TREASURY & SECURITIES SERVICES

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JPMorgan Chase & Co.

Treasury & Securities Services is a great business

State of the business

	Treasury Services (TS)	Worldwide Securities Services (WSS)
Deep and stable client relationships	~2,600 significant clients - 84% of Fortune 500 companies 650 clients with >$1mm in revenue Top 500 clients are ~80% of revenue	~1,500 significant clients - 86% of top 50 global asset managers[3] 400 clients with >$1mm in revenue Administer over 20,000 funds
Strong competitive position	#1 global clearer of U.S. dollars[1] #1 (tied) share leader in U.S. Large Corporate Treasury Management Market Penetration providers[2]	#2 global custodian by AUC[4] with $16.9T Ranked #1 of the 5 largest providers[5] #2 in number of sponsored ADR shares[6]
Global presence	International revenue grew 22% in 2011 Conduct business in 66 countries; expanded capabilities in more than 20 countries Leveraging GCB expansion (75 bankers hired in 32 countries) Corporate clients with >$1mm in international revenue up 19%	62% of 2011 revenue outside North America Conduct business in 100 markets #1 in Luxembourg and #3 in Dublin offshore fund centers[7] Non-North America AUC up 14% in 2011

Capital friendly businesses, with scale benefits and high barriers to entry; steady revenue and earnings; strong long-term secular trends

[1] Federal Reserve, Clearing House for Interbank Payments (CHIPS), and Ernst & Young
[2] Greenwich Associates, 2011
[3] As ranked by Global AUM by *Institutional Investor*
[4] JPM and competitor 4Q11 financial reports
[5] *Global Custodian,* 2011
[6] Various global exchanges, as of November 2011
[7] Lipper's 17th Annual Luxembourg & Ireland Fund Encyclopedias

Performance summary – Stable earnings with upside

State of the business

Key financials

($mm)	2010	2011	2011 YoY Growth
Worldwide Securities Services	$3,683	$3,861	5%
Treasury Services	3,698	3,841	4
Revenue	$7,381	$7,702	4
Expense	5,604	5,863	5
Pre-Provision Pretax	$1,777	$1,839	4%
Credit Costs	(47)	1	NM
Net Income	$1,079	$1,204	12%
Key Statistics			
Pretax Margin	23%	24%	
ROE	17	17	
Avg. Liability Balances ($B)	$248.5	$318.8	28%
Assets under Custody ($T)	$16.1	$16.9	5
International			
Revenue	$3,624	$4,222	17%
Avg. Liability Balances ($B)	$146.4	$180.1	23
AUC ($T)	$6.3	$7.1	14
EOP Trade Finance Loans ($B)	$21.2	$36.7	73

Comments

- Key business drivers trending higher
  - TSS average liability balances up 28%
  - Non-North America AUC up 14%; total AUC at record level
  - Number of funds serviced up 13%
  - Global payment volumes up 4%
  - International clearing volumes up 8%
  - Trade loans (mostly international) up 73%
- Revenue up 7% YoY, adjusted for Card transfer
  - TS revenue up 10% YoY, adjusted for Card transfer
  - International revenue up 17%
    - APAC up ~$260mm, 26% YoY
    - EMEA up ~$270mm, 11% YoY
- Pre-provision pretax up modestly, including
  - Continued investment, including the international build-out
  - Exit costs taken to reshape business

Effective January 1, 2011, the commercial card loan business of approximately $1.2 billion that was previously in TSS was transferred to Card. The prior-year periods were not revised

Reaffirming performance targets for the business

	Margin impact / timing
Margin improvement opportunities International growth	~5% / 2012-14
Normalization of interest rate levels	~6% / TBD

Pretax margin

2011	Target
24%	35% +/-

ROE

2011	Target
17%	25% +/-

Leveraging firmwide capabilities will help deliver high top-line growth and higher margins

Margin improvement initiatives can add 3-5% to TSS' pretax margin

Treasury & Securities Services

~3,500 GCB significant clients

55% of revenue generated outside North America

~28,000 employees (~55% outside of U.S.)

Clients located in over 170 countries and territories around the world

Investment Bank / Global Corporate Bank

- Strong firmwide relationships: 78% of top clients shared across the IB and TSS
  - Enhanced firmwide strategic planning for largest clients
  - $200B+ of global exposure to GCB clients
  - Over 80% of 2011 TS firmwide revenue growth from GCB covered clients[1]
- Delivering differentiated solutions to clients
  - Prime Custody; Collateral Management; Supply Chain Finance; Commodities Finance
  - Largest USD clearer worldwide
- Value for Scale: leveraging platforms across IB/TSS (collectively $1.6B in expense across common areas)
- $1B+ multi-year investment plan to support expansion outside the U.S.

Commercial Bank

- 75% of CB clients use Treasury Services products
- Leveraging cash management and trade finance platform in CB international expansion
- $2.3B in revenue in 2011

Asset Management

- TSS largest distribution channel for AM money market funds: ~ $90B as of 2011
- Client referrals to WSS

Retail Financial Services

- Leverage common DDA platform
- Consumer Business Banking clients use TS services ($215mm in 2011, up 10% YoY)

[1] Adjusted for Card transfer

Efficiency efforts will allow us to improve our margins while continuing to invest

Margin improvement initiatives can add 3-5% to TSS' pretax margin

	Activities	Key metrics
Redeveloping key platforms	■ Automation and platform renovation ■ Legacy consolidation/decommission ■ Distributed operating model ■ Virtualization/capacity on demand	■ Increased business volumes with modest application production support growth of 5% (CAGR '07 to '11) ■ Custody volume (+8%) ■ NAVs produced (+14%) ■ OTC derivatives (+30%)
Increase technology efficiency	■ Optimize location strategy ■ Less reliance on vendors ■ Agile development methodology	■ Staff located in low cost sites (26% to 40%) ■ 11% improvement in cost per head ■ Improvement in quality of application functionality and time to market
Process re-engineering	■ Streamline fund accounting processes ■ Receivables workflow automation ■ Global payments process/self-servicing	■ 9% improvement in cost per NAV ■ 100% improvement in checks processed per head
Invest in new development	■ International expansion of core capabilities ■ Improved collateral management capability ■ Global asset servicing platform ■ Global trade platform implementation ■ Next generation cash management platform	■ Development as a % of total spend increased from 60% to 73% ■ Total development spend increased 20% (CAGR '07 to '11)

Disciplined management of client profitability and non-core activities

Margin improvement initiatives can add 3-5% to TSS' pretax margin

Managing client profitability

- New client management structure with P&L accountability (regional)
  - Historically product-led structure only
- Greatly enhanced client-level planning for largest TSS clients – Coordinated across the firm
- Redirecting resources, focusing on clients with good returns and growth potential
- Directing investment dollars aligned with client strategy and largest revenue opportunities

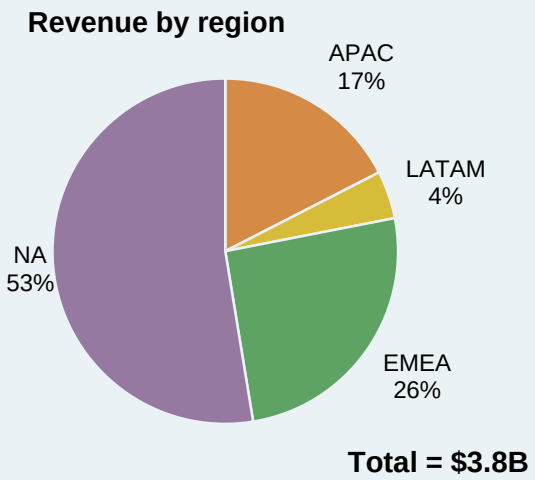
Focused on our core business

- Exiting sub-scale businesses with no linkage to strategy and/or little growth opportunity
  - Majority of financial impact already recognized
- Reevaluating select markets and client segments to exit those with unattractive risk/return profiles

We already have very successful global franchises in both TS and WSS

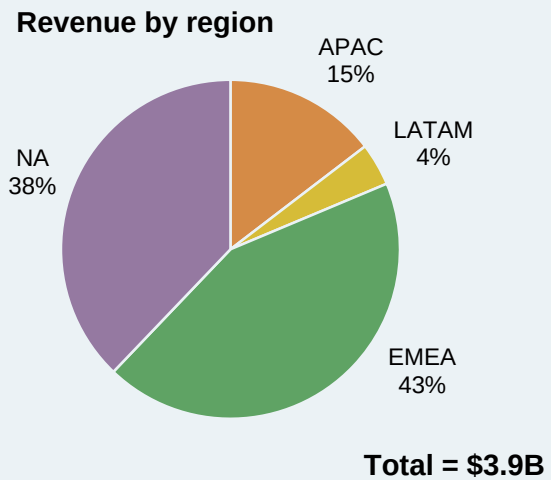
International opportunities will help generate revenue growth and attractive margins

47% of TS revenue come outside North America



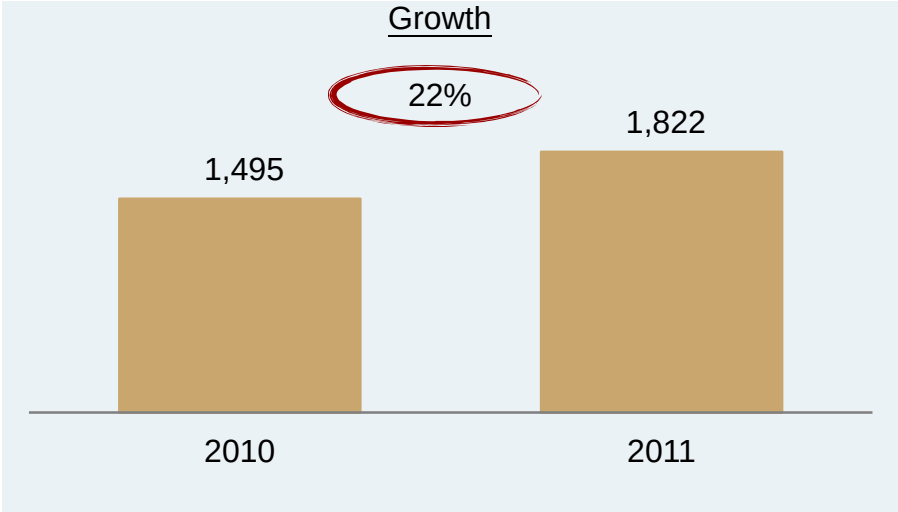
- Over 13,000 employees, with nearly 6,000 people in 90 locations outside the US
- 57% of liability balances outside NA; virtually all (96%) of trade assets are international

WSS is our most global business

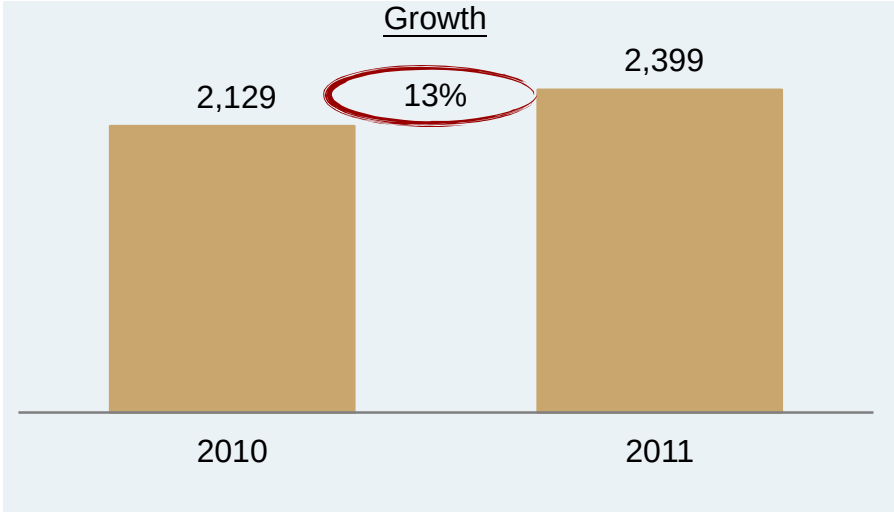


- Over 13,000 employees, with over 9,000 people in 72 locations outside the US
- 42% of AUC from clients domiciled outside NA; 28% of AUC serviced outside NA

TS international revenue 2010-2011 ($mm)



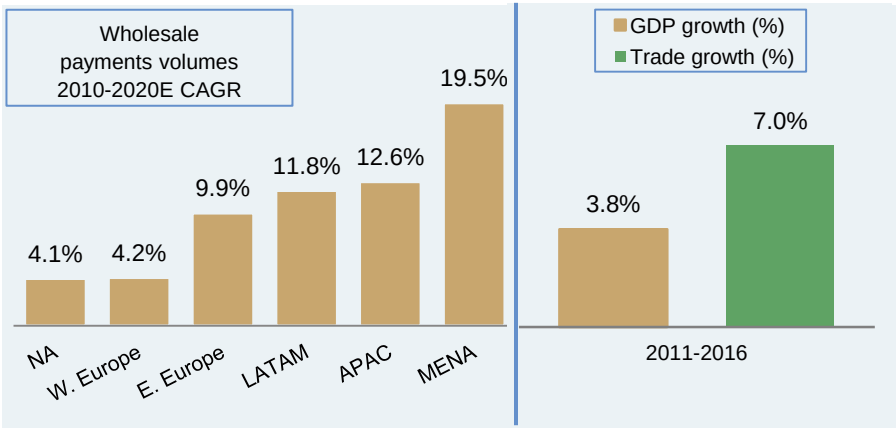
WSS international revenue 2010-2011 ($mm)



Secular trends will help further accelerate international growth

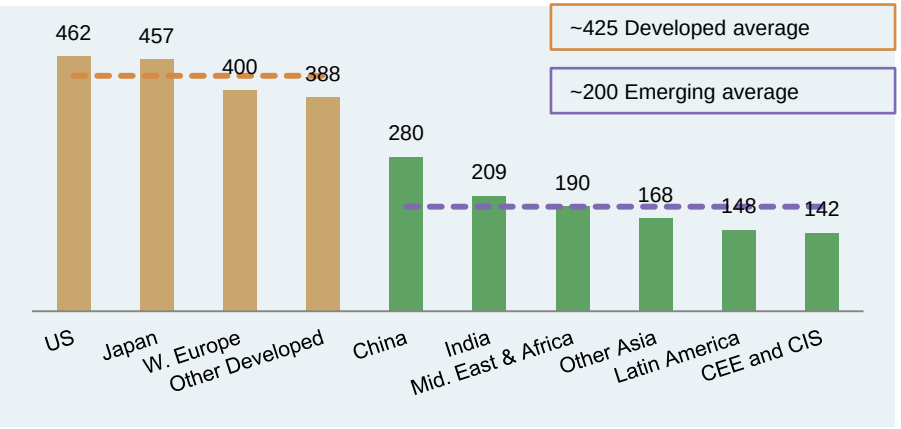
International opportunities will help generate revenue growth and attractive margins

Transaction Services and Trade Finance – positive long-term outlook



Source: Boston Consulting Group, IMF estimates. MENA is Middle East North Africa

Financial market depth as % of GDP[4] – Emerging markets are a big long-term opportunity



Source: McKinsey Global Institute

Key drivers of TS growth

- Global payments are expected to grow 9% between 2010-2020E[1]
  - Cross-border payments to grow 11%[1]
- Global trade growing at ~2x rate of GDP growth[2]
- Emerging markets account for 50+% of GDP growth and are the fastest growing markets for Payments and Trade[3]

Key drivers of WSS growth

- Global investment flows are growing
- Need for retirement savings is increasing (e.g., aging population)
- Complexity is driving clients' need for partner (asset servicing, margin pressures and regulatory changes)

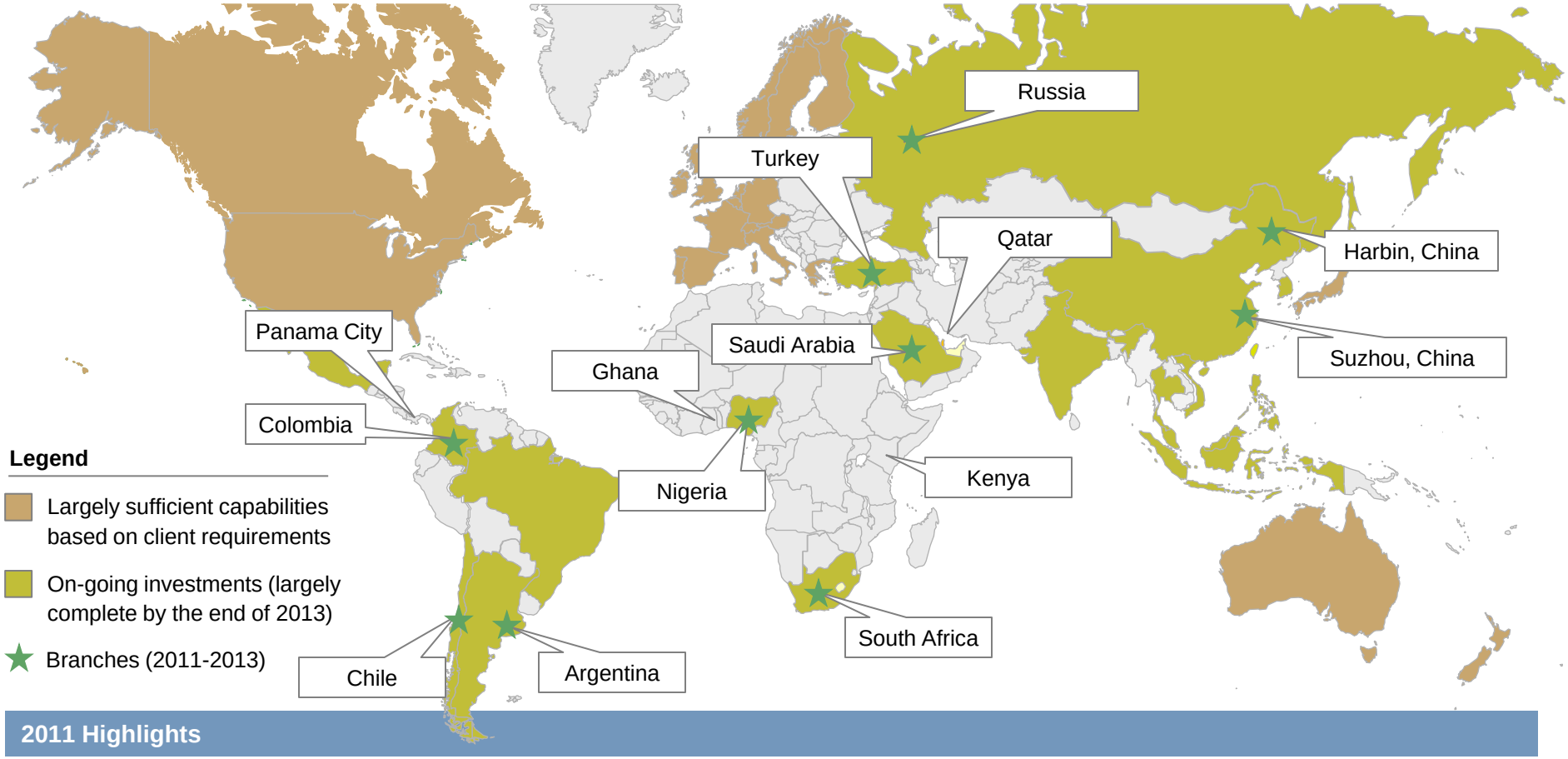
TS will benefit from increasing cross-border economic activity

WSS will benefit from deepening Capital Markets and changes in client behavior and needs

[1] Boston Consulting Group
[2] World Trade Organization
[3] International Monetary Fund
[4] Based on 2010 data. Depth of a country's financial markets is a function of the aggregate value of outstanding bonds, loans, and equity relative to the country's GDP. CEE is Central and Eastern Europe. CIS is Commonwealth of Independent States

Local capabilities to support GCB strategy will be largely established by 2013

Global Corporate Bank helping drive international growth across IB and TSS



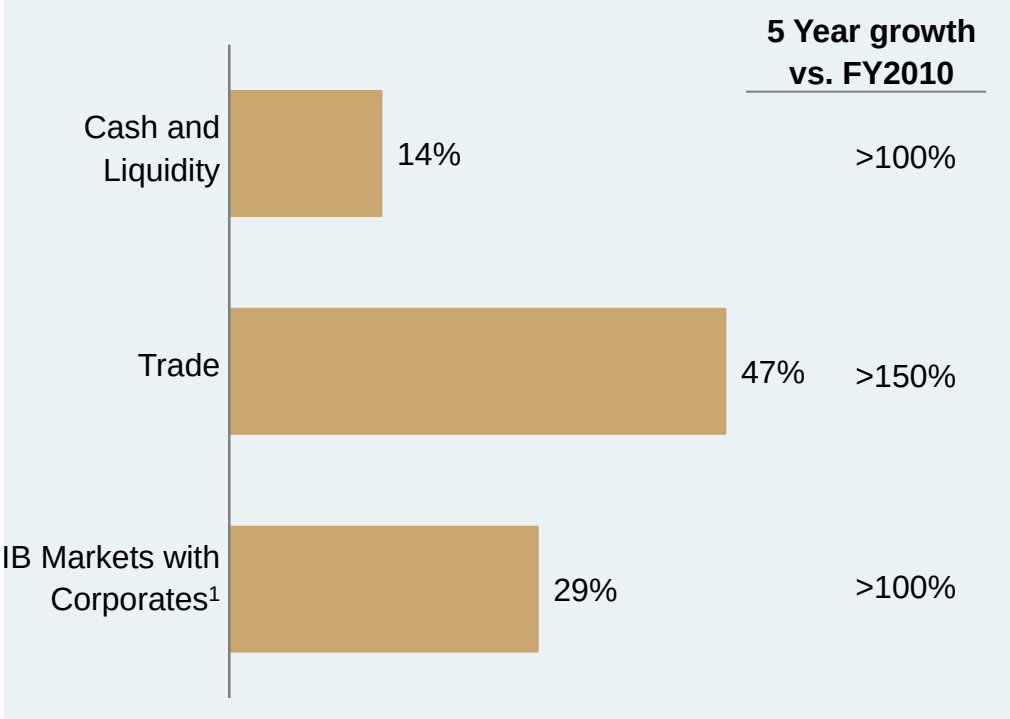
2011 Highlights

- Opened our 6th branch in China (Harbin) and received permission for another one in Suzhou
- Opened expanded branches in Saudi Arabia and South Africa and rep offices in Qatar and Panama City
- Hired 75 Corporate Bankers in 32 countries
- Built Trade Finance capabilities in 9 countries
- Invested $200mm to expand local lending and payment/deposit capabilities in 20+ countries
- Holistic effort looking at target client needs against firmwide product capabilities and infrastructure
- Long-term plan for building Sub-Saharan Africa – Starting from South Africa and Nigeria

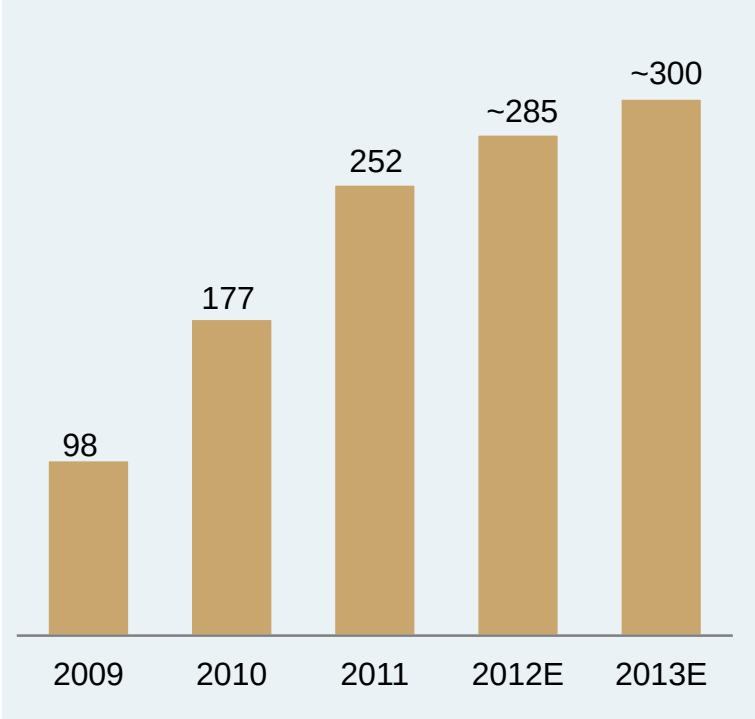
International revenue growing significantly and banker hiring close to completion

Global Corporate Bank helping drive international growth across IB and TSS

International revenue growth – FY11 vs. FY10



Bankers



[1] Markets include Commodities, FX, and Rates for Corporate clients only

- **Vast majority of revenue growth coming from deeper penetration of existing clients. More than half from cross-selling new products and/or new geographies**
- **On track to deliver $1B+ in incremental annual pretax across IB and TS by 2015**
- **Investment spend largely complete by the end of 2013; positive contributor to profit growth and margin (over time) for TSS**

Significant international wins in 2011 generate good momentum

Global Corporate Bank helping drive international growth across IB and TSS

- **Client Need**
  - Achieve bank account rationalization across 15 countries in Asia Pacific
- **JPM Solution**
  - Employed consultative and solutions based approach to propose optimized account structure
  - Provided dedicated regional and in-country technical and implementation resources to manage deployment of the proposed solution over a 7-year period, while minimizing impact to existing operations

- **Client Need**
  - Transition of $12.5bn of custodied assets to a captive asset management entity
- **JPM Solution**
  - One of the largest and most complex transitions of its kind -- had to meet legal, regulatory and tax issues across 30 emerging markets
  - Engaged the IB's trading desk for execution
  - JPMorgan was also retained as global custodian for the assets

- **Client Need**
  - Unlock value from its supply chain, manage counterparty risk and improve working capital management
- **JPM Solution**
  - Implemented a $350 million structured receivables purchase solution across Europe, North America, Asia Pacific and the Middle East
  - Reduced the client's Days Sales Outstanding (DSO) from 30 days to between five and seven days
  - Purchased more than $1.3 billion worth of receivables to date

- **Client Need**
  - $3 billion financing, global liquidity and cash management
- **JPM Solution**
  - Acted as Joint Bookrunner on Vale´s 5-year, $3 billion Revolving Credit Facility. The transaction set a record as the tightest priced Brazilian corporate deal since 2008 and was the first jumbo transaction in the 2011 Latin American syndicated loan market
  - J.P. Morgan was also selected as Vale's global bank for USD liquidity and cash management

Low rates: limited additional downside (and a lot of upside), partly mitigated by balance growth

Significant increase in deposit inflow since last year's Investor Day

Overall balance growth of ~$100B →

- ↑ **$60B flight to safety**
- ↑ **$40B franchise**

- Flight to safety balances
  - Accommodating clients
- Franchise balance growth
  - Largely international

Annual NII impact of higher rates

1-month rate rise of 100 bps → ↑ **+/- $350mm**

10-year rate rise of 100 bps → ↑ **< $50mm**

- Spread compression fully recaptured with ~200bp rise
- NII if rates stay flat over the next 12 months is negative ~$50mm

Rate normalization alone would bring pretax margin to ~30%

Regulation: driving incremental cost, largely in current run-rate

Changes will require work

- 130+ regulatory changes impacting the business
- In addition, heightened expectations relative to existing regulation
- It will increase the cost and affect the service that clients receive from banks
  - Opportunity to distinguish ourselves

Impact is largely in run-rate

- Expense up significantly since 2008
  - Regulatory and compliance costs up ~$100mm
  - FDIC expense up ~$170mm
- Managing at Basel III capital rules now
  - Capitalized at 9%, with $7.5B in allocated capital
  - New business evaluated using new hurdles and returns remain strong
- Basel III liquidity rules not final
  - TSS is a positive contributor to liquidity for the firm
  - Product and pricing enhancements likely (particularly for financial institutions)

TSS is well positioned to adapt to higher regulatory burden and help clients as they face increasing complexity

Closing thoughts: confident about the future

- Great businesses with good momentum coming out of 2011
- Realizing margin improvement
  - Leverage firmwide relationships, capabilities and coordination (client planning; Value for Scale)
  - Focus on business profitability, core activities, and target clients
  - Ongoing cost efficiencies within TSS
- Capturing significant international growth opportunities
  - Strong global client relationships, but under-penetrated wallet
  - Secular growth of underlying TS and WSS markets
- Navigating headwinds – Largely in current results, with upside
  - Low interest rates
  - Regulatory expense
- Reaffirming performance targets for the business