments, reflecting portfolio activity.

	Provision for loan losses		Provision for lending-related commitments		Total provision for credit losses	
Three months ended June 30, (in millions)	**2007**	2006	**2007**	2006	**2007**	2006
Investment Bank	**$ (13)**	$ (91)	**$ 177**	$ 29	**$ 164**	$ (62)
Commercial Banking	**10**	(24)	**35**	12	**45**	(12)
Treasury & Securities Services	**(1)**	4	**1**	—	**—**	4
Asset Management	**(13)**	(7)	**2**	—	**(11)**	(7)
Total Wholesale	**(17)**	(118)	**215**	41	**198**	(77)
Retail Financial Services	**589**	101	**(2)**	(1)	**587**	100
Card Services	**741**	470	**—**	—	**741**	470
Corporate[(a)]	**3**	—	**—**	—	**3**	—
Total Consumer	**1,333**	571	**(2)**	(1)	**1,331**	570
Total provision for credit losses	**1,316**	453	**213**	40	**1,529**	493
Credit card securitizations	**590**	561	**—**	—	**590**	561
Total managed provision for credit losses	**$ 1,906**	$ 1,014	**$ 213**	$ 40	**$ 2,119**	$ 1,054

	Provision for loan losses		Provision for lending-related commitments		Total provision for credit losses	
Six months ended June 30, (in millions)	**2007**	2006	**2007**	2006	**2007**	2006
Investment Bank	**$ 22**	$ 98	**$ 205**	$ 23	**$ 227**	$ 121
Commercial Banking	**27**	(8)	**35**	3	**62**	(5)
Treasury & Securities Services	**3**	—	**3**	—	**6**	—
Asset Management	**(21)**	(13)	**1**	(1)	**(20)**	(14)
Total Wholesale	**31**	77	**244**	25	**275**	102
Retail Financial Services	**881**	186	**(2)**	(1)	**879**	185
Card Services	**1,377**	1,037	**—**	—	**1,377**	1,037
Corporate[(a)]	**6**	—	**—**	—	**6**	—
Total Consumer	**2,264**	1,223	**(2)**	(1)	**2,262**	1,222
Total provision for credit losses	**2,295**	1,300	**242**	24	**2,537**	1,324
Credit card securitizations	**1,183**	1,010	**—**	—	**1,183**	1,010
Total managed provision for credit losses	**$ 3,478**	$ 2,310	**$ 242**	$ 24	**$ 3,720**	$ 2,334

(a) Includes amounts related to held-for-investment prime mortgages transferred from RFS and AM to the Corporate segment.

MARKET RISK MANAGEMENT

For discussion of the Firm's market risk management organization, see pages 77–80 of JPMorgan Chase's 2006 Annual Report.

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, one-off approvals, 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.

To calculate VAR, the Firm uses historical simulation, which measures risk across instruments and portfolios in a consistent and comparable way. This approach assumes that historical changes in market values are representative of future changes. The simulation is based upon data for the previous twelve months. The Firm calculates VAR using a one-day time horizon and an expected tail-loss methodology, which approximates a 99% confidence level. This means the Firm would expect to incur losses greater than that predicted by VAR estimates only once in every 100 trading days, or about two to three times a year. For a further discussion of the Firm's VAR methodology, see Market Risk management – Value-at-risk, on pages 77–80 of JPMorgan Chase's 2006 Annual Report.

IB trading and credit portfolio VAR
IB trading VAR by risk type and credit portfolio VAR

	Three months ended June 30,						At June 30,		Six months ended June 30, Avg	
	2007			2006						
(in millions)	**Avg**	**Min**	**Max**	Avg	Min	Max	**2007**	2006	**2007**	2006
By risk type:										
Fixed income	**$ 74**	**$ 50**	**$ 96**	$ 52	$ 38	$ 66	**$ 50**	$ 38	**$ 60**	$ 56
Foreign exchange	**20**	**12**	**27**	25	15	37	**24**	22	**19**	22
Equities	**51**	**35**	**75**	24	18	33	**38**	21	**46**	28
Commodities and other	**40**	**25**	**66**	52	39	76	**28**	46	**37**	50
Less: portfolio diversification	**(73)**[c]	**NM**[d]	**NM**[d]	(74)[c]	NM[d]	NM[d]	**(65)**[c]	(65)[c]	**(65)**[c]	(71)[c]
Trading VAR[a]	**$ 112**	**$ 75**	**$ 130**	$ 79	$ 57	$ 99	**$ 75**	$ 62	**$ 97**	$ 85
Credit portfolio VAR[b]	**12**	**10**	**14**	14	13	19	**12**	15	**12**	14
Less: portfolio diversification	**(14)**[c]	**NM**[d]	**NM**[d]	(9)[c]	NM[d]	NM[d]	**(13)**[c]	(10)[c]	**(12)**[c]	(10)[c]
Total trading and credit portfolio VAR	**$ 110**	**$ 74**	**$ 134**	$ 84	$ 65	$ 105	**$ 74**	$ 67	**$ 97**	$ 89

(a) Trading VAR includes substantially all trading activities in the IB. Trading VAR does not include VAR related to the MSR portfolio or VAR related to other corporate functions, such as Treasury and Private Equity. For a discussion of MSRs and the corporate functions, see Note 17 on pages 100–101, Note 3 on page 76 and Corporate on pages 40–42 of this Form 10-Q.

(b) Includes VAR on derivative credit and debit valuation adjustments, hedges of the credit valuation adjustment and mark-to-market hedges of the retained loan portfolio, which are all reported in Principal transactions revenue. For a discussion of credit and debit valuation adjustments, see Note 3 on pages 73–80 of this Form 10-Q. This VAR does not include the retained loan portfolio.

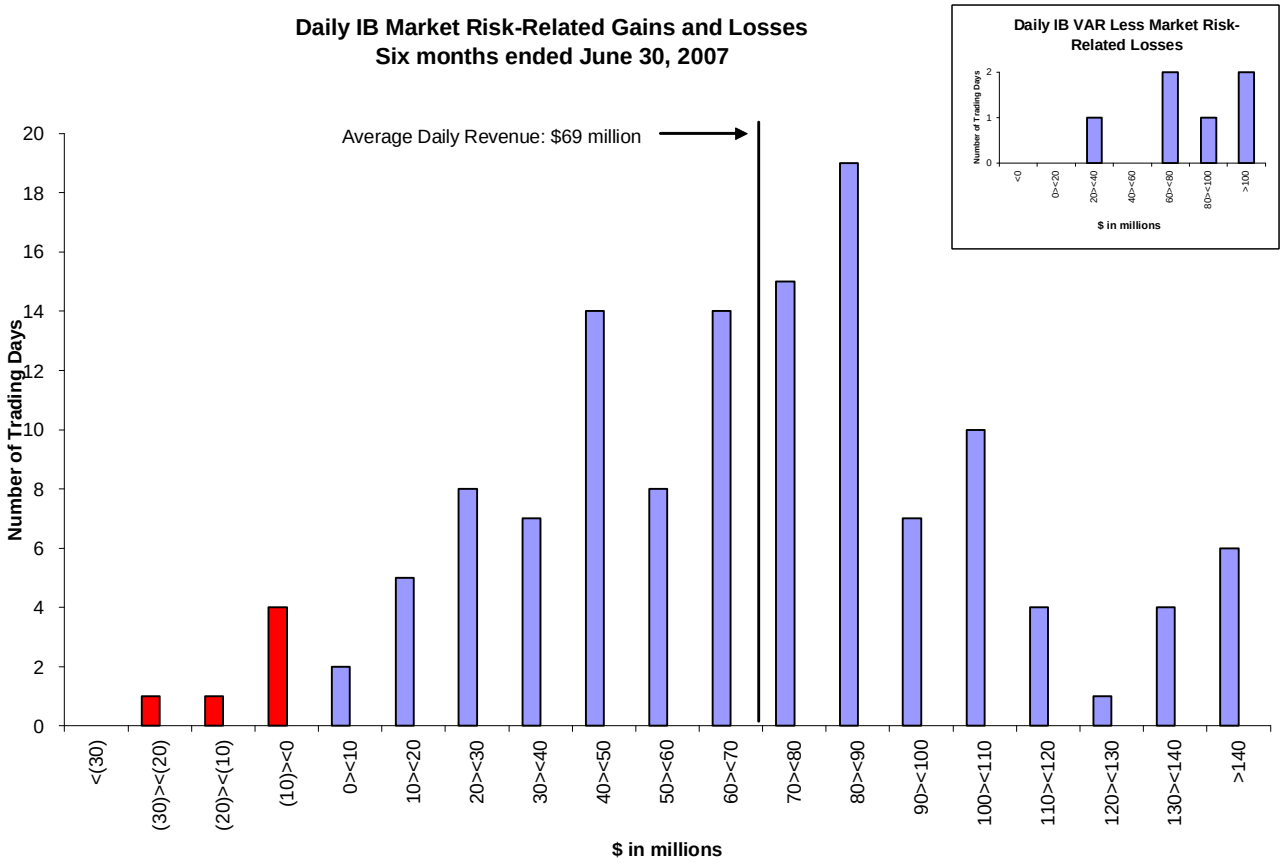
(c) Average and period-end VARs were less than the sum of the VARs of their market risk components, which was due to risk offsets resulting from portfolio diversification. The diversification effect reflected the fact that the risks were not perfectly correlated. The risk of a portfolio of positions is therefore usually less than the sum of the risks of the positions themselves.

(d) 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.

The IB's average Total trading and credit portfolio VAR for the second quarter and first half of 2007 was $110 million and $97 million, respectively, compared with $84 million in the second quarter and $89 million in the first half of 2006. The changes in the fixed income, foreign exchange, equities and commodities VAR components resulted from changes in positions during the second quarter as well as first half of 2007. 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 following histogram illustrates the daily market risk–related gains and losses for IB trading businesses for the first half of 2007. The chart shows that IB posted market risk–related gains on 124 out of 130 days in this period, with 25 days exceeding $100 million. The inset graph looks at those days on which IB experienced losses and depicts the amount by which VAR exceeded the actual loss on each of those days. Losses were sustained on 6 days, with no loss greater than $30 million, and with no loss exceeding the VAR measure.



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 its nontrading activities at least once a month 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 each month to the Firm's senior management and to the lines of business to help them better measure and manage risks and to understand positions sensitive to event risk.

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 also is important. Interest rate risk exposure in the Firm's core nontrading business activities (i.e., asset/liability management positions) results from on– and off–balance sheet positions. The Firm conducts simulations of changes in NII 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 over the next 12 months and 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.

Earnings-at-risk also can result from changes in the slope of the yield curve, because the Firm has the ability to lend at 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 without a corresponding increase in long-term rates. Conversely, higher long-term rates generally are beneficial to earnings, particularly when the increase is not accompanied by rising short-term rates.

Immediate changes in interest rates present a limited view of risk, and so a number of alternative scenarios also are 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 profiles as of June 30, 2007, and December 31, 2006, were as follows.

	Immediate change in rates			
(in millions)	+200bp	+100bp	-100bp	-200bp
June 30, 2007	**$ (60)**	**$ (16)**	**$ (65)**	**$ (525)**
December 31, 2006	(101)	28	(21)	(182)

The primary change in earnings-at-risk from December 31, 2006, reflects a higher level of market interest rates and Treasury repositioning. The Firm is exposed to both rising and falling rates. The Firm's risk to rising rates is largely the result of increased funding costs. In contrast, the exposure to falling rates is the result of higher anticipated levels of loan and securities prepayments.

PRIVATE EQUITY RISK MANAGEMENT

For a discussion of Private Equity Risk Management, see page 81 of JPMorgan Chase's 2006 Annual Report. At June 30, 2007, the carrying value of the Private Equity portfolio was $6.5 billion, of which $465 million represented positions traded in the public markets.

OPERATIONAL RISK MANAGEMENT

For a discussion of JPMorgan Chase's operational risk management, refer to page 81 of JPMorgan Chase's 2006 Annual Report.

REPUTATION AND FIDUCIARY RISK MANAGEMENT

For a discussion of the Firm's Reputation and Fiduciary Risk Management, see page 82 of JPMorgan Chase's 2006 Annual Report.

SUPERVISION AND REGULATION

The following discussion should be read in conjunction with the Supervision and Regulation section on pages 1–4 of JPMorgan Chase's 2006 Annual Report.

Dividends

At June 30, 2007, JPMorgan Chase's bank subsidiaries could pay, in the aggregate, $16.4 billion in dividends to their respective bank holding companies without prior approval of their relevant banking regulators.

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 valuation 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 valuation of its assets and liabilities are appropriate.

Allowance for credit losses

JPMorgan Chase's allowance for credit losses covers the retained wholesale and consumer loan portfolios as well as the Firm's portfolio of wholesale lending-related commitments. The Allowance for loan losses is intended to adjust the value of the Firm's loan assets for probable credit losses as of the balance sheet date. For a further discussion of the methodologies used in establishing the Firm's allowance for credit losses, see Note 13 on pages 113–114 of JPMorgan Chase's 2006 Annual Report. The methodology for calculating the Allowance for loan losses and the Allowance for lending-related commitments involves significant judgment. For a further description of these judgments, see Allowance for credit losses on page 83 of JPMorgan Chase's 2006 Annual Report; for amounts recorded as of June 30, 2007 and 2006, see allowance for credit losses on page 61 and Note 14 on pages 93–94 of this Form 10-Q.

As noted on page 83 of the JPMorgan Chase's 2006 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 $1.2 billion as of June 30, 2007. 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.

Fair value of financial instruments, MSRs and commodities inventory

A portion of JPMorgan Chase's assets and liabilities are carried at fair value, including trading assets and liabilities, AFS securities, Private equity investments, MSRs, structured liabilities and certain loans. Certain Loans held-for-sale and physical commodities are carried at the lower of cost or fair value. At June 30, 2007, $593.1 billion of the Firm's assets and $242.5 billion of its liabilities were recorded at fair value.

On January 1, 2007, the Firm chose early adoption of SFAS 157 and SFAS 159. For further information, see Accounting and Reporting Developments on page 67, Note 3 on pages 73–80 and Note 4 on pages 80–83 of this Form 10-Q.

Goodwill impairment

For a description of the significant valuation judgments associated with goodwill impairment, see Goodwill impairment on page 85 of JPMorgan Chase's 2006 Annual Report.

ACCOUNTING AND REPORTING DEVELOPMENTS

Accounting for uncertainty in income taxes

In July 2006, the FASB issued FIN 48, which clarifies the accounting for uncertainty in income taxes recognized under SFAS 109. FIN 48 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. The Firm adopted and applied FIN 48 under the transition provisions 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. For additional information related to the Firm's adoption of FIN 48, see Note 20 on page 104 of this Form 10-Q.

Changes in timing of cash flows related to income taxes generated by a leveraged lease

In July 2006, the FASB issued FSP FAS 13-2. FSP FAS 13-2 requires the recalculation of returns on leveraged leases if there is a change or projected change in the timing of cash flows relating to income taxes generated by a leveraged lease. The Firm adopted FSP FAS 13-2 at the required effective date of January 1, 2007. Implementation of FSP FAS 13-2 did not have a significant impact on the Firm's Consolidated balance sheet and results of operations.

Fair value measurements – adoption of SFAS 157
In September 2006, the FASB issued SFAS 157, which is effective for fiscal years beginning after November 15, 2007, with early adoption permitted. SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about assets and liabilities measured at fair value. The new standard provides a consistent definition of fair value which focuses on exit price and prioritizes, within a measurement of fair value, the use of market-based inputs over entity-specific inputs. The standard also 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. SFAS 157 nullifies the guidance in EITF 02-3 which required deferral of profit at inception of a derivative transaction in the absence of observable data supporting the valuation technique. The standard also eliminates large position discounts for financial instruments quoted in active markets and requires consideration of JPMorgan Chase's own credit quality when valuing liabilities.

JPMorgan Chase chose early adoption for SFAS 157 effective January 1, 2007, and recorded 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. In order to determine the amount of this transition adjustment and to confirm that JPMorgan Chase's valuation policies are consistent with exit price as prescribed by SFAS 157, JPMorgan Chase reviewed its derivative valuations using all available evidence including recent transactions in the marketplace, indicative pricing services and the results of back-testing similar types of transactions. In addition, as a result of the adoption of SFAS 157, JPMorgan Chase recognized $391 million of additional Net income in the 2007 first quarter, comprised of a $103 million benefit relating to the incorporation of an adjustment to the valuation of JPMorgan Chase's derivative liabilities and other liabilities measured at fair value that reflects the credit quality of JPMorgan Chase, and a $288 million benefit relating to the valuation of nonpublic private equity investments. The adoption of SFAS 157 primarily affected the IB and the Private Equity business within Corporate. For additional information related to the Firm's adoption of SFAS 157, see Note 3 on pages 73–80 of this Form 10-Q.

Fair value option for financial assets and financial liabilities – adoption of SFAS 159
In February 2007, the FASB issued SFAS 159, which is effective for fiscal years beginning after November 15, 2007, with early adoption permitted. SFAS 159 provides the option to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized firm commitments, and written loan commitments. Under SFAS 159, fair value is used for both the initial and subsequent measurement of the designated assets, liabilities and commitments, with the changes in fair value recognized in Net income. JPMorgan Chase chose early adoption for SFAS 159 effective January 1, 2007, and as a result, it recorded a cumulative effect increase to Retained earnings of $199 million. For additional information related to the Firm's adoption of SFAS 159, see Note 4 on page 80–83 of this Form 10-Q.

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. FSP FIN 39-1 is effective for fiscal years beginning after November 15, 2007. The FSP will not have a material impact on the Firm's Consolidated balance sheet.

Investment companies
In June 2007, the AICPA issued SOP 07-1. SOP 07-1 provides guidance for determining whether an entity is within the scope of the AICPA Audit and Accounting Guide *Investment Companies* (the "Guide"), and therefore qualifies to use the Guide's specialized accounting principles (referred to as "investment company accounting"). Additionally, SOP 07-1 provides guidelines for determining whether investment company accounting should be retained by a parent company in consolidation or by an equity method investor in an investment. Additionally, in May 2007, the FASB issued FSP FIN 46(R)-7, which amends FIN 46R to permanently exempt entities within the scope of the Guide from applying the provisions of FIN 46R to their investments. FSP FIN 46(R)-7 is effective upon adoption of the SOP. SOP 07-1 will be effective for the Firm on January 1, 2008. The Firm is currently evaluating the impact of implementing SOP 07-1 and FSP FIN 46(R)-7 on its Consolidated balance sheet, results of operations and cash flows.

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 should 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. It will begin to do so effective January 1, 2008, when it implements EITF 06-11. The adoption of this consensus will not have an impact on the Firm's Consolidated balance sheet or results of operations.

JPMORGAN CHASE & CO.
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three months ended June 30,		Six months ended June 30,	
(in millions, except per share data)	**2007**	2006	**2007**	2006
Revenue				
Investment banking fees	**$ 1,898**	$ 1,370	**$ 3,637**	$ 2,539
Principal transactions	**3,566**	2,741	**8,037**	5,450
Lending & deposit related fees	**951**	865	**1,846**	1,706
Asset management, administration and commissions	**3,611**	2,966	**6,797**	5,840
Securities gains (losses)	**(223)**	(502)	**(221)**	(618)
Mortgage fees and related income	**523**	213	**999**	454
Credit card income	**1,714**	1,791	**3,277**	3,701
Other income	**553**	464	**1,071**	1,018
Noninterest revenue	**12,593**	9,908	**25,443**	20,090
Interest income	**17,489**	14,617	**34,125**	27,853
Interest expense	**11,174**	9,439	**21,692**	17,682
Net interest income	**6,315**	5,178	**12,433**	10,171
Total net revenue	**18,908**	15,086	**37,876**	30,261
Provision for credit losses	**1,529**	493	**2,537**	1,324
Noninterest expense				
Compensation expense	**6,309**	5,268	**12,543**	10,816
Occupancy expense	**652**	553	**1,292**	1,147
Technology, communications and equipment expense	**921**	876	**1,843**	1,745
Professional & outside services	**1,259**	1,085	**2,459**	2,093
Marketing	**457**	526	**939**	1,045
Other expense	**1,013**	631	**1,748**	1,447
Amortization of intangibles	**353**	357	**706**	712
Merger costs	**64**	86	**126**	157
Total noninterest expense	**11,028**	9,382	**21,656**	19,162
Income from continuing operations before income tax expense	**6,351**	5,211	**13,683**	9,775
Income tax expense	**2,117**	1,727	**4,662**	3,264
Income from continuing operations	**4,234**	3,484	**9,021**	6,511
Income from discontinued operations	**—**	56	**—**	110
Net income	**$ 4,234**	$ 3,540	**$ 9,021**	$ 6,621
Net income applicable to common stock	**$ 4,234**	$ 3,540	**$ 9,021**	$ 6,617
Per common share data				
Basic earnings per share				
Income from continuing operations	**$ 1.24**	$ 1.00	**$ 2.63**	$ 1.87
Net income	**1.24**	1.02	**2.63**	1.91
Diluted earnings per share				
Income from continuing operations	**$ 1.20**	$ 0.98	**$ 2.55**	$ 1.82
Net income	**1.20**	0.99	**2.55**	1.85
Average basic shares	**3,415.1**	3,473.8	**3,435.7**	3,473.3
Average diluted shares	**3,521.6**	3,572.2	**3,540.5**	3,571.5
Cash dividends per common share	**$ 0.38**	$ 0.34	**$ 0.72**	$ 0.68

The Notes to consolidated financial statements (unaudited) are an integral part of these statements.

JPMORGAN CHASE & CO.
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in millions, except share data)	June 30, 2007	December 31, 2006
Assets		
Cash and due from banks	**$ 35,449**	$ 40,412
Deposits with banks	**41,736**	13,547
Federal funds sold and securities purchased under resale agreements (included $15,037 at fair value at June 30, 2007)	**125,930**	140,524
Securities borrowed	**88,360**	73,688
Trading assets (included assets pledged of $96,640 at June 30, 2007, and $82,474 at December 31, 2006)	**450,546**	365,738
Securities:		
Available-for-sale (included assets pledged of $56,043 at June 30, 2007, and $39,571 at December 31, 2006)	**95,934**	91,917
Held-to-maturity (fair value: $51 at June 30, 2007, and $60 at December 31, 2006)	**50**	58
Loans (included $1,553 at fair value at June 30, 2007)	**465,037**	483,127
Allowance for loan losses	**(7,633)**	(7,279)
Loans, net of Allowance for loan losses	**457,404**	475,848
Private equity investments (included $6,759 at fair value at June 30, 2007)	**6,898**	6,359
Accrued interest and accounts receivable	**26,716**	22,891
Premises and equipment	**9,044**	8,735
Goodwill	**45,254**	45,186
Other intangible assets:		
Mortgage servicing rights	**9,499**	7,546
Purchased credit card relationships	**2,591**	2,935
All other intangibles	**4,103**	4,371
Other assets (included $13,735 at fair value at June 30, 2007)	**58,528**	51,765
Total assets	**$ 1,458,042**	$ 1,351,520
Liabilities		
Deposits:		
U.S. offices:		
Noninterest-bearing	**$ 120,470**	$ 132,781
Interest-bearing (included $1,766 at fair value at June 30, 2007)	**342,079**	337,812
Non-U.S. offices:		
Noninterest-bearing	**5,919**	7,662
Interest-bearing (included $3,807 at fair value at June 30, 2007)	**182,902**	160,533
Total deposits	**651,370**	638,788
Federal funds purchased and securities sold under repurchase agreements (included $6,956 at fair value at June 30, 2007)	**205,961**	162,173
Commercial paper	**25,116**	18,849
Other borrowed funds (included $9,954 at fair value at June 30, 2007)	**29,263**	18,053
Trading liabilities	**155,365**	147,957
Accounts payable, accrued expenses and other liabilities (included the Allowance for lending-related commitments of $766 at June 30, 2007, and $524 at December 31, 2006)	**84,785**	88,096
Beneficial interests issued by consolidated variable interest entities (included $3,853 at fair value at June 30, 2007)	**14,808**	16,184
Long-term debt (included $60,809 at fair value at June 30, 2007, and $25,370 at December 31, 2006)	**159,493**	133,421
Junior subordinated deferrable interest debentures held by trusts that issued guaranteed capital debt securities	**12,670**	12,209
Total liabilities	**1,338,831**	1,235,730
Commitments and contingencies (see Note 21 of this Form 10-Q)		
Stockholders' equity		
Preferred stock ($1 par value; authorized 200,000,000 shares; no shares issued)	**—**	—
Common stock ($1 par value; authorized 9,000,000,000 shares at June 30, 2007 and December 31, 2006; issued 3,657,730,568 shares and 3,657,786,282 shares at June 30, 2007, and December 31, 2006, respectively)	**3,658**	3,658
Capital surplus	**78,020**	77,807
Retained earnings	**51,011**	43,600
Accumulated other comprehensive income (loss)	**(2,080)**	(1,557)
Treasury stock, at cost (259,188,093 shares at June 30, 2007, and 196,102,381 shares at December 31, 2006)	**(11,398)**	(7,718)
Total stockholders' equity	**119,211**	115,790
Total liabilities and stockholders' equity	**$ 1,458,042**	$ 1,351,520

The Notes to consolidated financial statements (unaudited) are an integral part of these statements.

JPMORGAN CHASE & CO.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (UNAUDITED)

Six months ended June 30, (in millions, except per share data)	**2007**	2006
Preferred stock		
Balance at January 1	**$ —**	$ 139
Redemption of preferred stock	**—**	(139)
Balance at June 30	**—**	—
Common stock		
Balance at January 1	**3,658**	3,618
Issuance of common stock	**—**	40
Balance at June 30	**3,658**	3,658
Capital surplus		
Balance at January 1	**77,807**	74,994
Shares issued and commitments to issue common stock for employee stock-based compensation awards and related tax effects	**213**	2,104
Balance at June 30	**78,020**	77,098
Retained earnings		
Balance at January 1	**43,600**	33,848
Cumulative effect of change in accounting principles	**915**	172
Balance at January 1, adjusted	**44,515**	34,020
Net income	**9,021**	6,621
Cash dividends declared:		
Preferred stock	**—**	(4)
Common stock ($0.72 and $0.68 per share for the six months ended June 30, 2007 and 2006, respectively)	**(2,525)**	(2,429)
Balance at June 30	**51,011**	38,208
Accumulated other comprehensive income (loss)		
Balance at January 1	**(1,557)**	(626)
Cumulative effect of change in accounting principles	**(1)**	—
Balance at January 1, adjusted	**(1,558)**	(626)
Other comprehensive income (loss)	**(522)**	(592)
Balance at June 30	**(2,080)**	(1,218)
Treasury stock, at cost		
Balance at January 1	**(7,718)**	(4,762)
Purchase of treasury stock	**(5,878)**	(2,036)
Reissuance from treasury stock	**2,332**	79
Share repurchases related to employee stock-based compensation awards	**(134)**	(343)
Balance at June 30	**(11,398)**	(7,062)
Total stockholders' equity	**$119,211**	$ 110,684
Comprehensive income		
Net income	**$ 9,021**	$ 6,621
Other comprehensive income (loss)	**(522)**	(592)
Comprehensive income	**$ 8,499**	$ 6,029

The Notes to consolidated financial statements (unaudited) are an integral part of these statements.

JPMORGAN CHASE & CO.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Six months ended June 30, (in millions)	2007	2006
Operating activities		
Net income	**$ 9,021**	$ 6,621
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Provision for credit losses	**2,537**	1,324
Depreciation and amortization	**1,097**	1,008
Amortization of intangibles	**706**	712
Deferred tax (benefit) expense	**(137)**	1,630
Investment securities (gains) losses	**221**	618
Stock-based compensation	**1,019**	1,377
Originations and purchases of loans held-for-sale	**(61,982)**	(76,671)
Proceeds from sales and securitizations of loans held-for-sale	**69,915**	70,366
Net change in:		
Trading assets	**(67,123)**	(46,130)
Securities borrowed	**(14,672)**	(12,773)
Private equity investments	**(539)**	400
Accrued interest and accounts receivable	**(3,825)**	(1,913)
Other assets	**(8,948)**	(9,045)
Trading liabilities	**9,283**	7,692
Accounts payable, accrued expenses and other liabilities	**(2,376)**	2,011
Other operating adjustments	**(553)**	(967)
Net cash used in operating activities	**(66,356)**	(53,740)
Investing activities		
Net change in:		
Deposits with banks	**(28,189)**	7,513
Federal funds sold and securities purchased under resale agreements	**14,573**	(23,846)
Held-to-maturity securities:		
Proceeds	**8**	10
Available-for-sale securities:		
Proceeds from maturities	**13,378**	12,465
Proceeds from sales	**41,449**	67,364
Purchases	**(60,611)**	(113,252)
Proceeds from sales and securitization of loans held-for-investment	**22,153**	10,079
Other changes in loans, net	**(30,128)**	(37,479)
Net cash used in business acquisitions	**(70)**	(663)
All other investing activities, net	**(880)**	3,648
Net cash used in investing activities	**(28,317)**	(74,161)
Financing activities		
Net change in:		
Deposits	**12,257**	60,983
Federal funds purchased and securities sold under repurchase agreements	**43,808**	49,515
Commercial paper and other borrowed funds	**17,373**	4,833
Proceeds from the issuance of long-term debt and trust preferred capital debt securities	**52,870**	32,170
Repayments of long-term debt and trust preferred capital debt securities	**(30,364)**	(16,729)
Net proceeds from the issuance of stock and stock-related awards	**1,306**	703
Excess tax benefits related to stock-based compensation	**302**	177
Redemption of preferred stock	**—**	(139)
Treasury stock purchased	**(5,878)**	(2,036)
Cash dividends paid	**(2,404)**	(2,428)
All other financing activities, net	**309**	2,391
Net cash provided by financing activities	**89,579**	129,440
Effect of exchange rate changes on cash and due from banks	**131**	181
Net (decrease) increase in cash and due from banks	**(4,963)**	1,720
Cash and due from banks at the beginning of the year	**40,412**	36,670
Cash and due from banks at the end of the period	**$ 35,449**	$ 38,390
Cash interest paid	**$ 21,501**	$ 16,861
Cash income taxes paid	**3,596**	1,199

The Notes to consolidated financial statements (unaudited) are an integral part of these statements.

See Glossary of Terms on pages 113–115 of this Form 10-Q for definitions of terms used throughout the Notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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, with operations worldwide. The Firm is a leader in investment banking, financial services for consumers and businesses, financial transaction processing, asset management and private equity. For a discussion of the Firm's business segment information, see Note 25 on pages 107–110 of this Form 10-Q.

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. The unaudited consolidated financial statements prepared in conformity with U.S. GAAP require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and disclosures of contingent assets and liabilities. Actual results could be different from these estimates. In the opinion of management, all normal recurring adjustments have been included for a fair statement of this interim financial information. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes thereto included in JPMorgan Chase's Annual Report on Form 10-K for the year ended December 31, 2006, as amended (the "2006 Annual Report").

Certain amounts in the 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 most 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 describe 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 can be structured to be bankruptcy-remote, thereby insulating investors from the impact of the creditors of other entities, including 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, credit card loans and automobile loans. For further details, see Note 15 on pages 94–98 of this Form 10-Q.

When the 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 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 contractual rights and preferences of each variable interest holder in the VIE's capital structure. For further details, see Note 16 on pages 99–100 of this Form 10-Q.

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.

All retained interests and significant transactions between the Firm, QSPEs and nonconsolidated VIEs are reflected on JPMorgan Chase's Consolidated balance sheets or in the Notes to consolidated financial statements.

For a discussion of the accounting for Private equity investments, see Note 5 on pages 83–85 of this Form 10-Q.

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.

NOTE 2 – BUSINESS CHANGES AND DEVELOPMENTS

Investment in SLM Corporation

On April 16, 2007, an investor group, which comprised of JPMorgan Chase and three other firms, announced it had signed a definitive agreement to purchase SLM Corporation ("Sallie Mae") for approximately $25 billion. JPMorgan Chase will invest $2.2 billion and will own 24.9% of the company. The transaction requires the approval of Sallie Mae's stockholders and is subject to regulatory approvals and other closing conditions. If all such approvals are obtained and closing conditions are met, the transaction is expected to close in late 2007.

NOTE 3 – FAIR VALUE MEASUREMENT

In September 2006, the FASB issued SFAS 157 ("Fair Value Measurements"), which is effective for fiscal years beginning after November 15, 2007, with early adoption permitted. 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 chose early adoption for SFAS 157 effective January 1, 2007.

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. As a result of adopting SFAS 159, the Firm elected fair value accounting for certain assets and liabilities not previously carried at fair value. For more information, see Note 4 on pages 80–83 of this Form 10-Q.

Determination of fair value

Following is a description of the Firm's valuation methodologies for assets and liabilities measured at fair value. Such valuation methodologies were applied to all of the assets and liabilities carried at fair value, whether as a result of the adoption of SFAS 159 or previously carried 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 use primarily market-based or independently-sourced market parameters, including interest rate yield curves, option volatilities and currency rates. 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, liquidity and unobservable parameters that 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 an 'AA' credit rating; thus, 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.

- 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. 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 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 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 extended 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 to substantiate the model valuation. These financial instruments are normally traded less actively. Examples include certain credit products where parameters such as correlation and recovery rates are unobservable. Parameter valuation adjustments are applied to mitigate the possibility of error and revision in the model-based estimate of market price provided by the model.

To ensure that the valuations are appropriate, the Firm has various controls in place. These include: an independent review and approval of valuation models; detailed review and explanation for profit and loss analyzed daily and over time; deconstruction of the model valuations for certain structured instruments into their components and benchmarking valuations, where possible, to similar products; and validating valuation estimates through actual cash settlement. Valuation adjustments are determined based upon established policies and are controlled by a price verification group, which is independent of the risk-taking function. Any changes to the valuation methodology are reviewed by management to ensure the changes are justified. As markets and products develop and the pricing for certain products becomes more transparent, the Firm continues to refine its valuation methodologies.

The methods described above 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.

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, as well as 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
Where quoted market prices are not available, the fair value of loans is generally based upon observable market prices of similar instruments, including bonds, credit derivatives and loans with similar characteristics. If observable market prices are not available, fair value is based upon estimated cash flows adjusted for credit risk which are discounted using an interest rate appropriate for the maturity of the applicable loans. For loans that are expected to be securitized, fair value is estimated based upon observable pricing of asset-backed securities with similar collateral and incorporates adjustments (i.e., reductions) to these prices to account for securitization uncertainties including portfolio composition, market conditions and liquidity. The Firm's loans are generally classified within level 2 of the valuation hierarchy; however, certain of the Firm's loans, including purchased nonperforming loans, are classified within level 3 due to the lack of observable pricing data.

Securities
Where quoted prices are available in an active market, securities are classified within level 1 of the valuation hierarchy. Level 1 securities include highly liquid government bonds, certain mortgage products and exchange-traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Examples of such instruments, which would generally be classified within level 2 of the valuation hierarchy, include certain collateralized mortgage and debt obligations and certain high-yield debt securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within level 3 of the valuation hierarchy. Securities classified within level 3 include certain residual interests in securitizations and other less liquid securities.

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 majority of commodities contracts 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 and are classified within level 2 of the valuation hierarchy. Such derivatives include basic interest rate swaps and options and credit default swaps. Derivatives that are valued based upon models with significant unobservable market parameters and that are normally traded less actively or have trade activity that is one way are classified within level 3 of the valuation hierarchy. Examples include long-dated interest rate or currency swaps, where swap rates may be unobservable for longer maturities; and certain credit products, where correlation and recovery rates are unobservable.

Mortgage servicing rights and certain other retained interests in securitizations
Mortgage servicing rights ("MSRs") and certain other 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 revenues, costs to service and other economic factors. Due to the nature of the valuation inputs, MSRs are classified within level 3 of the valuation hierarchy.

- For certain other retained interests in securitizations (such as interest-only strips), a single interest rate path DCF 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 15 on pages 94–98 and Note 17 on pages 100–102 of this Form 10-Q.

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, inherent lack of liquidity and the long-term nature of such assets. Private equity investments are valued initially based upon transaction price. The carrying values of private equity investments are adjusted either upwards or downwards from the transaction price to reflect expected exit values as evidenced by financing and sale transactions with third parties, or when determination of a valuation adjustment is confirmed through ongoing reviews by senior investment managers. A variety of factors are reviewed and monitored to assess positive and negative changes in valuation including, but not limited to, current operating performance and future expectations of the particular investment, industry valuations of comparable public companies, changes in market outlook and the third-party financing environment over time. In determining valuation adjustments resulting from the investment review process, emphasis is placed on current company performance and market conditions. 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 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 primarily classified in level 2 of the valuation hierarchy.

Liabilities
Deposits and Securities sold under repurchase agreements ("repurchase agreements")
To estimate the fair value of term deposits and repurchase agreements, cash flows are evaluated taking into consideration any derivative features in the deposits or repurchase agreements 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 deposits and 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 pricing information, the majority of beneficial interests issued by consolidated VIEs are classified within level 2 of the valuation hierarchy.

Other borrowed funds and Long-term debt
Included within 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 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.

The following table presents the financial instruments carried at fair value as of June 30, 2007, by caption on the Consolidated balance sheet and by SFAS 157 valuation hierarchy (as described above).

Assets and liabilities measured at fair value on a recurring basis

June 30, 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[(b)]	Total carrying value in the Consolidated balance sheet
Federal funds sold and securities purchased under resale agreements	$ —	$ 15,037	$ —	$ —	$ 15,037
Trading assets:					
Debt and equity instruments	195,222	185,335	10,951	—	391,508
Derivative receivables	5,936	709,209	8,158	(664,265)	59,038
Total trading assets	201,158	894,544	19,109	(664,265)	450,546
Available-for-sale securities	90,385	5,442	107	—	95,934
Loans	—	9	1,544	—	1,553
Private equity investments[(a)]	67	549	6,143	—	6,759
Mortgage servicing rights	—	—	9,499	—	9,499
Other assets	11,678	—	2,057	—	13,735
Total assets at fair value	$ 303,288	$ 915,581	$ 38,459	$ (664,265)	$ 593,063
Deposits	$ —	$ 4,647	$ 926	$ —	$ 5,573
Federal funds purchased and securities sold under repurchase agreements	—	6,956	—	—	6,956
Other borrowed funds	—	9,954	—	—	9,954
Trading liabilities:					
Debt and equity instruments	75,263	18,463	243	—	93,969
Derivative payables	5,781	708,301	9,835	(662,521)	61,396
Total trading liabilities	81,044	726,764	10,078	(662,521)	155,365
Beneficial interests issued by consolidated VIEs	—	3,828	25	—	3,853
Long-term debt	148	40,354	20,307	—	60,809
Total liabilities at fair value	$ 81,192	$ 792,503	$ 31,336	$ (662,521)	$ 242,510

(a) Included within Private equity investments are public equity securities held within the Private Equity business.
(b) FIN 39 permits the netting of Derivative receivables and Derivative payables when a legally enforceable master netting agreement exists between the Firm and a derivative counterparty. A master netting agreement is an agreement between two counterparties who have multiple derivative contracts with each other that provide for the net settlement of all contracts, as well as cash collateral, through a single payment, in a single currency, in the event of default on or termination of any one contract.

Changes in level three (3) fair value measurements

The tables below include a rollforward of the balance sheet amounts for the three and six months ended June 30, 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 of the valuation hierarchy, the determination is based upon the significance of the unobservable factors 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[(a)]					
Three months ended June 30, 2007 (in millions)	**Fair value, March 31, 2007**	**Total realized/unrealized gains/(losses)**	**Purchases, issuances and settlements, net**	**Transfers in and/or out of Level 3**	**Fair value, June 30, 2007**	Change in unrealized gains and (losses) related to financial instruments held at June 30, 2007
Assets:						
Trading assets:						
Debt and equity instruments	$ 9,001	$ (86)[(b)(c)]	$ 1,070	$ 966	$ 10,951	$ (151)[(b)(c)]
Available-for-sale securities	171	40[(d)]	(11)	(93)	107	(2)[(d)]
Loans	910	18[(b)]	616	—	1,544	16[(b)]
Private equity investments	6,085	1,303[(b)]	(1,264)	19	6,143	467[(b)]
Other assets	1,557	69[(e)]	124	307	2,057	3[(e)]
Liabilities:						
Deposits	$ (383)	$ 23[(b)]	$ (419)	$ (147)	$ (926)	$ 32[(b)]
Trading liabilities:						
Debt and equity instruments	(7)	(52)[(b)]	5	(189)	(243)	1[(b)]
Net derivative payables	(2,772)	653[(b)]	(478)	920	(1,677)	109[(b)]
Beneficial interests issued by consolidated VIEs	(2)	—	—	(23)	(25)	—
Long-term debt	(13,408)	(380)[(b)]	(3,777)	(2,742)	(20,307)	(344)[(b)]

(a) MSRs are classified within level 3 of the valuation hierarchy. For a rollforward of balance sheet amounts related to MSRs, see Note 17 on pages 100–102 of this Form 10-Q.

(b) Reported in Principal transactions revenue.

(c) Changes in fair value for Retail Financial Services mortgage loans originated with the intent to sell are measured at fair value under SFAS 159 and reported in Mortgage fees and related income.

(d) Realized gains (losses) are reported in Securities gains (losses). Unrealized gains (losses) are reported in Accumulated other comprehensive income (loss).

(e) Reported in Other income.

Six months ended June 30, 2007 (in millions)	Fair value, January 1, 2007	Total realized/unrealized gains/(losses)	Purchases, issuances and settlements, net	Transfers in and/or out of Level 3	Fair value, June 30, 2007	Change in unrealized gains and (losses) related to financial instruments held at June 30, 2007
	Fair value measurements using significant unobservable inputs[a]					
Assets:						
Trading assets:						
Debt and equity instruments	$ 9,320	$ (173)[b][c]	$ 1,260	$ 544	$ 10,951	$ (344)[b][c]
Available-for-sale securities	177	40[d]	(17)	(93)	107	(4)[d]
Loans	643	26[b]	875	—	1,544	20[b]
Private equity investments	5,536	2,436[b]	(1,836)	7	6,143	868[b]
Other assets	1,548	69[e]	133	307	2,057	(1)[e]
Liabilities:						
Deposits	$ (385)	$ 19[b]	$ (413)	$ (147)	$ (926)	$ 29[b]
Trading liabilities:						
Debt and equity instruments	(32)	(52)[b]	30	(189)	(243)	1[b]
Net derivative payables	(2,800)	780[b]	(532)	875	(1,677)	194[b]
Beneficial interests issued by consolidated VIEs	(8)	6[b]	—	(23)	(25)	6[b]
Long-term debt	(11,386)	(693)[b]	(5,486)	(2,742)	(20,307)	(356)[b]

(a) MSRs are classified within level 3 of the valuation hierarchy. For a rollforward of balance sheet amounts related to MSRs, see Note 17 on pages 100–102 of this Form 10-Q.
(b) Reported in Principal transactions revenue.
(c) Changes in fair value for Retail Financial Services mortgage loans originated with the intent to sell are measured at fair value under SFAS 159 and reported in Mortgage fees and related income.
(d) Realized gains (losses) are reported in Securities gains (losses). Unrealized gains (losses) are reported in Accumulated other comprehensive income (loss).
(e) Reported in Other income.

Nonrecurring fair value changes

Certain assets and liabilities 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 in certain circumstances (for example, when there is evidence of impairment). As of June 30, 2007, $7.2 billion of Loans (primarily classified in level 2 of the valuation hierarchy) and $111 million of Other assets (classified within level 3 of the valuation hierarchy) had been written down to fair value, resulting in losses of $86 million and $226 million for the second quarter and first six months of 2007, respectively.

Transition

In connection with the Firm's adoption of SFAS 157, the Firm recorded the following:

- 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 revenue 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 revenue of $464 million ($288 million after-tax) related to 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. 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, 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 revenue 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.

NOTE 4 – FAIR VALUE OPTION

In February 2007, the FASB issued SFAS 159, which is effective for fiscal years beginning after November 15, 2007, with early adoption permitted. 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. The Firm chose early adoption for SFAS 159 effective January 1, 2007.

The Firm's fair value elections are intended to eliminate volatility in Net income caused by measuring assets and liabilities on a different basis and to align the accounting with the Firm's risk management practices for those financial instruments managed on a fair value basis. The following table provides detail regarding the Firm's elections by balance sheet line as of January 1, 2007.

(in millions)	Carrying value of financial instruments as of January 1, 2007[c]	Transition gain/(loss) recorded in Retained earnings[d]	Adjusted carrying value of financial instruments as of January 1, 2007
Federal funds sold and securities purchased under resale agreements	$ 12,970	$ (21)	$ 12,949
Trading assets – Debt and equity instruments	28,841	32	28,873
Loans	759	55	814
Other assets[a]	1,176	14	1,190
Deposits[b]	(4,427)	21	(4,406)
Federal funds purchased and securities sold under repurchase agreements	(6,325)	20	(6,305)
Other borrowed funds	(5,502)	(4)	(5,506)
Beneficial interests issued by consolidated VIEs	(2,339)	5	(2,334)
Long-term debt	(39,025)	198	(38,827)
Pretax cumulative effect of adoption of SFAS 159		320	
Deferred taxes		(122)	
Reclassification from Accumulated other comprehensive income (loss)		1	
Cumulative effect of adoption of SFAS 159		$ 199	

(a) Included in Other assets are items, such as receivables, that are eligible for the fair value option election but were not elected by the Firm as these assets are not managed on a fair value basis.

(b) Included within deposits are structured deposits that are carried at fair value pursuant to the fair value option. Other time deposits which are eligible for election, but are not managed on a fair value basis, continue to be carried on an accrual basis. Demand deposits are not eligible for election under the fair value option.

(c) Included in the January 1, 2007, carrying values are 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 trading activities.

(d) When fair value elections were made, certain financial instruments were reclassified on the Consolidated balance sheet (for example, warehouse loans were moved from Loans to Trading assets). The transition adjustment for these financial instruments has been included in the line item in which they were classified subsequent to the fair value election.

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

The Firm elected to record, at fair value, certain loans that are extended as part of principal investing activities. The loans continue to be classified within Loans. The transition amount related to the election to fair value these loans included a reversal of the Allowance for loan losses of $56 million.

The Firm also elected to record certain Loans held-for-sale at fair value. 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 proprietary activities at fair value and discontinue SFAS 133 fair value hedge relationships for certain originated loans.

In addition, the Investment Bank ("IB") elected to record loan originations and purchases entered into after January 1, 2007, as part of its securitization warehousing activities at fair value. Similarly, Retail Financial Services ("RFS") elected to record prime mortgage loans originated after January 1, 2007, where the intent is to sell, at fair value. These elections were not made for loans existing 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 15 on pages 94–98 of this Form 10-Q.

Resale and Repurchase Agreements

The Firm elected to record at fair value resale and repurchase agreements with an embedded derivative or a maturity 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 12 on page 91 of this Form 10-Q.

Structured Notes

The 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. As a result, all structured notes will be carried consistently on a fair value basis. 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 and to eliminate the operational burdens of having different accounting models for the same type of financial instrument.

Changes in Fair Value under the Fair Value option election

The following tables present the changes in fair value included in the Consolidated statements of income for the three and six months ended June 30, 2007, for items for which the fair value election was made.

Three months ended June 30, 2007 (in millions)	**Principal transactions[c]**	**Mortgage fees and related income**	**Other income**	**Total changes in fair value recorded**
Federal funds sold and securities purchased under resale agreements	**$ (32)**	**$ —**	**$ —**	**$ (32)**
Trading assets – Debt and equity instruments	**388**	**(23)**	**—**	**365**
Loans				
Changes in instrument-specific credit risk[a]	**(1)**	**—**	**—**	**(1)**
Other changes in fair value	**1**	**—**	**—**	**1**
Other assets	**—**	**—**	**72**	**72**
Deposits	**104**	**—**	**—**	**104**
Federal funds purchased and securities sold under repurchase agreements	**29**	**—**	**—**	**29**
Other borrowed funds	**(120)**	**—**	**—**	**(120)**
Beneficial interests issued by consolidated VIEs	**(59)**	**—**	**—**	**(59)**
Trading liabilities	**(49)**	**—**	**—**	**(49)**
Long-term debt:				
Changes in instrument-specific credit risk[b]	**72**	**—**	**—**	**72**
Other changes in fair value	**(1,142)**	**—**	**—**	**(1,142)**

Six months ended June 30, 2007 (in millions)	Principal transactions[c]	Mortgage fees and related income	Other income	Total changes in fair value recorded
Federal funds sold and securities purchased under resale agreements	$ —	$ —	$ —	$ —
Trading assets – Debt and equity instruments	880	183	—	1,063
Loans				
Changes in instrument-specific credit risk[a]	9	—	—	9
Other changes in fair value	9	—	—	9
Other assets	—	—	68	68
Deposits	(40)	—	—	(40)
Federal funds purchased and securities sold under repurchase agreements	24	—	—	24
Other borrowed funds	(158)	—	—	(158)
Beneficial interests issued by consolidated VIEs	(69)	—	—	(69)
Trading liabilities	(49)	—	—	(49)
Long-term debt:				
Changes in instrument-specific credit risk[b]	133	—	—	133
Other changes in fair value	(1,248)	—	—	(1,248)

(a) For floating-rate instruments, 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 based upon an analysis of borrower–specific credit spread and recovery information, where available, or benchmarking to similar entities or industries.

(b) For Long-term debt, changes in value attributable to instrument–specific credit risk were derived principally from observable changes in the Firm's credit spread.

(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 IB trading activities.

The Firm's fair value elections were intended to mitigate the volatility in earnings created by recording financial instruments and the related risk management instruments on a different basis of accounting or to eliminate the operational complexities of applying hedge accounting. However, the profit and loss information presented above 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.

Difference between aggregate fair value and aggregate remaining contractual principal balance outstanding
The following tables reflects the difference between the aggregate fair value and the aggregate remaining contractual principal balance outstanding as of June 30, 2007, for Loans and Long-term debt for which the SFAS 159 fair value option has been elected. The loans were classified in Loans or Trading assets – debt and equity instruments.

June 30, 2007 (in millions)	Remaining aggregate contractual principal amount outstanding	Fair value	Fair value over (under) remaining aggregate contractual principal amount outstanding
Loans			
Performing loans 90 days or more past due			
Loans	**$ —**	**$ —**	**$ —**
Loans reported as Trading assets	**14**	**14**	**—**
Nonaccrual loans			
Loans	**25**	**18**	**(7)**
Loans reported as Trading assets	**3,585**	**1,997**	**(1,588)**
Subtotal	**3,624**	**2,029**	**(1,595)**
All other performing loans			
Loans	**1,481**	**1,478**	**(3)**
Loans reported as Trading assets	**54,064**	**56,309**	**2,245**
Total loans	**$ 59,169**	**$ 59,816**	**$ 647**
Long-term debt			
Principal protected debt	**$ (19,258)**	**$ (19,512)**	**$ 254**
Nonprincipal protected debt[(a)]	**NA**	**(41,297)**	**NA**
Total Long-term debt	**NA**	**$ (60,809)**	**NA**
FIN 46R long-term beneficial interests			
Principal protected debt	**$ (15)**	**$ (9)**	**$ (6)**
Nonprincipal protected debt[(a)]	**NA**	**(2,428)**	**NA**
Total FIN 46R long-term beneficial interests	**NA**	**$ (2,437)**	**NA**

(a) Balance not applicable as the return of principal is based upon performance of an underlying variable, and therefore may not occur in full.

NOTE 5 – 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) 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 includes private equity gains and losses.

The following table presents Principal transactions revenue.

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2007**	2006	**2007**	2006
Trading revenue	**$ 2,128**	$ 2,184	**$ 5,253**	$ 4,634
Private equity gains	**1,438**	557	**2,784**	816
Total Principal transactions revenue	**$ 3,566**	$ 2,741	**$ 8,037**	$ 5,450

Trading assets and liabilities
Trading assets include debt and equity instruments held for trading purposes that JPMorgan Chase owns ("long" positions) and certain loans for which the Firm manages on a fair value basis and has elected the SFAS 159 fair value option. 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 positions are carried at fair value on the Consolidated balance sheets. For a discussion of the valuation of Trading assets and Trading liabilities, see Note 3 on pages 73–80 of this Form 10-Q.

The following table presents the fair value of Trading assets and Trading liabilities for the dates indicated.

(in millions)	**June 30, 2007**	December 31, 2006
Trading assets		
Debt and equity instruments:		
U.S. government and federal agency obligations	**$ 23,840**	$ 17,358
U.S. government-sponsored enterprise obligations	**32,163**	28,544
Obligations of state and political subdivisions	**11,650**	9,569
Certificates of deposit, bankers' acceptances and commercial paper	**2,860**	8,204
Debt securities issued by non-U.S. governments	**65,208**	58,387
Corporate debt securities	**74,754**	62,064
Equity securities	**90,820**	86,862
Loans[(a)]	**58,320**	16,595
Other	**31,893**	22,554
Total debt and equity instruments	**391,508**	310,137
Derivative receivables:[(b)]		
Interest rate	**31,590**	28,932
Foreign exchange	**4,348**	4,260
Equity	**9,061**	6,246
Credit derivatives	**6,057**	5,732
Commodity	**7,982**	10,431
Total derivative receivables	**59,038**	55,601
Total trading assets	**$ 450,546**	$ 365,738
Trading liabilities		
Debt and equity instruments[(c)]	**$ 93,969**	$ 90,488
Derivative payables:[(b)]		
Interest rate	**22,155**	22,738
Foreign exchange	**6,487**	4,820
Equity	**21,395**	16,579
Credit derivatives	**5,576**	6,003
Commodity	**5,783**	7,329
Total derivative payables	**61,396**	57,469
Total trading liabilities	**$ 155,365**	$ 147,957

(a) Increase primarily related to loans for which SFAS 159 fair value option has been elected.

(b) Included in Trading assets and Trading liabilities are the reported receivables (unrealized gains) and payables (unrealized losses) related to derivatives. These amounts are reported net of cash received and paid of $22.6 billion and $20.9 billion, respectively, at June 30, 2007, and $23.0 billion and $18.8 billion, respectively, at December 31, 2006, under legally enforceable master netting agreements.

(c) Primarily represents securities sold, not yet purchased.

Average Trading assets and liabilities were as follows for the periods indicated.

(in millions)	Three months ended June 30, 2007	Three months ended June 30, 2006	Six months ended June 30, 2007	Six months ended June 30, 2006
Trading assets – debt and equity instruments	**$ 380,761**	$ 274,596	**$ 363,411**	$ 265,569
Trading assets – derivative receivables	**61,736**	60,340	**60,267**	56,209
Trading liabilities – debt and equity instruments[(a)]	**$ 98,433**	$ 107,218	**$ 96,993**	$ 105,677
Trading liabilities – derivative payables	**62,205**	61,385	**59,848**	58,132

(a) Primarily represents securities sold, not yet purchased.

Private equity

The following table presents the carrying value and cost of the Private equity investment portfolio for the dates indicated:

(in millions)	June 30, 2007 Carrying value	June 30, 2007 Cost	December 31, 2006 Carrying value	December 31, 2006 Cost
Total private equity investments	**$ 6,898**	$ 6,950	$ 6,359	$ 7,560

Private equity investments are held primarily by the Private Equity business within Corporate. Private Equity includes 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 value are reported in Principal transactions revenue in the Consolidated statements of income in the period that the gains or losses occur. For a discussion of the valuation of Private equity investments, see Note 3 on pages 73–80 of this Form 10-Q.

NOTE 6 – 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 expenses. 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.

(in millions)	Three months ended June 30, 2007	Three months ended June 30, 2006	Six months ended June 30, 2007	Six months ended June 30, 2006
Underwriting:				
Equity	**$ 509**	$ 365	**$ 902**	$ 577
Debt	**835**	652	**1,703**	1,216
Total underwriting	**1,344**	1,017	**2,605**	1,793
Advisory	**554**	353	**1,032**	746
Total	**$ 1,898**	$ 1,370	**$ 3,637**	$ 2,539

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.

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 and MSRs; and revenues related to any residual interests held from mortgage securitizations. This revenue category also includes gains on sales and lower of cost or fair value adjustments for held-for-sale mortgage loans, as well as changes in fair value for mortgage loans originated with the intent to sell 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 on sale. Net interest income from the mortgage loans and securities gains and losses on AFS securities used in mortgage-related risk management activities are not included in Mortgage fees and related income. For a further discussion of MSRs, see Note 16 on pages 121–122 of the 2006 Annual Report and Note 17 on page 101 of this Form 10-Q.

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 expenses for rewards programs are netted against interchange income. Expenses related to rewards programs are recorded when the rewards are earned by the customer. Other Fee revenues are recognized as earned, except for annual fees, which are deferred with direct loan origination costs and recognized on a straight-line basis over the 12-month period to which they pertain.

Credit card revenue sharing agreements
The Firm has contractual agreements with numerous affinity organizations and co-brand partners, which grant to the Firm exclusive rights to market to their members or customers. 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 3 to 10 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 Credit card 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 7 – INTEREST INCOME AND INTEREST EXPENSE

Details of Interest income and Interest expense were as follows.

(in millions)	Three months ended June 30, 2007	Three months ended June 30, 2006[b]	Six months ended June 30, 2007	Six months ended June 30, 2006[b]
Interest income[a]				
Loans	**$ 8,845**	$ 8,034	**$ 17,536**	$ 15,528
Securities	**1,335**	1,087	**2,633**	1,835
Trading assets	**4,247**	2,675	**8,000**	5,197
Federal funds sold and securities purchased under resale agreements	**1,652**	1,224	**3,307**	2,417
Securities borrowed	**1,203**	842	**2,256**	1,570
Deposits with banks	**207**	434	**393**	654
Interests in purchased receivables	**—**	321	**—**	652
Total Interest income	**17,489**	14,617	**34,125**	27,853
Interest expense[a]				
Interest-bearing deposits	**5,342**	4,118	**10,337**	7,669
Short-term and other liabilities	**4,198**	3,435	**8,162**	6,485
Long-term debt	**1,525**	1,359	**2,933**	2,594
Beneficial interests issued by consolidated VIEs	**109**	527	**260**	934
Total Interest expense	**11,174**	9,439	**21,692**	17,682
Net interest income	**6,315**	5,178	**12,433**	10,171
Provision for credit losses	**1,529**	493	**2,537**	1,324
Net Interest income after provision for credit losses	**$ 4,786**	$ 4,685	**$ 9,896**	$ 8,847

(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 fair value election; for those instruments, all changes in value, including any interest elements, are reported in Principal transactions revenue.

(b) Prior periods have been adjusted to reflect the reclassification of certain amounts to more appropriate interest income and interest expense lines.

NOTE 8 – PENSION AND OTHER POSTRETIREMENT EMPLOYEE BENEFIT PLANS

For a discussion of JPMorgan Chase's pension and other postretirement employee benefit ("OPEB") plans, see Note 7 on pages 100–105 of JPMorgan Chase's 2006 Annual Report. The Firm prospectively adopted SFAS 158 as required on December 31, 2006.

The following table presents the components of net periodic benefit cost reported in the Consolidated statements of 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	
Three months ended June 30, (in millions)	**2007**	2006[b]	**2007**	2006	**2007**	2006
Components of net periodic benefit cost						
Benefits earned during the period	**$ 67**	$ 70	**$ 9**	$ 7	**$ 2**	$ 2
Interest cost on benefit obligations	**117**	112	**35**	28	**19**	20
Expected return on plan assets	**(178)**	(173)	**(37)**	(30)	**(23)**	(24)
Amortization:						
Net actuarial loss	**—**	3	**14**	11	**6**	5
Prior service cost (credit)	**1**	1	**—**	—	**(4)**	(4)
Curtailment loss	**—**	—	**—**	—	**—**	—
Settlement loss	**—**	—	**1**	3	**—**	—
Subtotal	**7**	13	**22**	19	**—**	(1)
Other defined benefit pension plans[a]	**—**	1	**15**	17	**NA**	NA
Total defined benefit pension and OPEB plans	**7**	14	**37**	36	**—**	(1)
Total defined contribution plans	**64**	61	**58**	45	**NA**	NA
Total pension and OPEB cost included in Compensation expense	**$ 71**	$ 75	**$ 95**	$ 81	**$ —**	$ (1)

	Defined benefit pension plans					
	U.S.		Non-U.S.		OPEB plans	
Six months ended June 30, (in millions)	**2007**	2006[(b)]	**2007**	2006	**2007**	2006
Components of net periodic benefit cost						
Benefits earned during the period	**$ 130**	$ 141	**$ 18**	$ 14	**$ 3**	$ 4
Interest cost on benefit obligations	**234**	225	**71**	56	**40**	38
Expected return on plan assets	**(356)**	(346)	**(75)**	(59)	**(46)**	(47)
Amortization:						
Net actuarial loss	**—**	6	**27**	21	**14**	11
Prior service cost (credit)	**2**	2	**—**	—	**(8)**	(9)
Curtailment loss	**—**	—	**—**	1	**—**	—
Settlement loss	**—**	—	**1**	3	**—**	—
Subtotal	**10**	28	**42**	36	**3**	(3)
Other defined benefit pension plans[(a)]	**1**	2	**31**	27	**NA**	NA
Total defined benefit pension and OPEB plans	**11**	30	**73**	63	**3**	(3)
Total defined contribution plans	**127**	120	**111**	89	**NA**	NA
Total pension and OPEB cost included in Compensation expense	**$ 138**	$ 150	**$ 184**	$ 152	**$ 3**	$ (3)

(a) Includes various defined benefit pension plans, which are individually immaterial.

(b) Revised primarily to incorporate amounts related to the U.S. defined benefit pension plans not subject to Title IV of the Employee Retirement Income Security Act of 1974 (e.g., Excess Retirement Plan).

The fair value of plan assets for the U.S. defined benefit pension and OPEB plans and material non-U.S. defined benefit pension plans was $11.6 billion and $2.8 billion, respectively, as of June 30, 2007, and $11.3 billion and $2.8 billion, respectively, as of December 31, 2006.

The amount of 2007 potential contributions for the U.S. qualified defined benefit pension plans, if any, are not reasonably estimable at this time. The amount of 2007 potential contributions for U.S. non-qualified defined benefit pension plans is $36 million. The amount of 2007 potential contributions for non-U.S. defined benefit pension plans is $115 million and for OPEB plans is $3 million.

NOTE 9 – EMPLOYEE STOCK-BASED INCENTIVES

For a discussion of the accounting policies and other information relating to employee stock-based compensation, see Note 8 on pages 105–107 of JPMorgan Chase's 2006 Annual Report.

Effective January 1, 2006, the Firm adopted SFAS 123R and all related interpretations using the modified prospective transition method. SFAS 123R requires that all share-based payments to employees, including employee stock options and stock-settled stock appreciation rights (SARs), be measured at their grant date fair values.

Upon adopting SFAS 123R, the Firm revised its accounting policies for share-based payments granted to retirement-eligible employees. Prior to the adoption, the Firm's accounting policy for share-based payment awards granted to retirement-eligible employees was to recognize compensation cost over the award's stated service period. Beginning with awards granted to retirement-eligible employees in 2006, JPMorgan Chase recognized compensation expense on the grant date without giving consideration to the impact of the postemployment restrictions. In the first quarter of 2006, the Firm also began to accrue the estimated cost of stock awards to be granted to retirement-eligible employees in the following year.

The Firm recognized noncash compensation expense related to its various employee stock-based incentives of $508 million and $538 million (including the total incremental impact of adopting SFAS 123R of $106 million) for the quarters ended June 30, 2007 and 2006, respectively, and $1.0 billion and $1.4 billion (including the total incremental impact of adopting SFAS 123R of $565 million) in the first six months of 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 retirement-eligible employees of $127 million and $138 million for the quarters ended June 30, 2007 and 2006, respectively, and of $257 million and $281 million in the first six months of 2007 and 2006, respectively.

In the first quarter 2007, the Firm granted 44 million restricted stock units (RSUs) with a grant date fair value of $48.25 per RSU in connection with its annual incentive grant.

NOTE 10 – NONINTEREST EXPENSE

Merger costs

Costs associated with the Bank One Merger and the transaction with The Bank of New York Company, Inc. ("The Bank of New York") are reflected in the merger costs caption of the Consolidated statements of income. For a further discussion of the transaction with The Bank of New York, see Note 24 on page 106 of this Form 10-Q. A summary of such costs is shown in the following table:

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2007**	2006	**2007**	2006
Expense category				
Compensation	**$ —**	$ 2	**$ 1**	$ 6
Occupancy	**9**	14	**10**	14
Technology and communications and other	**53**	70	**98**	137
Bank of New York transaction[(a)]	**2**	—	**17**	—
Total[(b)]	**$ 64**	$ 86	**$ 126**	$ 157

(a) Represents Compensation and Technology and communications and other.
(b) With the exception of occupancy-related write-offs, all of the costs in the table require the expenditure of cash.

The table below shows the change in the liability balance related to the costs associated with the Bank One Merger:

	Six months ended June 30,	
(in millions)	**2007**	2006[(b)]
Liability balance, beginning of period	**$ 155**	$ 311
Recorded as merger costs	**109**	157
Liability utilized	**(131)**	(252)
Liability balance, end of period	**$ 133**[(a)]	$ 216

(a) Excludes $12 million related to The Bank of New York transaction.
(b) Prior periods have been revised to reflect the current presentation.

NOTE 11 – SECURITIES

For a discussion of accounting policies relating to Securities, see Note 10 on pages 108-111 of JPMorgan Chase's 2006 Annual Report. The following table presents realized gains and losses from AFS securities.

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2007**	2006	**2007**	2006
Realized gains	**$ 38**	$ 49	**$ 70**	$ 150
Realized losses	**(261)**	(551)	**(291)**	(768)
Net realized Securities gains (losses)[(a)]	**$ (223)**	$ (502)	**$ (221)**	$ (618)

(a) Proceeds from securities sold were generally within 2% of amortized cost for the three and six months ended June 30, 2007 and 2006.

The amortized cost and estimated fair value of AFS and held-to-maturity securities were as follows for the dates indicated.

	June 30, 2007				December 31, 2006			
(in millions)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale securities								
U.S. government and federal agency obligations:								
U.S. treasuries	**$ 1,170**	**$ —**	**$ 2**	**$ 1,168**	$ 2,398	$ —	$ 23	$ 2,375
Mortgage-backed securities	**9**	**—**	**—**	**9**	32	2	1	33
Agency obligations	**75**	**5**	**—**	**80**	78	8	—	86
U.S. government-sponsored enterprise obligations	**80,395**	**29**	**1,428**	**78,996**	75,434	334	460	75,308
Obligations of state and political subdivisions	**411**	**—**	**8**	**403**	637	17	4	650
Debt securities issued by non-U.S. governments	**6,145**	**6**	**77**	**6,074**	6,150	7	52	6,105
Corporate debt securities	**2,515**	**—**	**6**	**2,509**	611	1	3	609
Equity securities	**4,222**	**298**	**—**	**4,520**	3,689	125	1	3,813
Other[(a)]	**2,130**	**45**	**—**	**2,175**	2,890	50	2	2,938
Total available-for-sale securities	**$ 97,072**	**$ 383**	**$ 1,521**	**$ 95,934**	$ 91,919	$ 544	$ 546	$ 91,917
Held-to-maturity securities[(b)]								
Total held-to-maturity securities	**$ 50**	**$ 1**	**$ —**	**$ 51**	$ 58	$ 2	$ —	$ 60

(a) Primarily includes negotiable certificates of deposit.

(b) Consists primarily of mortgage-backed securities issued by U.S. government-sponsored entities.

Included in the $1.5 billion of gross unrealized losses on AFS securities at June 30, 2007, was $408 million of unrealized losses that have existed for a period greater than 12 months. These securities are predominately rated AAA and the unrealized losses are primarily due to overall increases in market interest rates and not concerns regarding the underlying credit of the issuers. The majority of the securities with unrealized losses aged greater than 12 months are obligations of U.S. government-sponsored enterprises and have a fair value at June 30, 2007, that is within 4% of their amortized cost basis.

NOTE 12 – SECURITIES FINANCING ACTIVITIES

For a discussion of accounting policies relating to securities financing activities, see Note 11 on page 111 of JPMorgan Chase's 2006 Annual Report.

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. For a further discussion of SFAS 159, see Note 4 on pages 80–83 of this Form 10-Q. These agreements continue to be reported within Securities purchased under resale agreements and Securities sold under repurchase agreements 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.

The following table details the components of securities financing activities at each of the dates indicated.

(in millions)	**June 30, 2007**	December 31, 2006
Securities purchased under resale agreements[(a)]	**$ 120,053**	$ 122,479
Securities borrowed	**88,360**	73,688
Securities sold under repurchase agreements[(b)]	**$ 185,882**	$ 143,253
Securities loaned	**9,097**	8,637

(a) Includes resale agreements of $15.0 billion accounted for at fair value at June 30, 2007.
(b) Includes repurchase agreements of $7.0 billion accounted for at fair value at June 30, 2007.

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 June 30, 2007, the Firm had received securities as collateral that could be repledged, delivered or otherwise used with a fair value of approximately $317.3 billion. This collateral was generally obtained under resale or securities borrowing agreements. Of these securities, approximately $293.3 billion were repledged, delivered or otherwise used, generally as collateral under repurchase agreements, securities lending agreements or to cover short sales.

NOTE 13 – LOANS

The accounting for a loan may differ based upon the type of loan and/or its use in an investing or trading strategy. 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;
- At the lower of cost or fair value, with valuation changes recorded in Noninterest revenue; or
- At fair value, with changes in fair value recorded in Noninterest revenue.

For a detailed discussion of accounting policies relating to Loans, see Note 12 on pages 112–113 of JPMorgan Chase's 2006 Annual Report. See Note 4 on pages 80–83 of this Form 10-Q for further information on the Firm's elections of fair value accounting under SFAS 159. See Note 5 on pages 83–85 of this Form 10-Q for further information on loans carried at fair value and classified as trading assets.

Interest income is recognized using the interest method, or on a basis approximating a level rate or return over the term of the loan.

Loans within the retained portfolio that management decides to sell are transferred from the retained portfolio 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. Losses attributed to credit losses are charged off to the Allowance for loan losses and losses due to interest rates, or exchange rates, are recognized in Noninterest revenue.

The composition of the loan portfolio at each of the dates indicated was as follows.

(in millions)	**June 30, 2007**	December 31, 2006
U.S. wholesale loans:		
Commercial and industrial	**$ 75,020**	$ 77,788
Real estate	**12,609**	14,237
Financial institutions	**15,070**	14,103
Lease financing receivables	**2,431**	2,608
Other	**5,952**	9,950
Total U.S. wholesale loans	**111,082**	118,686
Non-U.S. wholesale loans:		
Commercial and industrial	**44,976**	43,428
Real estate	**2,419**	1,146
Financial institutions	**22,113**	19,163
Lease financing receivables	**1,254**	1,174
Other	**124**	145
Total non-U.S. wholesale loans	**70,886**	65,056
Total wholesale loans:[(a)]		
Commercial and industrial	**119,996**	121,216
Real estate[(b)]	**15,028**	15,383
Financial institutions	**37,183**	33,266
Lease financing receivables	**3,685**	3,782
Other	**6,076**	10,095
Total wholesale loans	**181,968**	183,742
Total consumer loans:[(c)]		
Home equity	**90,989**	85,730
Mortgage	**43,114**	59,668
Auto loans and leases	**41,231**	41,009
Credit card receivables[(d)]	**80,495**	85,881
All other loans	**27,240**	27,097
Total consumer loans	**283,069**	299,385
Total loans[(e)(f)]	**$ 465,037**	$ 483,127

(a) Includes Investment Bank, Commercial Banking, Treasury & Securities Services and Asset Management.

(b) Represents credits extended for real estate–related purposes to borrowers who are primarily in the real estate development or investment businesses and for which the primary repayment is from the sale, lease, management, operations or refinancing of the property.

(c) Includes Retail Financial Services, Card Services and the Corporate segment.

(d) Includes billed finance charges and fees net of an allowance for uncollectible amounts.

(e) 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 $1.1 billion and $1.3 billion at June 30, 2007, and December 31, 2006, respectively.

(f) Includes Loans held-for-sale (related primarily to syndication and securitization activities) of $18.3 billion and $55.2 billion at June 30, 2007, and December 31, 2006, respectively. As a result of the adoption of SFAS 159, certain loans are accounted for at fair value and reported in Trading assets and therefore, are no longer included in Loans at June 30, 2007.

Impaired loans

JPMorgan Chase accounts for and discloses nonaccrual loans as impaired loans. The following are excluded from impaired loans: small-balance, homogeneous consumer loans; loans carried at fair value or the lower of cost or fair value; debt securities; and leases.

The table below sets forth information about JPMorgan Chase's impaired loans (other than those included in Trading assets). The Firm primarily uses the discounted cash flow method for valuing impaired loans.

(in millions)	**June 30, 2007**	December 31, 2006
Impaired loans with an allowance	**$ 501**	$ 623
Impaired loans without an allowance[(a)]	**35**	66
Total impaired loans	**$ 536**	$ 689
Allowance for impaired loans under SFAS 114[(b)]	**174**	153

(a) 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.

(b) The allowance for impaired loans under SFAS 114 is included in JPMorgan Chase's Allowance for loan losses.

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2007**	2006	**2007**	2006
Average balance of impaired loans during the period	**$ 544**	$ 990	**$ 580**	$ 1,057
Interest income recognized on impaired loans during the period	**—**	—	**—**	—

The following table reflects information about the Firm's loan sales.

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2007**	2006[(b)]	**2007**	2006[(b)]
Net gains on sales of loans (including lower of cost or fair value adjustments)[(a)]	**$ 145**	$ 120	**$ 363**	$ 229

(a) Excludes sales related to loans accounted for at fair value.

(b) Prior periods have been revised to reflect the current presentation.

NOTE 14 – ALLOWANCE FOR CREDIT LOSSES

For a further discussion of the Allowance for credit losses and the related accounting policies, see Note 13 on pages 113–114 of JPMorgan Chase's 2006 Annual Report. The table below summarizes the changes in the Allowance for loan losses.

	Six months ended June 30,	
(in millions)	**2007**	2006
Allowance for loan losses at January 1	**$ 7,279**	$ 7,090
Cumulative effect of change in accounting principles[(a)]	**(56)**	—
Allowance for loan losses at January 1, adjusted	**7,223**	7,090
Gross charge-offs	**(2,316)**	(1,730)
Gross recoveries	**428**	408
Net charge-offs	**(1,888)**	(1,322)
Provision for loan losses	**2,295**	1,300
Other	**3**	8
Allowance for loan losses at June 30	**$ 7,633**	$ 7,076
Components:		
Asset specific	**$ 52**	$ 160
Formula-based	**7,581**	6,916
Total Allowance for loan losses	**$ 7,633**	$ 7,076

(a) Reflects the effect of the adoption of SFAS 159 at January 1, 2007. For a further discussion of SFAS 159, see Note 4 on pages 80–83 of this Form 10-Q.

The table below summarizes the changes in the Allowance for lending-related commitments.

(in millions)	Six months ended June 30, **2007**	2006
Allowance for lending-related commitments at January 1	**$ 524**	$ 400
Provision for lending-related commitments	**242**	24
Allowance for lending-related commitments at June 30[(a)]	**$ 766**	$ 424

(a) At June 30, 2007, includes $29 million of asset-specific and $737 million of formula-based allowance. At June 30, 2006, includes $45 million of asset-specific and $379 million of formula-based allowance.

NOTE 15 – LOAN SECURITIZATIONS

For a discussion of the accounting policies relating to loan securitizations, see Note 14 on pages 114–118 of JPMorgan Chase's 2006 Annual Report. JPMorgan Chase securitizes and sells a variety of its consumer and wholesale loans, including warehouse loans that are classified in Trading assets. Consumer activities include securitizations of residential real estate, credit card and automobile loans that are originated or purchased by Retail Financial Services and Card Services ("CS"). Wholesale activities include securitizations of purchased residential real estate loans and commercial loans (primarily real estate–related) originated by the Investment Bank.

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 pages 72–73 of this Form 10-Q); accordingly, the assets and liabilities of securitization-related QSPEs are not reflected in the Firm's Consolidated balance sheets (except for retained interests, as described below) but are included on the balance sheet of the QSPE purchasing the assets. Assets held by JPMorgan Chase-sponsored securitization-related QSPEs as of June 30, 2007, and December 31, 2006, were as follows:

(in billions)	**June 30, 2007**	December 31, 2006
Consumer activities		
Credit card receivables	**$ 85.9**	$ 86.4
Automobile loans	**3.3**	4.9
Residential mortgage receivables	**60.6**	40.7
Wholesale activities		
Residential mortgages	**34.6**	43.8
Commercial and other[(a)(b)]	**103.1**	87.1
Total	**$ 287.5**	$ 262.9

(a) Cosponsored securitizations include non-JPMorgan Chase originated assets.
(b) Commercial and other consists of commercial loans (primarily real estate) and non-mortgage consumer receivables purchased from third parties.

The following table summarizes new securitization transactions that were completed during the three and six months ended June 30, 2007 and 2006; the resulting gains or losses arising from such securitizations; certain cash flows received from such securitizations; and the key economic assumptions used in measuring the retained interests (if any) other than residential MSRs (for a discussion of residential MSRs, see Note 17 on page 101 of this Form 10-Q) as of the dates of such sales.

	Three months ended June 30,									
	2007					2006				
	Consumer activities			Wholesale activities		Consumer activities			Wholesale activities	
(in millions, except rates and where otherwise noted)	Credit card	Automobile	Residential mortgage	Residential mortgage	Commercial and other	Credit card	Automobile	Residential mortgage	Residential mortgage	Commercial and other
Principal securitized	**$ 4,935**	**$ —**	**$ 10,894**	**$ 2,709**	**$ 3,112**	$ 1,175	$ 1,223	$ 3,915	$ 9,050	$ 2,050
Pre-tax gains (losses)	**40**	**—**	**31**[(a)]	**—**[(a)]	**—**[(a)]	8	—	(1)	3	28
Cash flow information:										
Proceeds from securitizations	**$ 4,935**	**$ —**	**$ 10,891**	**$ 2,704**	**$ 3,087**	$ 1,175	$ 833	$ 3,879	$ 9,071	$ 2,073
Servicing fees collected	**34**	**—**	**13**	**—**	**2**	20	1	4	—	—
Other cash flows received	**153**	**—**	**—**	**—**	**—**	96	—	—	—	—
Proceeds from collections reinvested in revolving securitizations	**35,410**	**—**	**—**	**—**	**—**	24,750	—	—	—	—
Key assumptions (rates per annum):										
Prepayment rate[(b)]	**20.4% PPR**	**—**	**14.8-19.7% CPR**	**13.7-35.0% CPR**	**—**	22.2% PPR	1.5% ABS	—	39.0-42.0% CPR	—
Weighted-average life (in years)	**0.4**	**—**	**3.6-3.9**	**2.3-5.4**	**—**	0.4	1.4	—	1.7-3.6	—
Expected credit losses[(c)]	**3.5%**	**—**	**—**	**1.1-2.2%**	**—**	4.2%	0.7%	—	1.1-3.3%	—
Discount rate	**12.0%**	**—**	**13.0-13.8%**	**16.0-25.0%**	**—**	12.0%	7.8%	—	17.5-26.2%	—

	Six months ended June 30,									
	2007					2006				
	Consumer activities			Wholesale activities		Consumer activities			Wholesale activities	
(in millions, except rates and where otherwise noted)	Credit card	Automobile	Residential mortgage	Residential mortgage	Commercial and other	Credit card	Automobile	Residential mortgage	Residential mortgage	Commercial and other
Principal securitized	**$10,705**	**$ —**	**$ 23,925**	**$ 5,904**	**$ 7,867**	$ 5,700	$ 1,223	$ 7,093	$15,709	$ 5,288
Pre-tax gains (losses)	**87**	**—**	**69**[(a)]	**7**[(a)]	**—**[(a)]	38	—	1	21	63
Cash flow information:										
Proceeds from securitizations	**$10,705**	**$ —**	**$ 23,842**	**$ 5,846**	**$ 7,971**	$ 5,700	$ 833	$ 7,019	$15,812	$ 5,338
Servicing fees collected	**51**	**—**	**18**	**—**	**3**	32	1	4	—	—
Other cash flows received	**232**	**—**	**—**	**—**	**—**	165	—	—	—	—
Proceeds from collections reinvested in revolving securitizations	**72,321**	**—**	**—**	**—**	**—**	76,646	—	—	—	—
Key assumptions (rates per annum):										
Prepayment rate[(b)]	**20.4% PPR**	**—**	**14.8-24.2% CPR**	**13.7-48.0% CPR**	**0.0-8.0% CPR**	22.2% PPR	1.5% ABS	—	35.0-45.0% CPR	—
Weighted-average life (in years)	**0.4**	**—**	**3.2-4.0**	**1.3-5.4**	**1.3-10.2**	0.4	1.4	—	1.5-4.0	—
Expected credit losses[(c)]	**3.5-3.8%**	**—**	**—**	**0.6-2.2%**	**0.0-1.0%**	3.3-4.2%	0.7%	—	1.1-3.3%	—
Discount rate	**12.0%**	**—**	**5.8-13.8%**	**6.3-25.0%**	**10.0-14.0%**	12.0%	7.8%	—	14.5-26.2%	—

(a) As of January 1, 2007, the Firm adopted the fair value election for the IB warehouse and a portion of the RFS mortgage warehouse; therefore the carrying value of loans sold at the time of securitization approximated the proceeds from securitization.

(b) CPR: constant prepayment rate; PPR: principal payment rate; ABS: absolute prepayment speed.

(c) Expected credit losses for prime residential mortgage and certain wholesale securitizations are minimal and are incorporated into other assumptions.

In addition to the amounts reported for securitization activity on the previous page, the Firm sold residential mortgage loans totaling $18.7 billion and $13.5 billion during the three months ended June 30, 2007 and 2006, respectively, primarily as GNMA, FNMA and Freddie Mac mortgage-backed securities; these sales resulted in pretax gains of $3 million and $108 million, respectively. During the first six months of 2007 and 2006, JPMorgan Chase sold residential mortgage loans totaling $35.8 billion and $27.1 billion, respectively, primarily as GNMA, FNMA and Freddie Mac mortgage-backed securities; these sales resulted in pretax gains of $87 million and $170 million, respectively.

Retained securitization interests

At both June 30, 2007, and December 31, 2006, the Firm had, with respect to its credit card master trusts, $18.3 billion and $19.3 billion, respectively, related to undivided interests, and $2.8 billion and $2.5 billion, respectively, related to subordinated interests in accrued interest and fees on the securitized receivables, net of an allowance for uncollectible amounts. Credit card securitization trusts require the Firm to maintain a minimum undivided interest of 4% to 12% of the principal receivables in the trusts. The Firm maintained an average undivided interest in principal receivables in the trusts of approximately 18% for the six months ended June 30, 2007 and 21% for the year ended December 31, 2006.

The Firm also maintains escrow accounts up to predetermined limits for some credit card and automobile securitizations to cover the unlikely event of deficiencies in cash flows owed to investors. The amounts available in such escrow accounts are recorded in Other assets and, as of June 30, 2007, amounted to $107 million and $29 million for credit card and automobile securitizations, respectively; as of December 31, 2006, these amounts were $153 million and $56 million for credit card and automobile securitizations, respectively.

The following table summarizes other retained securitization interests, which are primarily subordinated or residual interests, and are carried at fair value on the Firm's Consolidated balance sheets. Investment-grade interests represented 23% and 25% of other retained securitization interests at June 30, 2007, and December 31, 2006, respectively.

(in millions)	**June 30, 2007**	December 31, 2006
Consumer activities		
Credit card[(a)(b)]	**$ 870**	$ 833
Automobile[(a)(c)]	**118**	168
Residential mortgage[(a)]	**180**	155
Wholesale activities[(d)(e)]		
Residential mortgages	**687**	1,032
Commercial and other	**55**	117
Total[(f)]	**$ 1,910**	$ 2,305

(a) Pretax unrealized gains recorded in Stockholders' equity that relate to retained securitization interests on consumer activities totaled $3 million and $3 million for credit card; $3 million and $4 million for automobile and $46 million and $51 million for residential mortgage at June 30, 2007, and December 31, 2006, respectively.

(b) The credit card retained interest amount noted above includes subordinated securities retained by the Firm totaling $300 million and $301 million at June 30, 2007, and December 31, 2006, respectively that are classified as AFS securities. The securities are valued using quoted market prices and therefore are not included in the key economic assumptions and sensitivities table that follows.

(c) In addition to the automobile retained interest amounts noted above, the Firm did not have any retained senior securities at June 30, 2007, but did have $188 million at December 31, 2006, that are classified as AFS securities. These securities are valued using quoted market prices and therefore are not included in the key economic assumption and sensitivities table that follows.

(d) In addition to the wholesale retained interest amounts noted above, the Firm also retained subordinated securities totaling $24 million at June 30, 2007, and $23 million at December 31, 2006, respectively, predominately from resecuritizations activities that are classified as Trading assets. These securities are valued using quoted market prices and therefore are not included in the key assumptions and sensitivities table that follows.

(e) Some consumer activities securitization interests are retained by the Investment Bank and reported under Wholesale activities.

(f) In addition to the retained interests described above, the Firm also held investment-grade interests of $6.8 billion and $3.1 billion at June 30, 2007, and December 31, 2006, respectively, that the Firm expects to sell to investors in the normal course of its underwriting activity or that are purchased in connection with secondary market-making activities.

The table below outlines the key economic assumptions used to determine the fair value of the Firm's retained interests other than residential MSRs (for a discussion of residential MSRs, see Note 17 on page 101 of this Form 10-Q) in its securitizations at June 30, 2007, and December 31, 2006, respectively; and it outlines the sensitivities of those fair values to immediate 10% and 20% adverse changes in those assumptions.

	Consumer activities			Wholesale activities	
June 30, 2007 (in millions, except rates and where otherwise noted)	Credit card	Automobile	Residential mortgage	Residential mortgage	Commercial and other
Weighted-average life (in years)	**0.4–0.5**	**1.0**	**1.1–3.8**	**2.5–4.0**	**0.2–5.2**
Prepayment rate[(a)]	**16.4–20.4% PPR**	**1.4% ABS**	**15.6–43.0% CPR**	**24.5–35.0% CPR**	**0.0–50.0%[(d)] CPR**
Impact of 10% adverse change	**$ (56)**	**$ (1)**	**$ (5)**	**$ (71)**	**$ (1)**
Impact of 20% adverse change	**(112)**	**(2)**	**(10)**	**(136)**	**(2)**
Loss assumption	**3.3–3.9%**	**0.7%**	**0.0–1.3%[(b)]**	**0.9–6.8%**	**0.0–0.8%**
Impact of 10% adverse change	**$ (86)**	**$ (2)**	**$ (3)**	**$ (108)**	**$ (1)**
Impact of 20% adverse change	**(173)**	**(5)**	**(6)**	**(194)**	**(1)**
Discount rate	**12.0%**	**7.9%**	**5.8–30.0%[(c)]**	**13.1–21.0%**	**0.0–14.7%**
Impact of 10% adverse change	**$ (2)**	**$ (1)**	**$ (5)**	**$ (52)**	**$ —**
Impact of 20% adverse change	**(3)**	**(2)**	**(10)**	**(101)**	**(1)**

	Consumer activities			Wholesale activities	
December 31, 2006 (in millions, except rates and where otherwise noted)	Credit card	Automobile	Residential mortgage	Residential mortgage	Commercial and other
Weighted-average life (in years)	0.4–0.5	1.1	0.2-3.4	1.9–2.5	0.2–5.9
Prepayment rate[(a)]	17.5–20.4% PPR	1.4% ABS	19.3-41.8% CPR	10.0–42.9% CPR	0.0–50.0%[(d)] CPR
Impact of 10% adverse change	$ (52)	$ (1)	$ (4)	$ (44)	$ (1)
Impact of 20% adverse change	(104)	(3)	(7)	(62)	(2)
Loss assumption	3.5–4.1%	0.7%	0.0-5.1%[(b)]	0.1–2.2%	0.0–1.3%
Impact of 10% adverse change	$ (87)	$ (4)	$ (4)	$ (45)	$ (1)
Impact of 20% adverse change	(175)	(7)	(8)	(89)	(1)
Discount rate	12.0%	7.6%	8.4–30.0%[(c)]	16.0-20.0%	0.5–14.0%
Impact of 10% adverse change	$ (2)	$ (1)	$ (3)	$ (25)	$ (1)
Impact of 20% adverse change	(3)	(2)	(7)	(48)	(2)

(a) CPR: Constant prepayment rate; PPR: principal payment rate; ABS: absolute prepayment speed.
(b) Expected credit losses for prime residential mortgage are minimal and are incorporated into other assumptions.
(c) Residual interests retained from subprime mortgage Net Interest Margin ("NIM") securitizations are valued using a 30% discount rate.
(d) Prepayment risk on certain wholesale retained interests for commercial and other are minimal and are incorporated into other assumptions.

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 table below presents information about delinquencies, net charge-offs (recoveries) and components of reported and securitized financial assets at June 30, 2007, and December 31, 2006 (see footnote (c) below).

	Total Loans		Nonaccrual and 90 days or more past due[e]		Net loan charge-offs			
					Three months ended June 30,		Six months ended June 30,	
(in millions)	**June 30, 2007**	Dec. 31, 2006	**June 30, 2007**	Dec. 31, 2006	**2007**	2006	**2007**	2006
Home equity	**$ 90,989**	$ 85,730	**$ 483**	$ 454	**$ 98**	$ 30	**$ 166**	$ 63
Mortgage	**43,114**	59,668	**1,034**	769	**30**	9	**53**	21
Auto loans and leases	**41,231**	41,009	**81**	132	**63**	45	**122**	96
Credit card receivables	**80,495**	85,881	**1,254**	1,344	**741**	560	**1,462**	1,127
All other loans	**27,240**	27,097	**335**	322	**82**	29	**120**	54
Total consumer loans	**283,069**	299,385	**3,187[f]**	3,021[f]	**1,014**	673	**1,923**	1,361
Total wholesale loans	**181,968**	183,742	**251**	420	**(29)**	(19)	**(35)**	(39)
Total loans reported	**465,037**	483,127	**3,438**	3,441	**985**	654	**1,888**	1,322
Securitized consumer loans:								
Residential mortgage[a]	**10,982**	7,995	**182**	191	**11**	16	**25**	31
Automobile	**3,272**	4,878	**6**	10	**3**	3	**7**	7
Credit card	**67,506**	66,950	**862**	962	**590**	561	**1,183**	1,010
Total consumer loans securitized	**81,760**	79,823	**1,050**	1,163	**604**	580	**1,215**	1,048
Securitized wholesale activities:								
Residential mortgage[a]	**21,727**	27,275	**1,697**	544	**84**	—	**111**	—
Commercial and other	**2,728**	13,756	**9**	6	**1**	—	**7**	—
Total securitized wholesale activities	**24,455**	41,031	**1,706**	550	**85**	—	**118**	—
Total loans securitized[b]	**106,215**	120,854	**2,756**	1,713	**689**	580	**1,333**	1,048
Total loans reported and securitized[c]	**$ 571,252[d]**	$ 603,981	**$ 6,194**	$ 5,154	**$ 1,674**	$1,234	**$ 3,221**	$2,370

(a) Includes $16.8 billion and $18.6 billion of outstanding principal balances on securitized subprime 1–4 family residential mortgage loans as of June 30, 2007, and December 31, 2006, respectively.

(b) Total assets held in securitization-related SPEs were $287.5 billion and $262.9 billion at June 30, 2007, and December 31, 2006, respectively. The $106.2 billion and $120.9 billion of loans securitized at June 30, 2007, and December 31, 2006, respectively, excludes: $162.7 billion and $122.5 billion of securitized loans, respectively, in which the Firm's only continuing involvement is the servicing of the assets; $18.3 billion and $19.3 billion of seller's interests in credit card master trusts, respectively; and $0.3 billion and $0.2 billion of escrow accounts and other assets, respectively.

(c) Represents both loans on the Consolidated balance sheets and loans that have been securitized, but excludes loans for which the Firm's only continuing involvement is servicing of the assets.

(d) Includes securitized loans that were previously recorded at fair value and classified as Trading assets.

(e) Includes nonperforming held-for-sale ("HFS") loans of $240 million and $120 million at June 30, 2007, and December 31, 2006, respectively.

(f) 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 and U.S. government-sponsored enterprises of $1.2 billion at June 30, 2007, and December 31, 2006; and (ii) education 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 $200 million and $219 million at June 30, 2007, and December 31, 2006, respectively. These amounts for GNMA and education loans are excluded, as reimbursement is proceeding normally.

NOTE 16 – VARIABLE INTEREST ENTITIES

Refer to Note 1 on page 94 and Note 15 on pages 118–120 of JPMorgan Chase's 2006 Annual Report for a further description of JPMorgan Chase's policies regarding consolidation of VIEs as well as the utilization of VIEs by the Firm.

Multi-seller conduits

The following table summarizes the Firm's involvement with Firm-administered multi-seller conduits.

	Consolidated		Nonconsolidated		Total	
(in billions)	**June 30, 2007**[(b)]	Dec. 31, 2006	**June 30, 2007**	Dec. 31, 2006	**June 30, 2007**	Dec. 31, 2006
Total commercial paper issued by conduits	**$ —**	$ 3.4	**$ 53.5**	$ 44.1	**$ 53.5**	$ 47.5
Commitments						
Asset-purchase agreements	**$ —**	$ 0.5	**$ 85.4**	$ 66.0	**$ 85.4**	$ 66.5
Program-wide liquidity commitments	**—**	1.0	**5.0**	4.0	**5.0**	5.0
Program-wide limited credit enhancements	**—**	—	**1.6**	1.6	**1.6**	1.6
Maximum exposure to loss[(a)]	**$ —**	$ 1.0	**$ 86.9**	$ 67.0	**$ 86.9**	$ 68.0

(a) 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 $53.0 billion and $43.9 billion at June 30, 2007, and December 31, 2006, respectively, plus contractual but undrawn commitments of $33.9 billion and $24.1 billion at June 30, 2007, and December 31, 2006, 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.

(b) The Firm's administered multi-seller conduits remaining on balance sheet at December 31, 2006, were deconsolidated as of March 31, 2007; the assets deconsolidated totaled approximately $3 billion.

The Firm views its credit exposure to multi-seller conduit transactions as limited. This is because, for the most part, the Firm is not required to fund under the liquidity facilities if the assets in the VIE are in default. Additionally, the Firm's obligations under the letters of credit are secondary to the risk of first loss provided by the customer or other third parties – for example, by the overcollateralization of the VIE with the assets sold to it or notes subordinated to the Firm's liquidity facilities.

Client intermediation

Assets held by credit-linked and municipal bond vehicles at June 30, 2007, and December 31, 2006, were as follows.

(in billions)	**June 30, 2007**	December 31, 2006
Credit-linked note vehicles[(a)]	**$ 20.6**	$ 20.2
Municipal bond vehicles[(b)]	**22.7**	16.9

(a) Assets of $1.8 billion reported in the table above were recorded on the Firm's Consolidated balance sheets at June 30, 2007, and December 31, 2006, due to contractual relationships held by the Firm that relate to collateral held by the VIE.

(b) Total amounts consolidated due to the Firm owning residual interests were $5.8 billion and $4.7 billion at June 30, 2007, and December 31, 2006, respectively, and are reported in the table. Total liquidity commitments were $15.0 billion and $10.2 billion at June 30, 2007, and December 31, 2006, respectively. The Firm's maximum credit exposure to all municipal bond vehicles was $20.8 billion and $14.9 billion at June 30, 2007, and December 31, 2006, respectively.

The Firm may enter into transactions with VIEs structured by other parties. These transactions can 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 VIE, JPMorgan Chase records and reports these positions similarly to any other third-party transaction. These transactions are not considered significant for disclosure purposes.

Consolidated VIE assets

The following table summarizes the Firm's total consolidated VIE assets, by classification, on the Consolidated balance sheets, as of June 30, 2007, and December 31, 2006.

(in billions)	**June 30, 2007**	December 31, 2006
Consolidated VIE assets[(a)]		
Securities purchased under resale agreements[(b)]	**$ 9.7**	$ 8.0
Trading assets[(c)]	**13.2**	9.8
Investment securities	**—**	0.2
Loans	**11.3**	15.9
Other assets	**3.0**	2.9
Total consolidated assets	**$ 37.2**	$ 36.8

(a) The Firm held $3.5 billion of assets at December 31, 2006, primarily as a seller's interest, in certain consumer securitizations in a segregated entity, as part of a two-step securitization transaction. The segregated entity was terminated in the beginning of 2007. This interest is included in the securitization activities disclosed in Note 15 on pages 94–98 of this Form 10-Q.

(b) Includes activity conducted by the Firm in a principal capacity, primarily in the IB.

(c) Includes the fair value of securities and derivative receivables.

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. See Note 19 on page 124 of JPMorgan Chase's 2006 Annual Report for the maturity profile of FIN 46 long-term beneficial interests.

NOTE 17 – GOODWILL AND OTHER INTANGIBLE ASSETS

For a discussion of accounting policies related to Goodwill and Other intangible assets, see Note 16 on pages 121–123 of JPMorgan Chase's 2006 Annual Report.

Goodwill and other intangible assets consist of the following.

(in millions)	**June 30, 2007**	December 31, 2006
Goodwill	**$ 45,254**	$ 45,186
Mortgage servicing rights	**9,499**	7,546
Purchased credit card relationships	**2,591**	2,935
All other intangibles:		
Other credit card–related intangibles	**$ 321**	$ 302
Core deposit intangibles	**2,341**	2,623
Other intangibles	**1,441**	1,446
Total All other intangible assets	**$ 4,103**	$ 4,371

Goodwill

The $68 million increase in Goodwill from year-end 2006 primarily resulted from certain acquisitions by Treasury & Securities Services ("TSS") and tax-related purchase accounting adjustments associated with the Bank One merger, partially offset by a reduction from the adoption of FIN 48. For a discussion of the impact from adopting FIN 48, see Note 20 on page 104.

Goodwill was not impaired at June 30, 2007, or December 31, 2006, nor was any goodwill written off due to impairment during either six months ended June 30, 2007, or June 30, 2006.

Goodwill attributed to the business segments was as follows:

(in millions)	**June 30, 2007**	December 31, 2006
Investment Bank	**$ 3,581**	$ 3,526
Retail Financial Services	**16,851**	16,955
Card Services	**12,750**	12,712
Commercial Banking	**2,892**	2,901
Treasury & Securities Services	**1,674**	1,605
Asset Management	**7,129**	7,110
Corporate (Private Equity)	**377**	377
Total Goodwill	**$ 45,254**	$ 45,186

Mortgage servicing rights

For a further description of the MSR asset, interest rate risk management, and valuation methodology of MSRs, see Note 16 on pages 121–122 of JPMorgan Chase's 2006 Annual Report. For a discussion of the valuation of MSRs, see Note 3 on page 76 of this Form 10-Q. The fair value of MSRs is sensitive to changes in interest rates, including their effect on prepayment speeds. JPMorgan Chase uses a combination 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.

The following table summarizes MSR activity, for the three and six months ended June 30, 2007 and 2006.

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2007**	2006	**2007**	2006
Balance at beginning of period after valuation allowance	**$ 7,937**	$ 7,539	**$ 7,546**	$ 6,452
Cumulative effect of change in accounting principle	**—**	—	**—**	230
Fair value at beginning of period	**7,937**	7,539	**7,546**	6,682
Originations of MSRs	**704**	410	**1,268**	754
Purchase of MSRs	**289**	199	**386**	350
Total additions	**993**	609	**1,654**	1,104
Change in valuation due to inputs and assumptions[(a)]	**952**	491	**1,060**	1,202
Other changes in fair value[(b)]	**(383)**	(392)	**(761)**	(741)
Total change in fair value	**569**	99	**299**	461
Fair value at June 30	**$ 9,499**	$ 8,247	**$ 9,499**	$ 8,247
Change in unrealized gains included in income related to MSRs held at June 30, 2007	**$ 952**	NA	**$ 1,060**	NA
Contractual service fees, late fees and other ancillary fees included in Mortgage fees and related income	**$ 559**	$ 494	**$ 1,115**	$ 984

(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). These changes in fair value are recorded in Mortgage fees and related income.

(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). These changes in fair value are recorded in Mortgage fees and related income.

The table below outlines the key economic assumptions used to determine the fair value of the Firm's MSRs at June 30, 2007 and December 31, 2006, respectively; and it outlines the sensitivities of those fair values to immediate 10% and 20% adverse changes in those assumptions.

(in millions, except rates and where otherwise noted)	**June 30, 2007**	December 31, 2006
Weighted-average prepayment speed assumption (CPR)	**14.37%**	17.02%
Impact on fair value of 10% adverse change	**$ (418)**	$ (381)
Impact on fair value of 20% adverse change	**(799)**	(726)
Weighted-average discount rate	**9.55%**	9.32%
Impact on fair value of 10% adverse change	**$ (357)**	$ (254)
Impact on fair value of 20% adverse change	**(689)**	(491)
Third-party Mortgage loans serviced (in billions)	**$ 572.4**	$ 526.7

CPR: Constant prepayment rate

The sensitivity analysis in the preceding table is hypothetical. 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

For the six months ended June 30, 2007, Purchased credit card relationships and All other intangibles decreased by $612 million primarily as a result of amortization expense.

Except for $513 million of indefinite-lived intangibles related to asset management advisory contracts which are not amortized, but instead 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.

	June 30, 2007			December 31, 2006		
(in millions)	Gross amount	Accumulated amortization	Net carrying value	Gross amount	Accumulated amortization	Net carrying value
Purchased credit card relationships	**$ 5,736**	**$ 3,145**	**$ 2,591**	$ 5,716	$ 2,781	$ 2,935
All other intangibles:						
Other credit card–related intangibles	**$ 391**	**$ 70**	**$ 321**	$ 367	$ 65	$ 302
Core deposit intangibles	**4,281**	**1,940**	**2,341**	4,283	1,660	2,623
Other intangibles	**2,018**	**577**[(a)]	**1,441**	1,961	515[(a)]	1,446

(a) Includes $5 million of amortization expense related to servicing assets on securitized automobile loans for the six months ended June 30, 2007 and 2006.

Amortization expense	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2007**	2006	**2007**	2006
Purchased credit card relationships	**$ 182**	$ 186	**$ 364**	$ 371
All other intangibles:				
Other credit card–related intangibles	**3**	1	**5**	2
Core deposit intangibles	**140**	137	**280**	275
Other intangibles	**28**	33	**57**	64
Total amortization expense	**$ 353**	$ 357	**$ 706**	$ 712

Future amortization expense

The following table presents estimated amortization expenses related to credit card relationships, core deposits and All other intangible assets at June 30, 2007.

For the year: (in millions)	Purchased credit card relationships	Other credit card–related intangibles	Core deposit intangibles	Other intangibles	Total
2007[(a)]	**$ 709**	**$ 10**	**$ 555**	**$ 115**	**$ 1,389**
2008	596	18	479	109	1,202
2009	426	23	397	101	947
2010	346	31	336	86	799
2011	286	36	293	76	691

(a) Includes $364 million, $5 million, $280 million and $57 million of amortization expense related to purchased credit card relationships, other credit card-related intangibles, core deposit intangibles and other intangibles, respectively, recognized during the first six months of 2007.

NOTE 18 – EARNINGS PER SHARE

For a discussion of the computation of basic and diluted earnings per share ("EPS") see Note 22 on page 126 of JPMorgan Chase's 2006 Annual Report. The following table presents the calculation of basic and diluted EPS for the three and six months ended June 30, 2007 and 2006.

	Three months ended June 30,		Six months ended June 30,	
(in millions, except per share amounts)	**2007**	2006	**2007**	2006
Basic earnings per share				
Income from continuing operations	**$ 4,234**	$ 3,484	**$ 9,021**	$ 6,511
Discontinued operations	**—**	56	**—**	110
Net income	**$ 4,234**	$ 3,540	**$ 9,021**	$ 6,621
Less: preferred stock dividends	**—**	—	**—**	4
Net income applicable to common stock	**$ 4,234**	$ 3,540	**$ 9,021**	$ 6,617
Weighted-average basic shares outstanding	**3,415**	3,474	**3,436**	3,473
Income from continuing operations per share	**$ 1.24**	$ 1.00	**$ 2.63**	$ 1.87
Discontinued operations per share	**—**	0.02	**—**	0.04
Net income per share	**$ 1.24**	$ 1.02	**$ 2.63**	$ 1.91
Diluted earnings per share				
Net income applicable to common stock	**$ 4,234**	$ 3,540	**$ 9,021**	$ 6,617
Weighted-average basic shares outstanding	**3,415**	3,474	**3,436**	3,473
Add: Employee restricted stock, RSUs, stock options and SARs	**107**	98	**105**	98
Weighted-average diluted shares outstanding[(a)]	**3,522**	3,572	**3,541**	3,571
Income from continuing operations per share	**$ 1.20**	$ 0.98	**$ 2.55**	$ 1.82
Discontinued operations per share	**—**	0.01	**—**	0.03
Net income per share	**$ 1.20**	$ 0.99	**$ 2.55**	$ 1.85

(a) Options issued under employee benefit plans to purchase 86 million and 147 million shares of common stock were outstanding for the three months ended June 30, 2007 and 2006, respectively, and 95 million and 154 million year-to-date 2007 and 2006, respectively, but were not included in the computation of diluted EPS because the options were antidilutive.

NOTE 19 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income (loss) includes the after-tax change in unrealized gains and losses on AFS securities, foreign currency translation adjustments (including the impact of related derivatives), cash flow hedging activities and for 2007, the net actuarial loss and prior service cost related to the Firm's defined benefit pension and OPEB plans.

Six months ended **June 30, 2007** (in millions)	Unrealized gains (losses) on AFS securities[(a)]	Translation adjustments, net of hedges	Cash flow hedges	Net actuarial loss and prior service costs (credit) of defined benefit pension and OPEB plans[(e)]	Accumulated other comprehensive income (loss)
Balance at January 1, 2007	**$ 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	**(677)**[(b)]	**6**[(c)]	**30**[(d)]	**119**[(f)]	**(522)**
Balance at June 30, 2007	**$ (649)**	**$ 11**	**$ (459)**	**$ (983)**	**$ (2,080)**

Six months ended June 30, 2006 (in millions)	Unrealized gains (losses) on AFS securities[a]	Translation adjustments, net of hedges	Cash flow hedges	Net actuarial loss and prior service costs (credit) of defined benefit pension and OPEB plans[e]	Accumulated other comprehensive income (loss)
Balance at January 1, 2006	$ (224)	$ (8)	$ (394)	$ NA	$ (626)
Net change	(727)[b]	6[c]	129[d]	NA	(592)
Balance at June 30, 2006	$ (951)	$ (2)	$ (265)	$ NA	$ (1,218)

(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, for the six months ended June 30, 2007 and 2006, was due primarily to higher interest rates, partially offset by sales of investment securities.

(c) June 30, 2007 and 2006, included $177 million and $203 million, respectively, of after-tax gains (losses) on foreign currency translation from operations for which the functional currency is other than the U.S. dollar offset by $(171) million and $(197) million, respectively, of after-tax gains (losses) on hedges.

(d) The net change, for the six months ended June 30, 2007, included $65 million of after-tax losses recognized in income and $35 million of after-tax losses representing the net change in derivative fair value that was reported in comprehensive income. The net change for the six months ended June 30, 2006, included $23 million of after-tax losses recognized in income and $106 million of after-tax gains representing the net change in derivative fair value that was reported in comprehensive income.

(e) For further discussion of SFAS 158, see Note 7 on pages 100–105 of JPMorgan Chase's 2006 Annual Report.

(f) The net change for the six months ended June 30, 2007, represents the true-up adjustments, net of tax, based upon the final 2006 actuarial valuation for the U.S. defined benefit pension plan and 2007 actuarial valuation for the U.S. OPEB plan, partially offset by the amortization of net actuarial loss and prior service cost (credit), net of tax, into net periodic benefit cost.

NOTE 20 – INCOME TAXES

In July 2006, the FASB issued FIN 48, which clarifies the accounting for uncertainty in income taxes recognized under SFAS 109. FIN 48 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. The Firm adopted and applied FIN 48 under the transition provisions 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 January 1, 2007, JPMorgan Chase's liability for unrecognized tax benefits, excluding related interest expense and penalties, was $4.7 billion of which $1.0 billion, if recognized, would reduce the effective tax rate. It is reasonably possible that unrecognized tax benefits could change significantly over the next twelve months. JPMorgan Chase does not expect that any such changes would have a material impact on its effective tax rate over the next twelve months.

The Firm recognizes interest expense and penalties related to income tax liabilities in Income tax expense. Included in Accounts payable, accrued expenses and other liabilities at January 1, 2007, in addition to the Firm's liability for unrecognized tax benefits, was $1.3 billion for income tax-related interest and penalties, of which the penalty component was not material.

JPMorgan Chase is subject to ongoing tax examinations by the tax authorities of the various jurisdictions in which it operates, including U.S. federal, 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. In addition, the consolidated federal income tax returns of heritage 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. Both examinations are expected to conclude in 2008. Certain administrative appeals are pending with the IRS relating to prior examination periods, for JPMorgan Chase for the years 2001 and 2002, and for Bank One and its predecessor entities for various periods from 1996 through 1999. For years prior to 2001, refund claims relating to income and credit adjustments, and to tax attribute carrybacks, for JPMorgan Chase and its predecessor entities, including Bank One, either have been or will be filed. Also, interest rate swap valuations by a Bank One predecessor entity for the years 1990 through 1993 are, and have been, the subject of litigation in both the Tax Court and the U.S. Court of Appeals.

NOTE 21 – COMMITMENTS AND CONTINGENCIES

Litigation reserve

The Firm maintains litigation reserves for certain of its outstanding litigation. In accordance with the provisions of SFAS 5, JPMorgan Chase accrues for a litigation-related liability when it is probable that such a liability has been incurred and the amount of the loss can be reasonably estimated. While the outcome of litigation is inherently uncertain, management believes, in light of all information known to it at June 30, 2007, the Firm's litigation reserves were adequate at such date. Management reviews litigation reserves periodically, and the reserves may be increased or decreased in the future to reflect further litigation developments. The Firm believes it has meritorious defenses to claims asserted against it in its currently outstanding litigation and, with respect to such litigation, intends to continue to defend itself vigorously, litigating or settling cases according to management's judgment as to what is in the best interests of stockholders.

NOTE 22 – ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The majority of JPMorgan Chase's derivatives are entered into for trading purposes. Derivatives are also utilized by the Firm as an end-user to hedge market exposures, to modify the interest rate characteristics of related balance sheet instruments or to meet longer-term investment objectives. Both trading and end-user derivatives are recorded in Trading assets and Trading liabilities. For a further discussion of the Firm's use of and accounting policies regarding derivative instruments, see Note 28 on pages 131-132 of JPMorgan Chase's 2006 Annual Report. The following table presents derivative instrument hedging-related activities for the periods indicated.

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2007**	2006	**2007**	2006
Fair value hedge ineffective net gains/(losses)[(a)]	**$ 36**	$ (29)	**$ 44**	$ (59)
Cash flow hedge ineffective net gains[(a)]	**4**	6	**5**	4
Cash flow hedging gains/(losses) on forecasted transactions that failed to occur	**—**	—	**—**	—

(a) Includes ineffectiveness and the components of hedging instruments that have been excluded from the assessment of hedge effectiveness.

Over the next 12 months, it is expected that $151 million (after-tax) of net losses recorded in Accumulated other comprehensive income (loss) at June 30, 2007, will be recognized in earnings. The maximum length of time over which forecasted transactions are hedged is 10 years, and such transactions primarily relate to core lending and borrowing activities.

NOTE 23 – OFF–BALANCE SHEET LENDING-RELATED FINANCIAL INSTRUMENTS AND GUARANTEES

For a discussion of off–balance sheet lending-related financial instruments and guarantees, and the Firm's related accounting policies, see Note 29 on pages 132–134 of JPMorgan Chase's 2006 Annual Report. 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 14 on pages 93–94 of this Form 10-Q for a further discussion regarding 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 June 30, 2007, and December 31, 2006.

Off–balance sheet lending-related financial instruments and guarantees

	Contractual amount		Allowance for lending-related commitments	
(in millions)	**June 30, 2007**	December 31, 2006	**June 30, 2007**	December 31, 2006
Lending-related				
Consumer[(a)]	**$ 781,663**	$ 747,535	**$ 23**	$ 25
Wholesale:				
Other unfunded commitments to extend credit [(b)(c)(d)]	**242,660**	229,204	**490**	305
Asset purchase agreements[(e)]	**91,493**	67,529	**11**	6
Standby letters of credit and guarantees[(c)(f)(g)]	**95,612**	89,132	**241**	187
Other letters of credit[(c)]	**5,953**	5,559	**1**	1
Total wholesale	**435,718**	391,424	**743**	499
Total lending-related	**$ 1,217,381**	$ 1,138,959	**$ 766**	$ 524
Other guarantees				
Securities lending guarantees[(h)]	**$ 400,132**	$ 318,095	**NA**	NA
Derivatives qualifying as guarantees[(i)]	**82,863**	71,531	**NA**	NA

(a) Includes credit card lending-related commitments of $685.3 billion at June 30, 2007, and $657.1 billion at December 31, 2006, which represent the total available credit to the Firm's cardholders. The Firm has not experienced, and does not anticipate, that all of its cardholders will utilize their entire available lines of credit at the same time. The Firm can reduce or cancel a credit card commitment by providing the cardholder prior notice or, in some cases, without notice as permitted by law.

(b) Includes unused advised lines of credit totaling $40.2 billion at June 30, 2007, and $39.0 billion at December 31, 2006, which are not legally binding. In regulatory filings with the Federal Reserve Board, unused advised lines are not reportable.

(c) Represents contractual amount net of risk participations totaling $26.5 billion at June 30, 2007, and $32.8 billion at December 31, 2006.

(d) Excludes firmwide unfunded commitments to private third-party equity funds of $839 million and $686 million at June 30, 2007, and December 31, 2006, respectively.

(e) Largely represents asset purchase agreements to the Firm's administered multi-seller asset-backed commercial paper conduits. It also includes $1.4 billion of asset purchase agreements to other third party entities at June 30, 2007 and December 31, 2006.

(f) JPMorgan Chase held collateral relating to $14.4 billion and $13.5 billion of these arrangements at June 30, 2007, and December 31, 2006, respectively.

(g) Includes unused commitments to issue standby letters of credit of $52.8 billion and $45.7 billion at June 30, 2007, and December 31, 2006, respectively.

(h) Collateral held by the Firm in support of securities lending indemnification agreements was $402.6 billion at June 30, 2007, and $317.9 billion at December 31, 2006.

(i) Represents notional amounts of derivatives qualifying as guarantees. For further discussion of guarantees, see Note 29 on pages 132–134 of JPMorgan Chase's 2006 Annual Report.

For a discussion of the off–balance sheet lending-related arrangements the Firm considers to be guarantees under FIN 45, and the related accounting policies, see Note 29 on pages 132–134 of JPMorgan Chase's 2006 Annual Report. The amount of the liability related to FIN 45 guarantees recorded at June 30, 2007, and December 31, 2006, excluding commitments and derivative contracts discussed above, was $317 million and $297 million, respectively.

In addition to the contracts described above, there are certain derivative contracts to which the Firm is a counterparty that meet the characteristics of a guarantee under FIN 45. For a discussion of the derivatives the Firm considers to be guarantees, and the related accounting policies, see Note 29 on pages 132–134 of JPMorgan Chase's 2006 Annual Report. The total notional value of the derivatives that the Firm deems to be guarantees was $83 billion and $72 billion at June 30, 2007, and December 31, 2006, respectively. The fair value of these contracts was a derivative receivable of $226 million and $230 million, and a derivative payable of $1.3 billion and $987 million at June 30, 2007, and December 31, 2006, respectively.

NOTE 24 – 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 plus a cash payment of $150 million. The Firm may also make a future payment to The Bank of New York of up to $50 million depending on certain new account openings. During the quarter and six months ended June 30, 2006, Income from discontinued operations was $56 million and $110 million, respectively. There was no income from discontinued operations during the first six months of 2007.

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 25– BUSINESS SEGMENTS

JPMorgan Chase is organized into six major reportable business segments: IB, RFS, CS, Commercial Banking ("CB"), TSS and Asset Management ("AM"), as well as a Corporate 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 the footnotes to the tables below. For a further discussion concerning JPMorgan Chase's business segments, see Business segment results on page 16 of this Form 10-Q, and pages 34–35 and Note 33 on pages 139–141 of JPMorgan Chase's 2006 Annual Report.

Business segment financial disclosures

On January 1, 2007, $19.4 billion and $5.3 billion held-for-investment residential mortgage loans were transferred to the Corporate segment from RFS and AM, respectively. Although the loans, together with the responsibility for the investment management of the portfolio, were transferred to Treasury, the transfer has no impact on the financial results of RFS, AM or Corporate.

Segment results

The following tables provide a summary of the Firm's segment results for the three and six months ended June 30, 2007 and 2006, on a managed basis. The impact of credit card securitization adjustments have been included in Reconciling items so that the total Firm results are on a reported basis. Finally, Total net revenue (Noninterest revenue and Net interest income) for each of the segments is presented on a tax-equivalent basis. Accordingly, revenue from tax-exempt securities and investments that receive tax credits are presented in the managed results on a basis comparable to taxable securities and investments. This approach allows management to assess the comparability of revenues arising from both taxable and tax-exempt sources. The corresponding income tax impact related to these items is recorded within income tax expense (benefit). The following tables summarize the business segment results and reconciliation to reported U.S. GAAP results.

Segment results and reconciliation[(a)]

Three months ended June 30, 2007 (in millions, except ratios)	Investment Bank	Retail Financial Services	Card Services[(d)]	Commercial Banking
Noninterest revenue	**$ 4,936**	**$ 1,684**	**$ 762**	**$ 312**
Net interest income	**862**	**2,673**	**2,955**	**695**
Total net revenue	**5,798**	**4,357**	**3,717**	**1,007**
Provision for credit losses	**164**	**587**	**1,331**	**45**
Credit reimbursement (to)/from TSS[(b)]	**30**	**—**	**—**	**—**
Total noninterest expense[(c)]	**3,854**	**2,484**	**1,188**	**496**
Income from continuing operations before income tax expense	**1,810**	**1,286**	**1,198**	**466**
Income tax expense	**631**	**501**	**439**	**182**
Income from continuing operations	**1,179**	**785**	**759**	**284**
Income from discontinued operations	**—**	**—**	**—**	**—**
Net income	**$ 1,179**	**$ 785**	**$ 759**	**$ 284**
Average equity	**$ 21,000**	**$ 16,000**	**$ 14,100**	**$ 6,300**
Average assets	**696,230**	**216,692**	**154,406**	**84,687**
Return on average equity	**23%**	**20%**	**22%**	**18%**
Overhead ratio	**66**	**57**	**32**	**49**

Three months ended June 30, 2007 (in millions, except ratios)	Treasury & Securities Services	Asset Management	Corporate	Reconciling Items[(d)(e)]	Total
Noninterest revenue	**$ 1,231**	**$ 1,844**	**$ 1,235**	**$ 589**	**$ 12,593**
Net interest income	**510**	**293**	**(173)**	**(1,500)**	**6,315**
Total net revenue	**1,741**	**2,137**	**1,062**	**(911)**	**18,908**
Provision for credit losses	**—**	**(11)**	**3**	**(590)**	**1,529**
Credit reimbursement (to)/from TSS[(b)]	**(30)**	**—**	**—**	**—**	**—**
Total noninterest expense[(c)]	**1,149**	**1,355**	**502**	**—**	**11,028**
Income (loss) from continuing operations before income tax expense	**562**	**793**	**557**	**(321)**	**6,351**
Income tax expense (benefit)	**210**	**300**	**175**	**(321)**	**2,117**
Income from continuing operations	**352**	**493**	**382**	**—**	**4,234**
Income from discontinued operations	**—**	**—**	**—**	**—**	**—**
Net income	**$ 352**	**$ 493**	**$ 382**	**$ —**	**$ 4,234**
Average equity	**$ 3,000**	**$ 3,750**	**$ 53,901**	**$ —**	**$ 118,051**
Average assets	**50,687**	**51,710**	**243,494**	**(65,920)**	**1,431,986**
Return on average equity	**47%**	**53%**	**NM**	**NM**	**14%**
Overhead ratio	**66**	**63**	**NM**	**NM**	**58**

Three months ended June 30, 2006 (in millions, except ratios)	Investment Bank	Retail Financial Services	Card Services[d]	Commercial Banking
Noninterest revenue	$ 4,245	$ 1,213	$ 702	$ 274
Net interest income	84	2,566	2,962	675
Total net revenue	4,329	3,779	3,664	949
Provision for credit losses	(62)	100	1,031	(12)
Credit reimbursement (to)/from TSS[b]	30	—	—	—
Total noninterest expense[c]	3,091	2,259	1,249	496
Income from continuing operations before income tax expense	1,330	1,420	1,384	465
Income tax expense	491	552	509	182
Income from continuing operations	839	868	875	283
Income from discontinued operations	—	—	—	—
Net income	$ 839	$ 868	$ 875	$ 283
Average equity	$ 21,000	$ 14,300	$ 14,100	$ 5,500
Average assets	672,056	234,097	144,284	56,561
Return on average equity	16%	24%	25%	21%
Overhead ratio	71	60	34	52

Three months ended June 30, 2006 (in millions, except ratios)	Treasury & Securities Services	Asset Management	Corporate	Reconciling Items[d][e]	Total
Noninterest revenue	$ 1,045	$ 1,372	$ 290	$ 767	$ 9,908
Net interest income	543	248	(355)	(1,545)	5,178
Total net revenue	1,588	1,620	(65)	(778)	15,086
Provision for credit losses	4	(7)	—	(561)	493
Credit reimbursement (to)/from TSS[b]	(30)	—	—	—	—
Total noninterest expense[c]	1,050	1,081	156	—	9,382
Income (loss) from continuing operations before income tax expense	504	546	(221)	(217)	5,211
Income tax expense (benefit)	188	203	(181)	(217)	1,727
Income (loss) from continuing operations	316	343	(40)	—	3,484
Income from discontinued operations	—	—	56	—	56
Net income	$ 316	$ 343	$ 16	$ —	$ 3,540
Average equity	$ 2,200	$ 3,500	$ 48,357	$ —	$ 108,957
Average assets	31,774	43,228	218,782	(66,913)	1,333,869
Return on average equity	58%	39%	NM	NM	13%
Overhead ratio	66	67	NM	NM	62

Six months ended June 30, 2007 (in millions, except ratios)	Investment Bank	Retail Financial Services	Card Services[d]	Commercial Banking
Noninterest revenue	**$ 10,567**	**$ 3,173**	**$ 1,453**	**$ 647**
Net interest income	**1,485**	**5,290**	**5,944**	**1,363**
Total net revenue	**12,052**	**8,463**	**7,397**	**2,010**
Provision for credit losses	**227**	**879**	**2,560**	**62**
Credit reimbursement (to)/from TSS[b]	**60**	**—**	**—**	**—**
Noninterest expense[c]	**7,685**	**4,891**	**2,429**	**981**
Income from continuing operations before income tax expense	**4,200**	**2,693**	**2,408**	**967**
Income tax expense	**1,481**	**1,049**	**884**	**379**
Income from continuing operations	**2,719**	**1,644**	**1,524**	**588**
Income from discontinued operations	**—**	**—**	**—**	**—**
Net income	**$ 2,719**	**$ 1,644**	**$ 1,524**	**$ 588**
Average equity	**$ 21,000**	**$ 16,000**	**$ 14,100**	**$ 6,300**
Average assets	**677,581**	**216,912**	**155,333**	**83,622**
Return on average equity	**26%**	**21%**	**22%**	**19%**
Overhead ratio	**64**	**58**	**33**	**49**

Six months ended June 30, 2007 (in millions, except ratios)	Treasury & Securities Services	Asset Management	Corporate	Reconciling Items[d][e]	Total
Noninterest revenue	**$ 2,255**	**$ 3,503**	**$ 2,620**	**$ 1,225**	**$ 25,443**
Net interest income	**1,012**	**538**	**(290)**	**(2,909)**	**12,433**
Total net revenue	**3,267**	**4,041**	**2,330**	**(1,684)**	**37,876**
Provision for credit losses	**6**	**(20)**	**6**	**(1,183)**	**2,537**
Credit reimbursement (to)/from TSS[b]	**(60)**	**—**	**—**	**—**	**—**
Noninterest expense[c]	**2,224**	**2,590**	**856**	**—**	**21,656**
Income (loss) from continuing operations before income tax expense	**977**	**1,471**	**1,468**	**(501)**	**13,683**
Income tax expense (benefit)	**362**	**553**	**455**	**(501)**	**4,662**
Income from continuing operations	**615**	**918**	**1,013**	**—**	**9,021**
Income from discontinued operations	**—**	**—**	**—**	**—**	**—**
Net income	**$ 615**	**$ 918**	**$ 1,013**	**$ —**	**$ 9,021**
Average equity	**$ 3,000**	**$ 3,750**	**$ 53,003**	**$ —**	**$ 117,153**
Average assets	**48,359**	**48,779**	**240,530**	**(65,519)**	**1,405,597**
Return on average equity	**41%**	**49%**	**NM**	**NM**	**16%**
Overhead ratio	**68**	**64**	**NM**	**NM**	**57**

Six months ended June 30, 2006 (in millions, except ratios)	Investment Bank	Retail Financial Services	Card Services[d]	Commercial Banking
Noninterest revenue	$ 8,883	$ 2,414	$ 1,374	$ 507
Net interest income	274	5,128	5,975	1,342
Total net revenue	9,157	7,542	7,349	1,849
Provision for credit losses	121	185	2,047	(5)
Credit reimbursement (to)/from TSS[b]	60	—	—	—
Noninterest expense[c]	6,411	4,497	2,492	994
Income from continuing operations before income tax expense	2,685	2,860	2,810	860
Income tax expense	996	1,111	1,034	337
Income from continuing operations	1,689	1,749	1,776	523
Income from discontinued operations	—	—	—	—
Net income	$ 1,689	$ 1,749	$ 1,776	$ 523
Average equity	$ 20,503	$ 14,099	$ 14,100	$ 5,500
Average assets	659,209	232,849	145,134	55,671
Return on average equity	17%	25%	25%	19%
Overhead ratio	70	60	34	54

Six months ended June 30, 2006 (in millions, except ratios)	Treasury & Securities Services	Asset Management	Corporate	Reconciling Items[d][e]	Total
Noninterest revenue	$ 2,023	$ 2,710	$ 433	$ 1,746	$ 20,090
Net interest income	1,050	494	(902)	(3,190)	10,171
Total net revenue	3,073	3,204	(469)	(1,444)	30,261
Provision for credit losses	—	(14)	—	(1,010)	1,324
Credit reimbursement (to)/from TSS[b]	(60)	—	—	—	—
Noninterest expense[c]	2,098	2,179	491	—	19,162
Income (loss) from continuing operations before income tax expense	915	1,039	(960)	(434)	9,775
Income tax expense (benefit)	337	383	(500)	(434)	3,264
Income (loss) from continuing operations	578	656	(460)	—	6,511
Income from discontinued operations	—	—	110	—	110
Net income (loss)	$ 578	$ 656	$ (350)	$ —	$ 6,621
Average equity	$ 2,372	$ 3,500	$ 47,993	$ —	$ 108,067
Average assets	30,509	42,126	193,084	(67,233)	1,291,349
Return on average equity	49%	38%	NM	NM	12%
Overhead ratio	68	68	NM	NM	63

(a) In addition to analyzing the Firm's results on a reported basis, management reviews the Firm's and the lines' of business results 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 reimburses the IB for credit portfolio exposures the IB manages on behalf of clients the segments share.

(c) *Includes Merger costs which are reported in the Corporate segment. Merger costs attributed to the business segments for the three and six months ended June 30, 2007 and 2006 were as follows.*

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2007**	2006	**2007**	2006
Investment Bank	**$ —**	$ (1)	**$ —**	$ 1
Retail Financial Services	**1**	3	**11**	10
Card Services	**1**	3	**1**	16
Commercial Banking	**—**	1	**—**	1
Treasury & Securities Services	**31**	29	**63**	55
Asset Management	**5**	8	**7**	14
Corporate	**26**	43	**44**	60
Total Merger costs	**$ 64**	$ 86	**$ 126**	$ 157

(d) *Managed results for CS exclude the impact of credit card 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 overall performance of CS 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.*

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2007**	2006	**2007**	2006
Noninterest revenue	**$ (788)**	$ (937)	**$ (1,534)**	$ (2,062)
Net interest income	**1,378**	1,498	**2,717**	3,072
Provision for credit losses	**590**	561	**1,183**	1,010
Average assets	**65,920**	66,913	**65,519**	67,233

(e) *Segment managed results reflect revenues on a tax-equivalent basis with the corresponding income tax impact recorded within Income tax expense. These adjustments are eliminated in Reconciling items to arrive at the Firm's reported U.S. GAAP results. Tax-equivalent adjustments for the three and six months ended June 30, 2007 and 2006 were as follows.*

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2007**	2006	**2007**	2006
Noninterest revenue	**$ 199**	$ 170	**$ 309**	$ 316
Net interest income	**122**	47	**192**	118
Income tax expense	**321**	217	**501**	434

JPMORGAN CHASE & CO.
CONSOLIDATED AVERAGE BALANCE SHEETS, INTEREST AND RATES
(Taxable-Equivalent Interest and Rates; in millions, except rates)

	Three months ended June 30, 2007			Three months ended June 30, 2006		
	Average Balance	Interest	Rate (Annualized)	Average Balance	Interest	Rate (Annualized)
Assets						
Deposits with banks	**$ 18,153**	**$ 207**	**4.56%**	$ 39,193	$ 434	4.43%
Federal funds sold and securities purchased under resale agreements	**132,768**	**1,652**	**4.99**	128,740	1,224	3.81
Securities borrowed	**90,810**	**1,203**	**5.31**	86,742	842	3.89
Trading assets – debt instruments	**294,931**	**4,300**	**5.85**	204,551	2,720	5.33
Securities: Available-for-sale	**96,864**	**1,371**	**5.68**[c]	82,772	1,125	5.45[c]
Held-to-maturity	**57**	**1**	**6.16**	73	1	6.44
Interests in purchased receivables	**—**	**—**	**NM**	26,221	321	4.92
Loans	**465,763**	**8,877**	**7.65**	442,601	7,997	7.25
Total interest-earning assets	**1,099,346**	**17,611**	**6.43**	1,010,893	14,664	5.82
Allowance for loan losses	**(7,295)**			(7,224)		
Cash and due from banks	**32,788**			32,438		
Trading assets – equity instruments	**85,830**			70,045		
Trading assets – derivative receivables	**61,736**			60,340		
Goodwill	**45,181**			43,523		
Other intangible assets						
Mortgage servicing rights	**8,371**			7,937		
Purchased credit card relationships	**2,677**			3,208		
All other intangibles	**4,177**			4,311		
Other assets	**99,175**			85,365		
Assets of discontinued operations held-for-sale[a]	**—**			23,033		
Total assets	**$ 1,431,986**			$ 1,333,869		
Liabilities						
Interest bearing deposits	**$ 513,451**	**$ 5,342**	**4.17%**	$ 449,782	$ 4,118	3.67%
Federal funds purchased and securities sold under repurchase agreements	**209,323**	**2,710**	**5.19**	184,943	1,980	4.30
Commercial paper	**25,282**	**311**	**4.92**	17,484	188	4.31
Other borrowings[b]	**100,715**	**1,177**	**4.69**	103,150	1,267	4.93
Beneficial interests issued by consolidated VIEs	**13,641**	**109**	**3.22**	43,470	527	4.86
Long-term debt	**162,465**	**1,525**	**3.77**	125,723	1,359	4.34
Total interest-bearing liabilities	**1,024,877**	**11,174**	**4.37**	924,552	9,439	4.09
Noninterest-bearing deposits	**123,277**			125,999		
Trading liabilities – derivative payables	**62,205**			61,385		
All other liabilities, including the allowance for lending-related commitments	**103,576**			90,845		
Liabilities of discontinued operations held-for-sale[a]	**—**			22,131		
Total liabilities	**1,313,935**			1,224,912		
Stockholders' equity						
Preferred stock	**—**			—		
Common stockholders' equity	**118,051**			108,957		
Total stockholders' equity	**118,051**			108,957		
Total liabilities and stockholders' equity	**$ 1,431,986**			$ 1,333,869		
Interest rate spread			**2.06%**			1.73%
Net interest income and net yield on interest-earning assets		**$ 6,437**	**2.35%**		$ 5,225	2.07%

(a) 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.

(b) Includes securities sold but not yet purchased.

(c) For the quarters ended June 30, 2007 and 2006, the annualized rate for available-for-sale securities based upon amortized cost was 5.66% and 5.37%, respectively.

JPMORGAN CHASE & CO.
CONSOLIDATED AVERAGE BALANCE SHEETS, INTEREST AND RATES
(Taxable-Equivalent Interest and Rates; in millions, except rates)

	Six months ended June 30, 2007			Six months ended June 30, 2006		
	Average Balance	Interest	Rate (Annualized)	Average Balance	Interest	Rate (Annualized)
Assets						
Deposits with banks	**$ 17,193**	**$ 393**	**4.61%**	$ 29,984	$ 654	4.40%
Federal funds sold and securities purchased under resale agreements	**134,127**	**3,307**	**4.97**	129,003	2,417	3.78
Securities borrowed	**84,822**	**2,256**	**5.36**	85,488	1,570	3.70
Trading assets – debt instruments	**276,109**	**8,095**	**5.91**	195,167	5,289	5.46
Securities: Available-for-sale	**96,065**	**2,704**	**5.68**[c]	71,518	1,917	5.40[c]
Held-to-maturity	**63**	**2**	**5.86**	75	2	6.54
Interests in purchased receivables	**—**	**—**	**NM**	28,114	652	4.68
Loans	**466,604**	**17,560**	**7.59**	435,859	15,470	7.16
Total interest-earning assets	**1,074,983**	**34,317**	**6.44**	975,208	27,971	5.78
Allowance for loan losses	**(7,277)**			(7,173)		
Cash and due from banks	**31,495**			32,325		
Trading assets – equity instruments	**87,302**			70,402		
Trading assets – derivative receivables	**60,267**			56,209		
Goodwill	**45,153**			43,462		
Other intangible assets						
Mortgage servicing rights	**8,079**			7,293		
Purchased credit card relationships	**2,759**			3,214		
All other intangibles	**4,237**			4,289		
Other assets	**98,599**			84,881		
Assets of discontinued operations held-for-sale[a]	**—**			21,239		
Total assets	**$ 1,405,597**			$ 1,291,349		
Liabilities						
Interest bearing deposits	**$ 506,125**	**$10,337**	**4.12%**	$ 434,925	$ 7,669	3.56%
Federal funds purchased and securities sold under repurchase agreements	**204,316**	**5,210**	**5.14**	171,953	3,509	4.12
Commercial paper	**23,819**	**580**	**4.91**	16,403	338	4.15
Other borrowings[b]	**98,202**	**2,372**	**4.87**	105,413	2,638	5.05
Beneficial interests issued by consolidated VIEs	**14,811**	**260**	**3.54**	42,835	934	4.40
Long-term debt	**155,345**	**2,933**	**3.81**	122,318	2,594	4.28
Total interest-bearing liabilities	**1,002,618**	**21,692**	**4.36**	893,847	17,682	3.99
Noninterest-bearing deposits	**123,610**			125,318		
Trading liabilities – derivative payables	**59,848**			58,132		
All other liabilities, including the allowance for lending-related commitments	**102,368**			85,683		
Liabilities of discontinued operations held-for-sale[a]	**—**			20,234		
Total liabilities	**1,288,444**			1,183,214		
Stockholders' equity						
Preferred stock	**—**			68		
Common stockholders' equity	**117,153**			108,067		
Total stockholders' equity	**117,153**			108,135		
Total liabilities and stockholders' equity	**$ 1,405,597**			$ 1,291,349		
Interest rate spread			**2.08%**			1.79%
Net interest income and net yield on interest-earning assets		**$ 12,625**	**2.37%**		$ 10,289	2.13%

(a) *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.*

(b) *Includes securities sold but not yet purchased.*

(c) *For the six months ended June 30, 2007 and 2006, the annualized rate for available-for-sale securities based upon amortized cost was 5.67% and 5.33%, respectively.*

GLOSSARY OF TERMS

ACH: Automated Clearing House.

AICPA: American Institute of Certified Public Accountants.

AICPA Statement of Position ("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."

Assets under management: Represent assets actively managed by Asset Management on behalf of institutional, private banking, private client services and retail clients. Excludes assets managed by American Century Companies, Inc., in which the Firm has a 44% ownership interest.

Assets under supervision: Represent assets under management as well as custody, brokerage, administration and deposit accounts.

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.

Credit derivatives: Contractual agreements that provide protection against a credit event of 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.

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 02-3: "Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities."

EITF Issue 06-11: "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards."

FASB: Financial Accounting Standards Board.

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 48: FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109."

FSP: FASB Staff Position.

FSP FAS 13-2: "Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction."

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 average assets: Refers to total assets on the Firm's balance sheet plus credit card receivables that have been securitized.

Managed basis: A non-GAAP presentation of financial results that includes reclassifications related to credit card securitizations and taxable equivalents. Management uses this non-GAAP financial measure at the segment level because it believes this provides information to investors in understanding 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 balance sheet 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.

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.

OPEB: Other postretirement employee benefits.

Overhead ratio: Noninterest expense as a percentage of Total net revenue.

Principal transactions (revenue): 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 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.

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 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.

SFAS: Statement of Financial Accounting Standards.

SFAS 5: "Accounting for Contingencies."

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 123R: "Share-Based Payment."

SFAS 133: "Accounting for Derivative Instruments and Hedging Activities."

SFAS 140: "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities – a replacement of FASB Statement No. 125."

SFAS 142: "Goodwill and Other Intangible Assets."

SFAS 155: "Accounting for Certain Hybrid Financial Instruments – an amendment of FASB Statements No. 133 and 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."

Stress testing: A scenario that measures market risk under unlikely but plausible events in abnormal markets.

Transactor loan: Loan in which the outstanding balance is paid in full by payment due date.

Unaudited: The financial statements and information included throughout this document, which are labeled unaudited, have not been subjected to auditing procedures sufficient to permit an independent certified public accountant to express an opinion thereon.

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.

LINE OF BUSINESS METRICS

Investment Banking

IB's revenues comprise the following:

Investment banking fees includes advisory, equity underwriting, bond underwriting and loan syndication fees.

Fixed income markets includes client and portfolio management revenue related to both market-making and proprietary risk-taking across global fixed income markets, including government and corporate debt, foreign exchange, interest rate and commodities markets.

Equity markets includes client and portfolio management revenue related to market-making and proprietary risk-taking across global equity products, including cash instruments, derivatives and convertibles.

Credit portfolio revenue includes Net interest income, fees and loan sale activity for IB's credit portfolio. Credit portfolio revenue also includes gains or losses on securities received as part of a loan restructuring, and changes in the CVA, which is the component of the fair value of a derivative that reflects the credit quality of the counterparty. Credit portfolio revenue also includes the results of risk management related to the Firm's lending and derivative activities. In addition, Credit portfolio revenue includes an adjustment to the valuation of the Firm's derivative liabilities measured at fair value that reflects the credit quality of the Firm, in conjunction with SFAS 157.

Retail Financial Services

Description of selected business metrics within Regional Banking:

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.

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.

Mortgage banking revenues comprise the following:

Production revenue includes Mortgage Servicing Rights created from the sales of loans, net gains or losses on the sales of loans, and other production-related fees. Also includes revenue associated with originations of subprime mortgage loans.

Net mortgage servicing revenue includes the following components:

(a) 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.

(b) Changes in MSR asset fair value due to:
   - market-based inputs such as interest rates and volatility, as well as updates to valuation assumptions used in the MSR valuation model.
   - servicing portfolio runoff (or time decay).

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

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

Mortgage Banking's origination channels comprise the following:

Retail – Borrowers who are buying or refinancing a home are directly contacted by 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 – Correspondents are banks, thrifts, other mortgage banks and other financial institutions that sell closed loans to the Firm.

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

Card Services

Description of selected business metrics within CS:

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 an entity that processes payments for merchants. JPMorgan Chase is a partner in Chase Paymentech Solutions, LLC.

Bank card volume – Represents the dollar amount of transactions processed for the merchants.

Total transactions – Represents the number of transactions and authorizations processed for the merchants.

Commercial Banking

Commercial Banking revenues comprise the following:

Lending includes a variety of financing alternatives, which are often provided on a basis secured by receivables, inventory, equipment, real estate or other assets. Products include term loans, revolving lines of credit, bridge financing, asset-backed structures, and leases.

Treasury services includes a broad range of products and services enabling clients to transfer, invest and manage the receipt and disbursement of funds, while providing the related information reporting. These products and services include U.S. dollar and multi-currency clearing, ACH, lockbox, disbursement and reconciliation services, check deposits, other check and currency-related services, trade finance and logistics solutions, commercial card, and deposit products, sweeps and money market mutual funds.

Investment banking products provide clients with sophisticated capital-raising alternatives, as well as balance sheet and risk management tools through loan syndications, investment-grade debt, asset-backed securities, private placements, high-yield bonds, equity underwriting, advisory, interest rate derivatives, and foreign exchange hedges.

Description of selected business metrics within CB:

Liability balances include deposits and deposits that are swept to on–balance sheet liabilities (e.g., commercial paper, Fed funds purchased, and repurchase agreements).

IB revenues, gross – Represents total revenue related to investment banking products sold to CB clients.

Treasury & Securities Services

Treasury & Securities Services **firmwide metrics** include certain TSS product revenues and liability balances reported in other lines of business related to customers who are also customers of those other lines of business. In order to capture the firmwide impact of Treasury Services ("TS") and TSS products and revenues, management reviews firmwide metrics such as liability balances, revenues and overhead ratios in assessing financial performance for TSS. Firmwide metrics are necessary, in management's view, in order to understand the aggregate TSS business.

Description of selected business metrics within TSS:

Liability balances include deposits and deposits that are swept to on–balance sheet liabilities (e.g., commercial paper, Fed funds purchased, and repurchase agreements).

Asset Management

Assets under management: Represent assets actively managed by Asset Management on behalf of institutional, private banking, private client services and retail clients. Excludes assets managed by American Century Companies, Inc., in which the Firm has a 44% ownership interest.

Assets under supervision: Represent assets under management as well as custody, brokerage, administration and deposit accounts.

Alternative Assets: The following types of assets constitute alternative investments – hedge funds, currency, real estate and private equity.

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 Client Services 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.

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 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 Securities and Exchange Commission ("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. JPMorgan Chase's actual future results may differ materially from those set forth in its forward-looking statements. Factors that could cause this difference – many of which are beyond the Firm's control – include the following: local, regional and international business, political or economic conditions; changes in trade, monetary and fiscal policies and laws; technological changes instituted by the Firm and by other entities which may affect the Firm's business; mergers and acquisitions, including the Firm's ability to integrate acquisitions; ability of the Firm to develop new products and services; acceptance of new products and services and the ability of the Firm to increase market share; the ability of the Firm to control expenses; competitive pressures; changes in laws and regulatory requirements; changes in applicable accounting policies; costs, outcomes and effects of litigation and regulatory investigations; changes in the credit quality of the Firm's customers; and adequacy of the Firm's risk management framework.

Additional factors that may cause future results to differ materially from forward-looking statements are discussed in Part I, Item 1A: Risk Factors in the Firm's 2006 Annual Report to which reference is hereby made. There is no assurance that any list of risks and uncertainties or risk factors is complete.

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.

Item 3 Quantitative and Qualitative Disclosures about Market Risk

For a discussion of the quantitative and qualitative disclosures about market risk, see the Market Risk Management section of the management's discussion and analysis ("MD&A") on pages 62–65 of this Form 10-Q.

Item 4 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.

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 second quarter of 2007 that has materially affected, or is reasonably likely to materially affect, the Firm's internal control over financial reporting.

Part II Other Information

Item 1 Legal proceedings

The following information supplements and amends the disclosure set forth under Part I, Item 3 "Legal proceedings" in the Firm's 2006 Annual Report, and Part II, Item 1 "Legal Proceedings" in the Firm's Quarterly Report on Form 10-Q for the quarterly period ending March 31, 2007 (the "Firm's SEC filings").

Enron litigation. In the purported consolidated class action lawsuit by JPMorgan Chase stockholders, plaintiffs filed a notice of appeal in April 2007 of the dismissal of their complaint to the United States Court of Appeals for the Second Circuit.

A settlement has been reached in one of the bank lender cases, Bayerische Landesbank v. JPMorgan Chase Bank. This case, which named as defendants JPMorgan Chase, Citigroup and certain of their affiliates, was brought on behalf of six original lenders that participated in two revolving credit facilities and a syndicated letter of credit facility that were provided to Enron and in connection with which JPMorgan Chase Bank and Citibank acted as agents. Defendants filed counterclaims against the plaintiff banks, including claims by JPMorgan Chase Bank for amounts owed by those banks under the syndicated letter of credit facility. Pursuant to the terms of the settlement, the amounts of the payments to be made thereunder are confidential. As a result of the settlement, plaintiffs' claims and defendants' counterclaims will be dismissed.

In the action pending in New York Supreme Court, New York County, alleging claims relating to the Firm's role as Indenture Trustee, defendants filed a motion to dismiss the Amended Complaint on May 24, 2007.

IPO allocation litigation. With respect to the IPO securities cases, on May 18, 2007, the United States Court of Appeals for the Second Circuit entered an order reaffirming its April 6, 2007, denial of plaintiffs' petition for panel rehearing of the Court's December 5, 2006, decision on class certification. The May 18 Order further noted that plaintiffs' petition for rehearing en banc had been transmitted to all eligible judges and that no such judge requested that a vote be taken thereon. On May 30, 2007, the Second Circuit issued its Mandate, whereby the Court ordered that the judgment of the District Court be vacated and remanded for further proceedings in accordance with the Court's December 5, 2006 opinion, and Plaintiffs are scheduled to file amended complaints and motions for class certification in the District Court.

By stipulation dated June 22 and so ordered on June 25, 2007, the proposed settlement of plaintiffs' claims against 298 of the issuer defendants in these cases was terminated. JPMorgan Chase had previously notified plaintiffs on December 13, 2006, that the preliminary "memorandum of understanding (MOU)" outlining terms of a "proposed settlement" as between plaintiffs and JPMorgan Chase is unenforceable.

Plaintiffs' appeal to the Second Circuit from the District Court's February 28, 2006, final judgment dismissing the LaSala Actions was voluntarily dismissed with prejudice on June 11, 2007. On June 22, 2007, the Second Circuit issued its Mandate withdrawing the appeal. Underwriter Defendants have requested that the District Court enter judgment in the remainder of the LaSala Actions in which judgment had been withheld pending appellate proceedings.

With respect to the IPO antitrust cases, on June 18, 2007, the United States Supreme Court reversed the Second Circuit's reversal of the District Court's November 3, 2003 dismissal decision, thereby holding that the cases must be dismissed.

National Century Financial Enterprise litigation. On June 14, 2007, the Court lifted most of the remaining stay on discovery. The parties are exchanging documents and preparing for deposition discovery.

In re JPMorgan Chase Cash Balance Litigation. On May 30, 2007, the United States District Court for the Southern District of New York certified a class in this action. The class includes current participants in the JPMorgan Chase Retirement Plan with claims relating to inadequate notice of plan changes stemming from January 1, 2002, forward and age discrimination claims going back as far as January 1, 1989. The class excludes former participants who have elected to receive a lump sum cash payment of their retirement benefits. The Court reserved the right to revisit its class certification decision pending resolution of a similar case that is now before the United States Court of Appeals for the Second Circuit. Fact discovery concerning both the notice and age discrimination claims is ongoing, but is limited to the period January 1, 2002, and thereafter.

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 consolidated financial condition of the Firm. 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 upon, among other factors, the size of the loss or liability imposed and the level of JPMorgan Chase's income for that period.

Item 1A Risk Factors

For a discussion of risk factors affecting the Firm, see Part 1, Item 1A, Risk Factors, on pages 4–6 and Forward-Looking Statements on page 147 of JPMorgan Chase's 2006 Annual Report.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

During the second quarter of 2007, there were no shares of common stock of JPMorgan Chase & Co. issued in transactions exempt from registration under the Securities Act of 1933, pursuant to Section 4(2) thereof.

On April 17, 2007, the Board of Directors authorized the repurchase of up to $10.0 billion of the Firm's common shares. The new authorization commenced April 19, 2007, and replaced the Firm's previous $8.0 billion repurchase program.

The actual amount of shares repurchased under the new $10.0 billion program will be 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 time tables; may be executed through open market purchases or privately negotiated transactions or utilizing Rule 10b5-1 programs; and may be suspended at any time.

For the three and six months ended June 30, 2007, under the respective stock repurchase programs then in effect, the Firm repurchased a total of 36.7 million shares and 117.6 million shares for $1.9 billion and $5.9 billion at an average price per share of $51.13 and $49.97, respectively. Of the $1.9 billion repurchased in the second quarter of 2007, $395 million was repurchased under the original $8.0 billion stock repurchase program, and $1.5 billion was repurchased under the new $10.0 billion stock repurchase program. For the three and six months ended June 30, 2006, under the respective stock repurchase programs then in effect, the Firm repurchased a total of 17.7 million shares and 49.5 million shares for $745 million and $2.0 billion at an average price per share of $42.24 and $41.14, respectively. As of June 30, 2007, $8.5 billion of authorized repurchase capacity remained under the new stock repurchase program.

The Firm has determined that it may, from time to time, enter into written trading plans under Rule 10b5-1 of the Securities Exchange Act of 1934 to facilitate the repurchase of common stock in accordance with the repurchase program. A Rule 10b5-1 repurchase plan would allow 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.

The Firm's repurchases of equity securities during the second quarter and the first half of 2007 were as follows:

For the six months ended June 30, 2007	Total open market shares repurchased	Average price paid per share[(a)]	Dollar value of remaining Authorized repurchase[(b)] (in millions)
First quarter	**80,906,259**	**$ 49.45**	**$ 1,212**
Repurchases under the $8.0 billion program:			
April 2 – April 18	8,043,500	49.06	—[(c)]
Repurchases under the $10.0 billion program:			
April 19 – April 30	3,250,000	52.25	9,830[(d)]
May	14,914,362	52.36	9,049
June	10,468,924	50.62	8,519
Second quarter	**36,676,786**	**51.13**	
Year-to-date	**117,583,045**	**$ 49.97**	

(a) Excludes commission costs.
(b) The amount authorized by the Board of Directors excludes commissions cost.
(c) The unused portion of this program was cancelled when the replacement program was authorized.
(d) Dollar value under new program of $10.0 billion.

In addition to the repurchases disclosed above, 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 pursuant to these plans during the second quarter and the first half of 2007 were as follows:

For the six months ended June 30, 2007	Total shares repurchased	Average price paid per share
First quarter	**2,588,707**	**$ 49.98**
April	85,309	48.71
May	1,297	53.63
June	5,202	50.30
Second quarter	**91,808**	**48.87**
Year-to-date	**2,680,515**	**$ 49.95**

Item 3 Defaults Upon Senior Securities

None

Item 4 Submission of Matters to a Vote of Security Holders

The Annual Meeting of Stockholders of JPMorgan Chase was held on May 15, 2007. For a summary of the matters submitted to vote at the meeting, see the Firm's Current Report on Form 8-K dated May 18, 2007, which is incorporated herein by reference.

Item 5 Other Information

None

Item 6 Exhibits

31.1 – Certification
31.2 – Certification
32 – Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURE

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

JPMORGAN CHASE & CO.
(Registrant)

Date: August 9, 2007

By /s/ Louis Rauchenberger
Louis Rauchenberger

Managing Director and Controller
[Principal Accounting Officer]

INDEX TO EXHIBITS

SEQUENTIALLY NUMBERED

EXHIBIT NO.	EXHIBITS	PAGE AT WHICH LOCATED
31.1	Certification	124
31.2	Certification	125

The following exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that Section. In addition, Exhibit No. 32 shall not be deemed incorporated into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

32	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	126

Exhibit 31.1
JPMorgan Chase & Co.

CERTIFICATION

I, James Dimon, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 Consolidated 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 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 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 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: August 9, 2007

/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 quarterly report on Form 10-Q 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 Consolidated 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 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 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 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: August 9, 2007

/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 Quarterly Report of JPMorgan Chase & Co. on Form 10-Q for the period ended June 30, 2007 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: August 9, 2007 By: /s/ James Dimon

James Dimon
Chairman and Chief Executive Officer

Date: August 9, 2007 By: /s/ Michael J. Cavanagh

Michael J. Cavanagh
Executive Vice President and Chief Financial Officer

This certification accompanies this Form 10-Q 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.