



2008 Annual Report

Pre-release letter to stockholders

William Jameson, CEO

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Executive Summary

To My Fellow Shareholders,

This past year has most certainly been a trying time for us and our country. Beginning in late 2007 and into 2008 we have all been participatory in the most dramatic economic events of our lifetime. Nationally there has been profound concern over the safety and quality of investment portfolios held by institutions as well as individual holdings. So before we send out our detailed annual report I want to take an opportunity and provide a short summary of significant events and what they mean for our company.

May I also point out how proud I am as CEO of the work of our entire company team. Much was accomplished under extraordinary circumstances to ensure the stability of our various departments in weathering this storm, and I am pleased to inform you these unprecedented actions have significantly reinforced our balance sheet and the stability of our equity holdings.

Clearly this year was out of the norm for even recessionary standards as we have come to experience them. We expected and incurred significant asset degradation, with revenue reductions across almost all divisions. What we did not expect is how well we performed in key areas of our business. The report will show how steps taken of our own initiative, as well as those we were asked by the United States government to undertake, have put us on a trajectory of solid growth for the coming years.

JP Morgan Chase, in the midst of this crisis has emerged as one of the strongest financial institutions in the country, and all of us are fervently proud to have played such a significant role in securing this position. New opportunities now lay before us, and we shall embark upon them with the strength of our resources, and the conservative leadership you have come to trust.

Bill Jamieson

Chief Executive Officer

CONTENTS

Executive Summary 2

The Federal Intervention 4

Figure 1.1 Acquisitions

Figure 1.2 Retail Operations

Table 1 Financial Performance

Performance Summary by Division 5

Figure 2.1 Managed Net Revenue

Market Impact 5

Figure 2.2 Net Revenue & Income

Earnings 6

Table 2 Earnings by Line of Business

Moving Forward 7

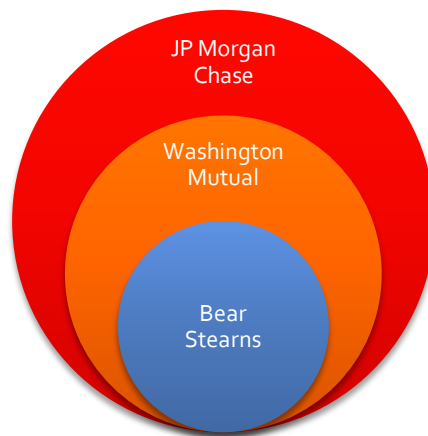
The Federal Intervention

As many of you know, we were called upon by the government to thwart the collapse of the Bear Stearns Investment Group and Washington Mutual Bank (WaMu). The method was acquisition, which resulted in our complete takeover of their holdings. These measures were part of a series of vital steps taken by JP Morgan and other financial institutions to stop what purported to be a complete melt-down of our financial system. Bear Stearns and WaMu are now wholly owned assets of JP Morgan Chase. Upon completion of signage changes, they will cease to exist, and business operations will continue under the Chase masthead. With the acquisition of WaMu we have grown to over 5000 branches in 23 states, adding 7200 bankers and giving us a total of 14,500 ATM's, now the second largest network in the United States. A necessary component however of these mergers was the write-down of significant portions of both institutions investment portfolios, which is reflected in our overall profitability for the year.

Figure 1.1

Acquisitions

JP Morgan Chase Acquire Bear Stearns Investment Group and Washington Mutual Bank.



RETAIL OPERATIONS

- ▲ **SIZE**
Now over 5000 Retail Branches in 23 States
- ▲ **RETAIL SERVICES**
7200 Bankers added
- ▲ **CONVENIENCE**
14,500 ATM's nationally

Figure 1.2

Retail Operations

Chart at right showing year to year comparison of branch facilities. (in thousands)

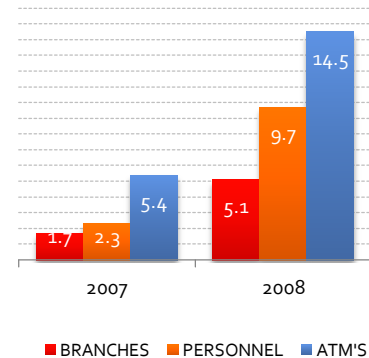


TABLE 1: FINANCIAL PERFORMANCE: 2008 MERGER EFFECT (IN MILLIONS)

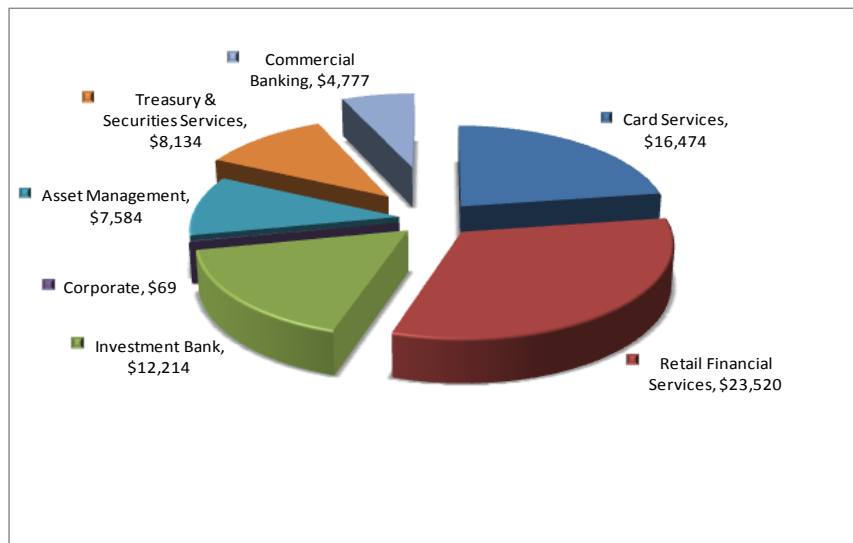
	2007	2008
NET REVENUE	\$71,352	\$67,252
PROVISION FOR CREDIT LOSSES	\$6,864	\$20,979
TOTAL NON-INTEREST EXPENSE	\$21,743	\$43,500
NET INCOME	\$15,365	\$5,605

Performance Summary by Division

It is important to note that while the year overall saw a dramatic collective reduction in our earnings, this was to be expected. What was not expected is how well we fared in respect to competitive interests. Not only that, several of our divisions reported strong profitability, particularly the commercial banking and treasury divisions, which respectively set new records both in total revenue and profitability. By division, our total 2008 revenue breakdown was as follows:

Figure 2.1

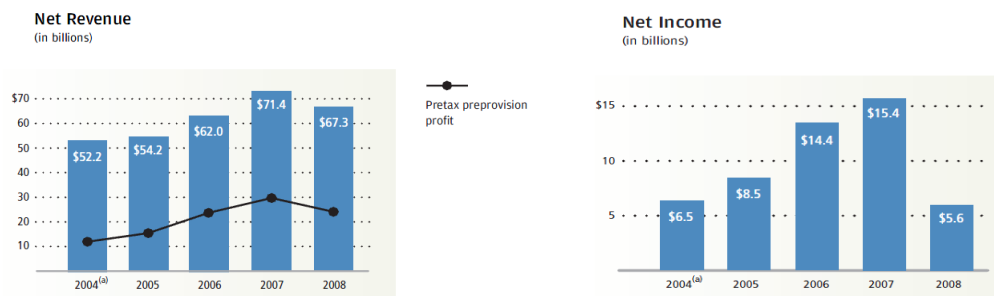
Managed Net Revenue^(a) by Line of Business (in millions)



Market Impact

To better understand the measures we took and their corresponding results, it is important to underscore the impact market events had on our positions in particular, and what we did in response. In the charts below, note that while our pretax earnings revenue endured only a very modest downturn, our profitability dropped substantially.

Figure 2.2



Two primary factors influenced this, the increase in credit costs for consumer and mortgage loans due to recessionary influences, and investment banking write-downs of more than 10 billion dollars. These write-downs were a result of leveraged lending, mortgage exposure, and our acquisitions of Bear-Stearns and Washington Mutual. These events dramatically influenced our performance, and yet in comparison to our competitors, we fared far better than the norm.

Earnings

While monumental effort was expended in shoring up weak performing investment assets, our other business divisions performed quite well given market conditions. Certain factors were all but unavoidable in our retail banking operations. A year over year comparison below belies this condition, and yet in the midst of such turmoil we still were able to show improvement in two important areas, commercial banking and treasury securities.

Our retail financial services division overall took a hard dip downward from 2007 as seen below, but does not reflect the true performance of the division's subunits. The consumer lending department took the full brunt of recessionary losses of \$ 2.1 billion; while the retail banking sector earned over \$3 billion, setting a new performance record.

TABLE 2

Earnings by Line of Business (in millions)

	2004	2005	2006	2007	2008
Investment Bank	\$ 3,654	\$ 3,673	\$ 3,674	\$ 3,139	\$ (1,175)
Retail Financial Services	3,279	3,427	3,213	2,925	880
Card Services	1,681	1,907	3,206	2,919	780
Commercial Banking	992	951	1,010	1,134	1,439
Treasury & Securities Services	231	863	1,090	1,397	1,767
Asset Management	879	1,216	1,409	1,966	1,357
Corporate	(4,172)	(3,554)	842	1,885	557
	\$ 6,544	\$ 8,483	\$ 14,444	\$ 15,365	\$ 5,605

Moving Forward

This highly condensed letter is of course only meant to serve as a precursor to the full annual report you shall be receiving in approximately 3 weeks. The full report will clearly detail how our strong balance sheet has put JP Morgan Chase in a highly advantageous position to grow our commercial and retail loan services divisions even more-so than our previous strategic planning would have allowed for.

Even without the acquisition of WaMu, our own organic growth never stopped all through this market downturn, as we opened 500 new branches in continuance of our previous objectives. We will cautiously move to strengthen these endeavors through conservative management of our cash reserves and tightened lending standards in the mortgage and investment banking areas.

An important consideration for all of our shareholders is the recognition that JP Morgan Chase has weathered every market downturn great and small since its inception, and came out stronger and more secure in every event. Sound financial management hasn't made us the biggest, but it has made us one of the best.

We shall continue upon this path, and look forward to 2009 and on with the security and vitality you have come to trust in JP Morgan Chase.

