Investment Bank

"J.P. Morgan's financial strength, client base and capabilities are unparalleled ... we are positioned to serve clients as they expand globally."

In late 2009, I rejoined the Investment Bank after 10 years in Asset Management. Obviously, there were many changes during that decade as world GDP nearly doubled and the digital revolution impacted consumers, businesses and countries on a global scale.

I'd like to highlight three changes that are particularly meaningful for our business. First, technology ceased to be "support" for trading and banking; it now is part of J.P. Morgan's client offering. Second, countries like China, long tagged "emerging," today are powerful and important; this antique label no longer applies. Third, J.P. Morgan became both a universal bank and a leading investment bank, with financial strength, capabilities and a client base unparalleled in global finance.

The Investment Bank now serves approximately 16,000 investor clients and 5,000 issuer clients. No doubt the financial crisis helped us gain share – we were the safe harbor and, subsequently, as the recovery took hold, a port of opportunity.

Fortunately, it isn't in our nature to take success for granted – it's our firm's culture to continually earn and re-earn client trust.

2010 Results: Near Record Performance

The Investment Bank generated solid returns. Net income was $6.6 billion on revenue of $26 billion, just short of 2009's record levels. ROE was 17% on $40 billion of capital – our through-the-cycle target.

J.P. Morgan's debt markets leadership, combined with investor confidence and low interest rates, enabled corporates to prepare their balance sheets for long-term growth. Clients made good progress, although the Gulf oil spill, sovereign debt concerns and regulatory uncertainty challenged markets. As well, the mid-year "flash crash" was a healthy reminder that technology can outpace control.

Customers, spearheading the recovery, selected J.P. Morgan for numerous public and private capital raises. We were privileged to work for many prominent clients like General Motors, the Agricultural Bank of China and Novartis.

We expanded our market-making footprint, adding local capabilities in important countries like Russia and Brazil. China's approval of our securities joint venture means a larger in-country presence and the ability to participate in domestic underwriting. Three of the top five exchanges for IPOs last year were in China, accounting for nearly 40% of dollar volume.

An emphasis on liquidity, derivative book repositioning and trading discipline led to our best-ever revenue-to-risk relationship. There were no trading-day losses in three of the last four quarters.

The Sempra acquisition added skill and capacity, particularly in oil and base metals, and 1,000 clients. J.P. Morgan now serves client needs across all important physical and financial commodity markets.

The formation of our Markets Strategies group, with senior management and advanced quantitative and programming talent, brought focus and momentum to electronic trading and related initiatives.

Finally, we made great strides toward delivering the highest proportion of risk-adjusted earnings to shareholders per dollar of compensation in our industry.

2011 Priorities: Serving Clients with Complex Global Needs

While it's gratifying that we maintained a #1 ranking in investment banking fees last year, I'm mindful that league tables do not capture all that we do nor what is necessarily most important to clients. It is the quality of our work and our long-term focus that serves clients, and therefore us, well.

We must prepare for Global Markets revenue to stabilize – although growth is available in some businesses, notably commodities and equities. We are off to a good start; client flows and deal pipelines are strong compared with this time last year. Financing activity and M&A should accelerate as clients gain confidence and deploy balance sheet cash. We're positioned well for an expected comeback in cross-border, transformative acquisitions.

Our greatest opportunity, and challenge, is to deliver the firm to customers with increasingly complex global needs. We've added experienced people to provide management leadership and 360-degree supervision to reinforce client coverage. The Global Corporate Bank initiative helps us to better serve existing and emerging multinational clients.

The multiyear technology program is well under way, building our electronic capabilities, consolidating platforms and increasing efficiency. There is no finish line in technology – it drives efficiency, innovation and competitiveness.

An inclusive environment is the key to winning the war for talent. The best people from the broadest pool mean more points of view, better client solutions and financial performance for shareholders.

Exceptional employees, the right tools, good momentum and impressive leadership in our related businesses (Asset Management, Commercial Banking, Retail Financial Services and Treasury & Securities Services) – it all adds up to a wealth of inner resources that we mine with increasing effectiveness for clients and, ultimately, for our shareholders.

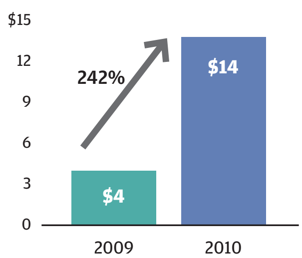
I'm grateful to be a part of this outstanding organization; there has never been a more exciting time to be an investment banker at J.P. Morgan.

Jes Staley
CEO, Investment Bank

2010 Highlights and Accomplishments

- 5,500 sales and trading professionals, 2,000 bankers and 800 research analysts serving clients that operate in more than 100 countries[a]
- 110 trading desks and 23 trading centers around the world executing 3 million trades daily[a]
- Expanded internationally; headcount in China and Brazil increased more than 40%[a]
- Nearly doubled Global Markets revenue since 2007[a]
- Retained #1 global IB fees ranking with 8% market share[b]
- Helped clients raise $505 billion[b] of capital, $18 billion more than any other firm:
  - Almost $440 billion in global debt markets
  - Over $65 billion in global equity markets
- Raised nearly $90 billion[a] for U.S. state and local governments, not-for-profits, healthcare organizations and educational institutions
- Assisted California with a $10 billion bond issuance, the largest municipal transaction of 2010[c]
- Led the market in arranging or loaning more than $350 billion to 420 clients globally[b]

J.P. Morgan-Led Non-U.S. Exchange IPO Volume[b]
(in billions)



- Executed 353 equity transactions, including the two largest ever:[b]
  - General Motors: $23 billion
  - Agricultural Bank of China: $22 billion
- Advised clients on 311 announced mergers and acquisitions globally with a 16% share[b]
- Completed the acquisition of select Sempra assets, enabling us to offer comprehensive commodities solutions
- Won both U.S. Equity and Fixed Income polls in *Institutional Investor's* All-America Research surveys for the first time
- Named Best Financial Services Firm by global undergraduate business students in a poll conducted by Universum

(a) Internal reporting
(b) Dealogic
(c) SDC Thomson

Retail Financial Services

"I would not trade our franchise for anyone else's."

JPMorgan Chase possesses one of the most attractive retail financial services franchises in America, with ample opportunities to grow even after one of the most challenging periods in our history. We have the scale, technology and people to continue to deliver great service for our customers and terrific value to our shareholders.

Retail Financial Services (RFS) serves consumers and small businesses through a range of venues: in-person service at bank branches, auto dealerships and school financial aid offices; telephone banking; automated teller machines; and online and mobile banking. The strength of RFS derives from its scope across two businesses: Retail Banking, and Mortgage Banking, Auto & Other Consumer Lending.

Our 29,000 branch salespeople assist 30 million RFS customers with checking and savings accounts, credit and debit cards, mortgages, home equity and business loans, auto loans and investment advice. Across 23 states, our customers use our 5,300 bank branches and 16,000 ATMs, one of the largest networks nationwide. Our branches also are used to serve customers from other lines of business, including the Commercial Bank and the Private Bank.

Mortgage Banking, Auto & Other Consumer Lending services almost 9 million mortgages and provides new loans through loan officers and correspondents. Our customers also can obtain auto financing through more than 16,000 auto dealerships and student loans at more than 2,200 schools and universities nationwide.

While I remain confident of the value of Chase's retail franchise, I know we can do better than the results we've achieved over the past two years. Fortunately, the core strength of our franchise gives RFS a foundation upon which to grow in 2011 and beyond: We will continue to expand both our branch network and our offerings within those branches, as our mortgage portfolio works its way back toward profitability.

2010 Results: Solid Retail Earnings Offset by Ongoing Mortgage Losses

For 2010, RFS generated net income of $2.5 billion on revenue of $31.8 billion and a return on equity of 9%. These results, while an improvement from 2009, are well below what these businesses are capable of producing and what you should expect from us.

Our core banking and lending businesses performed well and saw solid organic growth throughout the year, but these results were partially offset by elevated credit losses and mortgage repurchase expenses. As well, we made additions to our loan loss reserves for the home loan portfolios, much of which are in run-off mode.

For comparison's sake, if we exclude our Home Lending portfolios and repurchase expenses, RFS earnings were $6.7 billion, with ROE of 37%. This represents the earnings power of RFS, as losses in the mortgage portfolios will decrease significantly in size and, eventually, contribute positively to earnings.

Home Lending
Our Home Lending business continues to go through a turbulent period. Loans acquired from Washington Mutual, as well as some of the Chase-originated loans, continued to perform terribly. While losses and delinquencies decreased from their peaks, they still are at unacceptably high levels.

Our Home Lending portfolios lost $4.2 billion in 2010 (including repurchase expenses). At the same time, we benefited from the refinancing boom, and net income in production (excluding repurchase losses) increased by 58%. We will need to continue managing these two very different issues for the next several years, as losses likely will remain high in the legacy portfolio while we focus on gaining profitable new business.

(Please see my accompanying discussion of the mortgage business on page 38.)

Retail Banking
For 2010, Retail Banking reported net income of $3.6 billion, down 7% from the prior year. Net revenue was down 2% to $17.6 billion, driven by lower deposit-related fees, largely offset by higher debit card income and a shift to wider-spread deposit products.

Adding 3 million new customers every year, our Retail Banking franchise continues its growth trajectory, with strong and increasing brand recognition across the country. Excluding acquisitions, our net income has grown at a compound annual growth rate of 9% since 2005. To deliver that growth, we have maintained our long-standing focus on acquiring and deepening customer relationships and continually investing for the future.

In 2010, we opened 154 new branches and added 3,700 personal bankers, nearly 600 loan officers and 450 business bankers to better serve our customers. We opened 1.5 million net new checking accounts and increased our sales production per branch by 16%. Our cross-sell ratio, at nearly seven products per household, is one of the highest in the industry.

We are not just getting bigger but we are constantly working to serve our customers better – for example, in 2010, innovation in mobile banking with convenient new smartphone applications. More than 17 million customers use our online services, representing a compound annual growth rate of more than 36% since 2006. Finally, the personal touch for which Chase branches are renowned – thanks to our great employees, who constantly strive to provide better advice and service – remains a cornerstone of our business.

2011 Priorities: Growing Our Branch Business with Expanded Offerings across Our Network

The results of the past year validate the essential soundness of our approach to growing our business. Going forward, we intend to remain focused on our customers and our people, which have sustained us during these challenging times.

Continuing to focus on organic growth is our primary goal. We already have more to offer consumers and businesses than most of our competitors, not to mention the stability of JPMorgan Chase standing behind us.

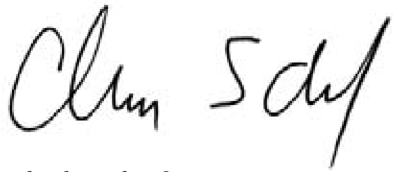
2010 Highlights and Accomplishments

- Despite a difficult environment in 2010, we had strong growth across our Retail Banking franchise, including:
  - Business Banking originations up 104% year over year
  - Branch mortgage originations up 48%
  - End-of-period deposits of $344.2 billion, up 3%
  - Checking accounts of 27.3 million, up 6%
  - Investment sales up 8%
- Exceeded our goal of providing $10 billion of new credit to American small businesses in 2010. We extended credit to more than 250,000 small businesses with annual sales of less than $20 million through Business Banking, Commercial Bank and Business Card businesses. In 2010, Chase's lending to small businesses across the firm was up more than 50%. We were ranked the #1 Small Business Administration lender in America
- Auto Finance achieved record 2010 performance earning net income of $832 million, up 117%, on total revenue of $2.8 billion, up 20%
- Deepened our customer relationships by increasing the number of products and services held by our customers by 7% (from 6.26 to 6.68)
- Held the #1 deposit market share in key cities in our footprint, including New York (16.7%), Dallas (13.6%), Houston (16.2%) and Chicago (12.9%)
- Increased our origination market share in Home Lending to 10.4% from 8.6%
- To date, we have prevented nearly 500,000 foreclosures and offered more than 1 million modifications
- Opened 17 Chase Homeownership Centers across the country to provide one-on-one counseling to borrowers, bringing the total number of centers to 51 and counting

In 2011, we are continuing to add sales staff in our branches to serve customers. As for the branches themselves, we have had great success growing our nationwide footprint – the 1,000 branches built since 2002 have added $150 million to our pretax profits as of 2010, a number expected to grow to more than $1 billion by 2018. Over the next five years, we anticipate building another 1,500-2,000 branches in our existing markets, generating an additional $1.5 billion to $2.0 billion in pretax income when seasoned.

Across the business, we also are pursuing several growth initiatives with great potential for our bottom line. For affluent customers, we plan to open 50 new Chase Private Client locations in 2011, with corresponding investments in staff, technology, products and customized service; we will have more than 150 locations by the end of 2013, primarily in New York, Chicago and Los Angeles. We also are expanding our Business Banking segment, especially in the heritage WaMu footprint. In those markets alone, Business Banking lent $878 million in 2010, up from almost zero a year earlier; our expansion could generate $1 billion in annual pretax income over time. Finally, we continue to advance our leadership in developing new products and services for our customers, such as instant-issue debit cards, QuickDeposit℠ and Chase Instant Action Alerts℠.

The experiences of the past few years have shown beyond a doubt that we have an excellent franchise built on strong business fundamentals. It is a franchise that has weathered a significant economic storm and is built to withstand future shocks. But more important, it is positioned to grow and to strengthen. I would not trade our franchise for anyone else's. This is a great time to be part of Chase, and I look forward to what I believe are even better days to come.



Charlie Scharf
CEO, Retail Financial Services

A Q&A WITH CHARLIE SCHARF ON MORTGAGES

We have learned a great deal from the mistakes of the last few years and are working every day to get the firm's troubled mortgage portfolios into better shape. Here, I answer a number of questions of the kind regularly posed by our customers and shareholders.

What mistakes did the firm make in mortgages, and how can it avoid them in the future?

Frankly, we missed some real basics. Our stress scenarios were not nearly severe enough. We relied too much on backward-looking statistical data to gauge our risk. Over several years, we changed many underwriting processes and requirements, usually in small ways – but, cumulatively, over time, these small changes combined to dramatically change our risk profile in ways we did not fully understand. Most important, we did not understand the ultimate effect these gradual changes (along with government policy) were having on housing prices broadly. All these factors contributed to a risk profile that became outsized relative to our earnings. We know we were not alone in the industry in making these mistakes, but we hold ourselves to a higher standard and know we cannot miss these basics again. We have changed our underwriting standards, processes, analytics and the way we think about risk, and we believe that we will avoid these problems and others like them in the future.

Should JPMorgan Chase still originate and service home loans, given all of the risks?

Yes. Homeownership has been and will continue to be a goal of most people in America, and we want to be there to support it. We are very supportive of mortgage reform and believe a healthy, vibrant mortgage market that supports responsible homeownership can be achieved.

We also believe that being the primary provider of financial products to our customers means we must be a great provider of home lending products. The distribution capacity we have through our bank branches and the relationships we have with more than 55 million customers positions us to be a primary U.S. provider of home loans. Through our retail and credit card businesses, we have contact with these millions of customers nearly every day, and we know their financial health and, often, their long-term financial aspirations. Our goal is to excel at providing these customers with mortgages in the same way as with our other products and services.

Given everything we've read about the health of the mortgage market, what is the current state of JPMorgan Chase's mortgage portfolio?

Speaking just for our firm, we service $1.2 trillion in mortgages and home equity loans – a bit less than 9 million in number – which represents about 12% of the entire market.

You likely have read many alarming things about the mortgage servicing industry, some of which are true but many of which are not. This statistic may surprise you: More than 90% of the mortgage customers we service continue to make timely payments, regardless of the value of their home. And that's true across most of the industry. Fortunately, most people who borrow money – whether it's a mortgage or another type of debt – honor their obligation to pay it back.

Unfortunately, the economic environment has made it difficult for some customers to make their payments. Hard-working people have lost their jobs or seen their income reduced. We have a responsibility to our shareholders, to the communities we serve and to our customers to work with those who want to stay in their homes but are having trouble making payments because of temporary economic hardship. And we have a number of programs to help those people.

When does JPMorgan Chase have to foreclose on a homeowner?

Simply put, we don't want to foreclose on homes. Foreclosure is the last and worst alternative for everyone: the individual, the community, the housing market and the economy more broadly – as well as the firm. We lose around six times more money on foreclosure than on modification.

Sadly, it is the only path for some borrowers. The average loan is over 14 months delinquent when we ultimately foreclose. Of the homes we foreclose on, 57% are not owner-occupied, of which over half were vacant at foreclosure. Another 10% were owner-occupied but vacant at foreclosure, and a further subset of borrowers either did not respond to our efforts to contact them, did not apply for a modification or did not submit the required documentation.

We go to great lengths to prevent foreclosure. We aggressively attempt to contact every customer shortly after becoming delinquent. For a customer having difficulty paying for and still living in his or her home, our goal is to modify the loan. To date, we have prevented nearly 500,000 foreclosures through modifications, forbearance, short sales and other programs; and we have offered more than 1 million modifications, with 285,000 completed. We have prevented two times as many foreclosures as we have completed.

All that said, we do not view it as our responsibility to help those who can pay but choose not to pay simply because the value of their home has fallen.

So why does the firm foreclose on a homeowner?

Generally, for those who we cannot help with modification or other solutions, there are three reasons we foreclose:

1. The mortgage-holder doesn't respond. We cannot help people who don't respond to us or don't send us required information. Regrettably, roughly 20% of these borrowers never respond to more than 100 attempts by Chase to get in touch with them when they go delinquent.

2. We don't receive proper documentation. Approximately 70% of these borrowers either do not send us any or all of the required documentation to apply for a modification. The modification program requires specific documentation from each borrower in order to properly identify the people who can afford a modification. This is easier said than done.

3. The mortgage-holder simply can't afford the mortgage. Finally, of the 10% remaining, the majority are offered a modification but do not make all the necessary payments. And a smaller percentage of mortgage-holders are declined for a modification because it is determined they can afford their current mortgage payment.

   As well, we've learned that not every customer who can afford to continue to live in his or her home wants to do so. In these situations, the best solution is for us to help that customer get out of their existing home through a short sale or deed in lieu. In order to facilitate these solutions, we often offer relocation assistance to another residence.

In addition to the above three reasons, it also must be said that some people knowingly misrepresented facts on their mortgage applications. For example, they overstated income or were purchasing real estate for investment rather than as a residence. Those people hurt the system for everyone. And we are trying hard to ensure such individuals don't receive assistance that should go to homeowners who truly are struggling and are trying to stay in their homes.

What steps has JPMorgan Chase taken to help troubled borrowers?

We have committed significant resources, including adding 6,400 people and reassigning 2,600 current staff, to help with troubled borrowers. We also have opened 51 Chase Homeownership Centers across the country to offer face-to-face counseling, and we plan to open 30 more by the end of 2011. We have assisted more than 120,000 customers through these centers to date. We also host large-scale borrower outreach events and have seen more than 60,000 homeowners through these events.

There is no question that the mortgage market has been through a very painful period for everyone over the past few years. We are seeing signs of a recovery in some parts of the country and are eager to put the foreclosure problems behind all of us. We want to do our part to get the economy moving again.

Card Services

"As we enter 2011, more customers are using our products than at any time in history."

In 2010, Chase Card Services made strong progress in positioning its business for the future, as we gained customers and increased market share of consumer payments. As we enter 2011, more customers are using our products than at any time in history.

The strength of JPMorgan Chase gave Card Services the ability, during the worst three years in the credit card industry's history, to make bold investments across its portfolio: innovative new products, such as our suite of resources for business card holders; a broader-based rewards platform than any other card provider; and ground-breaking services that directly respond to consumer needs. These products and services enable us to build strong and enduring relation-ships with Chase cardmembers, who not only see everyday value in our offerings but also depend on us to help them make progress toward their goals.

Chase's recently introduced proprietary products and features are targeted at vital, profitable segments of the consumer market. Chase Freedom℠, which targets savvy rewards-oriented consumers; Chase Sapphire℠, targeting the affluent market; Ink℠ from Chase, aimed at business card users; Chase Blueprint℠, which helps consumers take charge of their finances; and our Ultimate Rewards℠ program all have shown encouraging early success, with customers using our products for more of their spending.

Even after several challenging years, I never have been more confident about the outlook for Card Services. As we work to help customers manage (and not become overwhelmed by) their personal finances, Card Services enters 2011 in a strong position as credit markets improve and as we strive to make our offerings ever more indispensable.

2010 Results: Sales and Market Share Up amid Product Growth

Card Services ended 2010 with improvements in several key areas across all customer segments. Net income was $2.1 billion compared with a net loss of $2.2 billion in 2009. The improved results were driven by a lower provision for credit losses, partially offset by lower net revenue. Sales volume for 2010, excluding the Washington Mutual (WaMu) portfolio, was $302 billion – a record high and a measure that shows customers are using our products more frequently for their daily needs.

Beginning in 2008, which was the year the financial crisis began, we have consistently gained sales market share for Chase card products. We have gained 234 basis points of market share over those three years, which is 74 basis points more than our closest competitor. Chase's card products are winning in the marketplace and are gaining share across key customer segments.

We continued to streamline our co-brand partnerships, from some 200 in 2008 to approximately 80 in 2010, focused exclusively on aligning Chase with some of the world's best brands, such as Hyatt Hotels and Ritz-Carlton.

Our credit line management strategy has helped improve credit loss trends, as we have closed inactive accounts, removing approximately $50 billion of unused credit lines since 2008; lowered credit lines for high-risk customers; and reduced average credit lines for new accounts. We've changed our approach to risk assessment, looking at customers' debt-to-income and total bankcard debt, as well as their FICO score.

2011 Priorities: Benefiting from Customer Relationships as Consumer Markets Improve

Looking ahead, we continue to be concerned about elevated unemployment levels, an uncertain regulatory environment and the ever-present challenges of driving growth. However, our new products and services are providing plenty of reasons for our customers to use Chase for everyday spending, and we believe growth will come through delivering the best customer service in our industry. In light of this, I have reaffirmed our 20% return on equity target on reduced equity of $13 billion.

A key part of our growth strategy is launching premier products and rewards programs in partnership with brands known worldwide for best-in-class service and value to our joint customers.

To make every interaction an outstanding one, we're looking at every policy, practice, communication and conversation through the customers' eyes. This customer filter is in place throughout our organization, from our Treating Customers Fairly principles; to our new Consumer Practices organization, charged with ensuring that all our marketing promises are clear, simple and transparent; to customer treatment strategies focused on individual needs; to employee accountability for immediately raising issues that affect the customer experience.

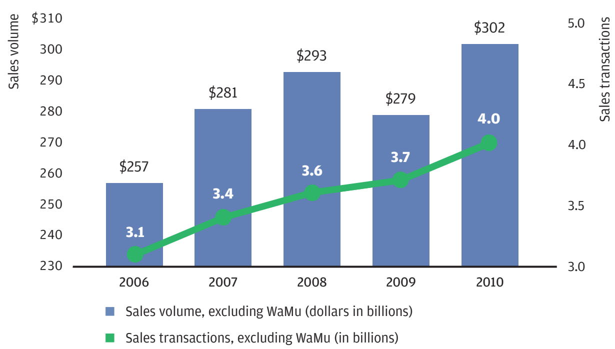
Chase Card Services is excited about the momentum we are building. As evidenced by our sales share gains, the response from our customers to our new products and services has been terrific. Our business is well positioned to continue to gain profitable market share.

Gordon Smith
CEO, Card Services

2010 Highlights and Accomplishments

- Attained record high sales volume of $302 billion (excluding WaMu)
- Attained record high transaction volume of 4 billion (excluding WaMu)
- Increased market share of sales by 234 basis points from 2008 through 2010 (excluding WaMu)
- Added 11.3 million new Visa, MasterCard and private label credit card accounts
- Processed 20.5 billion transactions through Chase Paymentech, a global leader in payment processing and merchant acquiring
- Chase branch network continued to generate approximately 1.5 million new card accounts and more than 40% of revenue from new merchants for Chase Paymentech
- Launched, with Hyatt Hotels, the global hospitality company's first-ever rewards credit card

Sales Volume and Transactions Hit Record Levels in 2010



Note: Sales data exclude cash advances and balance transfers

Commercial Banking

"Even more than the sheer size of our client base, I take pride in our focus on building long-term relationships."

During my 32 years in the industry, I never have been more proud and excited to be a JPMorgan Chase commercial banker. Our business has achieved transformational growth since 2005, the year following the JPMorgan Chase and Bank One merger. In this time, we grew revenue by 73%, loans by 102% and liabilities by 110%, and we more than doubled our operating margin and earnings. We also have expanded our geographic footprint and now operate across 28 states and in more than 115 of the largest cities in the United States and Canada.

Dedicated client service and personalized local banker coverage are fundamental to our banking model. Our client turnover is minimal, and our average client relationship tenor is greater than 14 years. Although our relationships are local, we rely on the global reach of JPMorgan Chase's lending, Treasury Services, Investment Banking (IB) and Asset Management businesses. This partnership across our businesses results in very strong cross-sell, and, on average, our clients use more than eight products per relationship.

2010 Results: Record Earnings amid Strong Cross-Sell and Reduction in Nonaccruing Assets

For Commercial Banking, 2010 proved to be another year of exceptional performance. By staying true to our steadfast discipline in client selection and actively managing our risk, we delivered record revenue of $6 billion, record earnings of $2.1 billion and an ROE of 26%. We also continued to diligently manage expenses – up only 1% from 2009 – resulting in operating margin growth of 8% and a best-in-class overhead ratio of 36%.

This year, our clients generated record gross Investment Banking revenue, up 15% from 2009 to $1.3 billion. This partnership accounted for almost a quarter of the firm's domestic IB fees in 2010. There's still room left to grow, and we are working closely with our IB partners to actively identify new opportunities.

In 2010, we lowered nonaccrual loans by nearly 30% through an aggressive reduction in troubled assets. Charge-offs remained somewhat elevated, at 0.94% of total loans, but were significantly below their 2009 peak of 1.02%. Even through the most challenging period of the financial crisis, Commercial Banking maintained a fortress balance sheet with strong reserve levels. We ended 2010 with more than $2.5 billion reserved for loan losses, or 2.61% of ending loan balances. As we enter 2011, credit costs are approaching normalized levels.

At JPMorgan Chase, we are proud members of the communities we serve and are committed to strengthening the economy. I always am surprised when people say banks aren't lending to small businesses. In fact, companies with annual revenue of $50 million or less represent nearly 70% of our middle market client base. This year alone, we extended $92 billion in new financing across our businesses, including over $9 billion to more than 600 government entities, not-for-profit organizations, healthcare companies and educational institutions. Additionally, we recently introduced a program called Lending Our Strength, a financing initiative specifically designed to support our clients' growth by offering flexible structures and terms for the purchase of equipment and owner-occupied real estate.

Through our Community Development Banking group, we also committed nearly $1.5 billion to create and retain more than 12,000 units of affordable housing for low- and moderate-income families.

2011 Priorities: U.S. and Global Market Expansions and an Even Higher Cross-Sell Target

While we are pleased with our track record of strong performance, we are even more enthusiastic about what lies ahead. We are actively pursuing four key areas of growth:

U.S. Market Expansion – California, Washington, Oregon, Florida and Georgia represent attractive new growth markets for us. With over 250 dedicated resources in place, this expansion is well under way and has the potential to generate more than $1 billion in additional revenue for Commercial Banking. We also have over 40 commercial bankers covering key markets outside our branch footprint, including Philadelphia, Boston, Washington D.C., St. Louis and Minneapolis.

International Growth – As U.S. companies increase global commerce, serving their commercial banking needs has become a key differentiator that sets us apart from the competition. Since 2005, we have added more than 1,400 clients outside the United States and will continue to increase our office and branch locations around the world as our customers expand their reach.

Investment Banking – Six years ago, we set a target of $1 billion in revenue from IB products sold to commercial clients. Since that time, we have more than doubled this revenue, achieving $1.3 billion in gross IB revenue in 2010. We are confident that we will continue to gain share and have set a new goal of $2 billion in gross IB revenue within the next five years.

Commercial Real Estate – Finally, we are seeing improved opportunities in each of our three real estate businesses: Commercial Term Lending, Real Estate Banking and Community Development Banking. Through the most recent cycle of market stress, we significantly outperformed our peers, giving us the confidence and resolve to capitalize on future real estate demand. As we move forward, we will diligently maintain our conservative underwriting approach and prudent risk management so that we are able to grow our real estate portfolios responsibly as the market recovers.

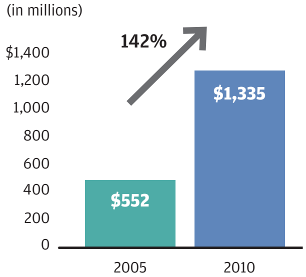
As I look back over the last few years, I am very pleased with Commercial Banking's progress since the merger. Together, we have achieved an unparalleled combination of competitive advantages: exceptional people, critical branch footprint, product and service superiority, capital strength and large scale. All our accomplishments, both past and present, not only validate our status as an industry leader but also position us to continue to meet the needs of our clients and grow our business well into the future.

Todd Maclin
CEO, Commercial Banking

2010 Highlights and Accomplishments

- Retained top 3 leadership position nationally in market penetration and lead share[a]
- Maintained our ranking as the nation's #1 multifamily lender[b] and improved our ranking to become the nation's #2 large middle market lender[c]
- Achieved the #1 return on equity in our peer group at 26%
- Produced record revenue of $6 billion and record net income through continued focus on long-term performance
- Continued to be a leader in asset-based lending by closing more than $3 billion in loans
- Delivered a record $1.3 billion in gross Investment Banking revenue

Gross Investment Banking Revenue
(in millions)



- Increased new and renewed lending to middle market companies
- Continued to outperform peers in credit quality with the lowest net charge-off ratio
- Maintained the lowest loan-to-deposit ratio – only bank under 100%
- Demonstrated our commitment to supporting communities by extending more than $9 billion to over 600 government, not-for-profit, healthcare and educational institutions
- Added more than 1,500 new middle market clients and grew our international business by adding nearly 500 new clients overseas
- Acquired a highly performing and immediately accretive $3.5 billion multifamily loan portfolio from Citibank
- Committed nearly $1.5 billion to create and retain more than 12,000 units of affordable housing in over 100 U.S. cities

(a) Greenwich Market Study, 2010
(b) Federal Deposit Insurance Corporation, 12/31/10
(c) Thomson Reuters, 2010

Treasury & Securities Services

"Treasury & Securities Services is notable not only for its inherently attractive business characteristics but also for its global potential."

During the six years that I had the privilege of serving as JPMorgan Chase's Chief Financial Officer, I gained perspective on all the firm's businesses. Treasury & Securities Services (TSS) is notable not only for its inherently attractive business characteristics but also for its global potential.

TSS has tremendous capacity for profitable overseas growth like the firm's other international wholesale businesses – Investment Banking and Asset Management. That potential resides in both of TSS' operating units: Treasury Services (TS), comprising cash management, payments and receivables, liquidity management and trade finance; and Worldwide Securities Services (WSS), comprising asset custody and administration.

Now that I have the equally great privilege of serving as CEO of TSS, I would like to talk about the strengths of this business and discuss how we are going to realize its potential.

Across the industry, treasury and securities servicing are attractive businesses with strong fundamental characteristics. They provide stable earnings with excellent margins and high returns on capital. They also grow as global economies grow, trade activity increases and clients' activities in international markets expand. And such businesses are hard to replicate: Success requires scale of investment in people, systems and services. Having made the necessary investment, TSS is a leader in each of our businesses and one of the very few firms with the financial strength and resources to maintain that leadership.

That said, we have work to do. Given TSS' intrinsic strengths, our performance is not where it has the potential to be. The TSS leadership team is highly focused on closing this gap between the quality of our business and the financial results we deliver. We will do so by improving our operating margins through increased efficiency and product innovation; benefiting, where possible, from higher interest-rate environments; and, most critically, extending our higher-margin international business.

2010 Results: Volume Up and Revenue Flat, with Strategic Investment for the Future

TSS reported 2010 net income of $1.1 billion, down from $1.2 billion in 2009. Revenue was flat, at $7.4 billion, as spreads remained low and securities lending revenue fell by 30%. Expenses rose on higher business volume and investment in global expansion.

Revenue was roughly even between TS and WSS, each at approximately $3.7 billion. Just under half of total TSS revenue was generated outside the United States.

Despite the challenging market environment, there was strong growth in the underlying revenue drivers for both operating units. In WSS, assets under custody grew 8% to $16.1 trillion. In TS, deposits or liability balances totaled $169.2 billion, 5% higher than in 2009.

To support growth initiatives, we invested heavily in 2010 in our people, products and infrastructure, fueling a 6% rise in expense. Most notably, we hired nearly 150 new sales and relationship managers around the world, bringing our total to nearly 1,100 globally, and we increased technology expenditures by 23%.

2011 Priorities: Primed to Capture Growth Globally

We expect to increase earnings over the next few years as we reach our operating margin target of 35%, a considerable step up from 2010's margin of 23%. Some of that improvement will come as interest rates normalize, boosting our net interest income and fees; and some will result from improved operating efficiency and upgraded product offerings.

The area of greatest potential, however, is our international business. As our clients expand rapidly into new markets around the world, they need local access to the operating services TSS provides. We are investing in our firm-wide network so we can be where our clients are, serving them seamlessly as they expand geographically.

The accelerating globalization of our clients was a key impetus for the recently launched J.P. Morgan Global Corporate Bank (GCB), which serves current and prospective wholesale clients in nearly every major world market. In tandem with the GCB initiative, we are aggressively expanding the international capabilities of the TS unit. Over the next three years, we will add approximately 20 locations outside the United States, primarily in emerging markets, and we will have hired approximately 200 new corporate bankers since the end of 2009. This investment is critical to support companies based in emerging economies that are expanding into developed international markets, as well as global corporations moving into new markets and emerging economies.

In TSS' other operating unit, WSS, approximately 60% of revenue already comes from outside the United States, with client service and relationship management functions in 30 markets. WSS will continue to grow by deepening our service coverage, strengthening client relationships and expanding its local capabilities to serve our clients as they extend their asset management activities around the world. Further growth will occur as capital markets in emerging economies continue to open and develop.

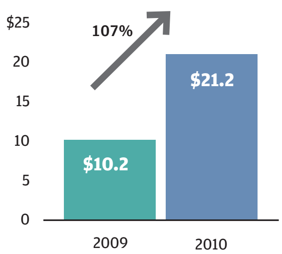
I am confident and excited about the future of TSS. We have the resources, capital and opportunities to grow. Improving economic fundamentals – combined with the higher revenue we expect from our international expansion and lower investment spending as our strategic initiatives are completed – position us very well for the next stage of growth.

Mike Cavanagh
CEO, Treasury & Securities Services

2010 Highlights and Accomplishments

- Serve world-class clients in more than 140 countries and territories:
  - 80% of Global Fortune 500 companies
  - Top 25 banks in the world and nine out of 10 largest central banks
  - 68% of top 50 global asset managers and 25% of top 300 global pension funds
- WSS ranked #2 in assets under custody with $16.1 trillion, serving clients in 90+ markets, with direct custody in seven markets and clearing on 40+ exchanges and 57 over-the-counter markets

Trade Loans Up $11.0 Billion
(in billions)



- Processed approximately $10 trillion of daily cash transfers
- Opened new representative offices in Bangladesh, Abu Dhabi, and Guernsey
- Launched first-ever Hong Kong Depositary Receipt listing on the Hong Kong Stock Exchange for Brazilian mining company Vale, S.A.
- Earned more than 100 industry awards and top rankings, including:
  - #1 clearer of U.S. dollars in the world, with more than 20% market share
  - #1 in Automated Clearing House originations for the last three decades
  - Global Financial Supply Chain Bank of the Year (third consecutive year), *Treasury Management International*, 2011
  - Best Transaction Banking Business in Asia Pacific, *The Asian Banker*
  - Best Trade Bank in the World, *Trade & Forfaiting Review*
  - Fund Administrator of the Year, *Global Investor*
  - European Securities Services and Custodian of the Year, *International Custody & Fund Administration*
- Initiated a Go Green campaign with more than 10,000 clients, which has eliminated over 141 million documents – the equivalent of 4 million pounds of paper, 47,000 trees or 69 million pounds of greenhouse gases

Asset Management

"Our success ultimately is measured by our ability to generate superior risk-adjusted returns for our clients over the long term and across business cycles."

When I joined J.P. Morgan Asset Management in 1996, it was a much different business. We managed $179 billion of assets, generating about $1 billion in revenue for the firm. Of our few thousand clients, most were very large institutions and ultra-high-net-worth individuals that were invested primarily in stocks and bonds.

Fifteen years later, by virtually any measure, Asset Management has become one of the leading global money managers and private banks, serving individuals, institutions, pension funds, endowments, foundations, central banks and sovereign entities globally.

Today, we have $1.3 trillion in assets under management (AUM) and $1.8 trillion in assets under supervision. Our revenue has grown to nearly $9 billion. We now deliver our products and services locally through more than 200 offices around the world to over 7,000 institutions and more than 5 million individuals.

Through our J.P. Morgan Private Bank, Private Wealth Management, J.P. Morgan Securities, J.P. Morgan Asset Management, JF Asset Management, Highbridge and Gávea franchises, we count among us many of the world's top portfolio managers, research analysts, traders and client advisors. They invest in a full range of stock and bond strategies, as well as offer a comprehensive range of investments from leading hedge fund, private equity and real estate managers. With this broader platform, we are better able to serve an increasingly sophisticated and engaged client base.

2010: A Record Year

Despite sweeping regulatory changes to our industry during the past year, little has changed in the way we conduct our investment businesses. In 2010, we continued our tradition of client and shareholder focus and delivered record revenue of nearly $9 billion, up from almost $8 billion in 2009. Net income rose 20% to $1.7 billion, our highest annual earnings in three years, with return on equity of 26% and a healthy margin of 31%. These results were produced while continuing to invest in our people, systems and risk management; improving our operations; and leading the industry in developing best-in-class legal and compliance practices.

After the 2008 financial crisis, we saw tremendous cash inflows into our firm as part of a "flight to quality" from many places in the world. As risk appetite began to rebound, clients – many of them new to our firm – diversified into solutions across our platform, driving our long-term net new AUM flows to a record $69 billion and the highest levels of total AUM ($1.3 trillion) in our history. We continue to attract new assets in many of these areas because of our strong long-term investment performance, with 80% of our funds ranking in the top two quartiles in the industry over a five-year period.[a]

While our primary goal is to be the most respected asset manager – not the biggest – our business cannot be successful without continuous investment in talented new professionals. In Private Banking, we grew our client advisor team by 15% globally and 32% outside the United States. In our Global Institutional and Sovereigns businesses, we strengthened our senior sales management by putting top talent in key leadership positions.

(a) Quartile ranking sourced from Lipper for the U.S. and Taiwan; Morningstar for the U.K., Luxembourg, France and Hong Kong; and Nomura for Japan

In retail distribution, we increased our sales teams by 20% across the United States; Europe, Middle East and Africa; and Asia Pacific.

Finally, in the investment arena, as part of our commitment to increasing local coverage in important emerging markets, we purchased a majority stake in Gávea Investimentos, a leading alternative investments company in Brazil run by Arminio Fraga, former president of the Central Bank of Brazil. Through its hedge funds, private equity and longer-term investments, and wealth management services, Gávea invests across both emerging and broader international markets, with a macroeconomic, research-intensive investment process.

This transaction was particularly important as our clients are increasingly looking to access Brazil's rapidly growing economy. Together with Gávea, we now can provide our clients with a powerful combination of local emerging markets expertise and a global platform. We've had the pleasure of getting to know Arminio over the last decade as he's served on J.P. Morgan's International Council. During that time, I've seen firsthand the unique perspective he and his team bring to investment decisions in Brazil, as well as the government experience the team applies to macroinvestment decisions. I'm thrilled that our clients globally now are able to benefit from Gávea's investment expertise.

Strategic Priorities for 2011

Our success ultimately is measured by our ability to generate superior risk-adjusted returns for our clients over the long term and across business cycles. With very strong and consistent investment performance across most products, our priorities are focused on three areas that will further strengthen our leadership:

- First, we must maintain our strong investment performance in existing products and improve any areas of underperformance.
- Second, we need to continue to maintain our leadership position in innovation of new products and bring creative ideas quickly to market, especially in an increasingly global and interconnected environment.
- Third, we have to continue to invest in local delivery of our products and services to the myriad markets we serve, especially in our under-penetrated international markets.

Throughout our more than 175 years of constant evolution and expansion, what never has changed is our commitment to delivering "first-class business in a first-class way." Whether we are investing assets, providing trust and estate services or lending money, we take our responsibility to clients very seriously. Clients come to us because we deliver best-in-class investment management. But clients stay with us because they trust we always will uphold our obligations to them.

We look forward to continuing to invest in the best people and technology to provide superior investment advice to our clients around the world for generations to come.

Mary C. Erdoes

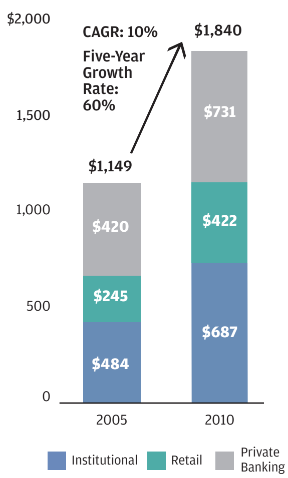
Mary Callahan Erdoes
CEO, Asset Management

2010 Highlights and Accomplishments

- #1 in U.S. Real Estate Equity and Infrastructure, *Pensions & Investments*
- Second-largest manager of absolute return strategies, *Absolute Return*
- Second-largest recipient of long-term U.S. mutual fund flows in the industry, *Strategic Insight*
- Asset Management Company of the Year in Asia and Hong Kong, *The Asset*
- Gold Standard Award for Funds Management in the United Kingdom for eighth year in a row, Incisive Media

Assets under Supervision — 2005 to 2010

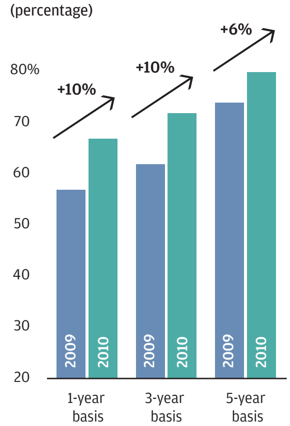
(in billions)



- Leading Pan-European Fund Management Firm, Thomson Reuters
- 3,500+ net new clients added to Private Banking in 2010
- 453 front-facing client professionals hired around the world — the most ever
- Institutional Hedge Fund Manager of the Year (Highbridge), *Institutional Investor*
- U.S. Large Cap Core PM Tom Luddy named Money Manager of the Year, *Institutional Investor*

Global Mutual Fund Performance Metrics

(percentage)



Total assets under management in 1st/2nd quartiles

Corporate Responsibility

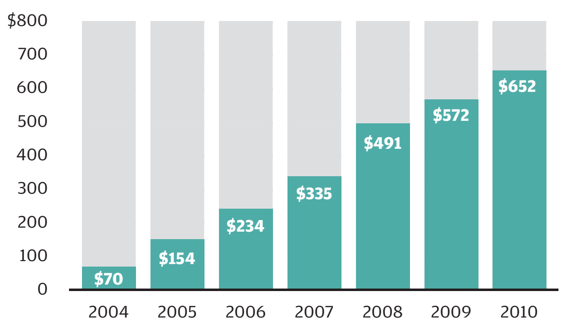
At JPMorgan Chase, corporate responsibility is a part of how we do what we do every day for customers and the communities we serve. We are committed to responsibly managing our businesses in a manner that creates value for our consumer, small business and corporate clients, as well as our shareholders, communities and employees.

2010 Highlights and Accomplishments

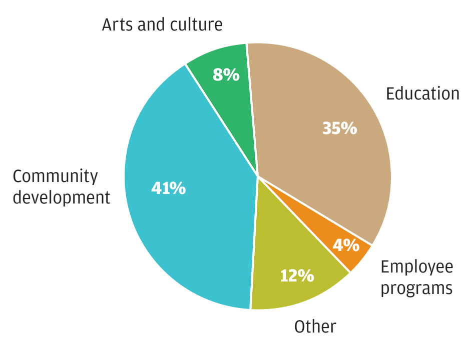
- Launched a series of programs to help our nation's veterans manage their financial needs. Initiated assistance programs to educate, employ and provide homes to military members and veterans. For instance, we committed to donate 1,000 homes to our veterans over the next five years. We have partnered with Syracuse University to provide a technology certificate to veterans seeking a technology career and formed an alliance with 10 major corporate employers to commit to hiring at least 100,000 veterans by 2020. In addition, we offer career, work-life, disability and child care services to our employees transitioning back to work after military service.
- Provided more than $3 billion in Low-Income Housing Tax Credits and other community development loans and investments to preserve or construct more than 28,000 units of affordable housing.
- Stayed on track to meet our 20% greenhouse gas reduction target. Offset 140,000 metric tons of emissions from employee air travel with carbon credits. Increased the number of branches built to smart and responsible construction practices to 198, including 13 LEED-certified branches since 2008. Continued our focus on procuring paper from certified responsibly managed sources, raising the proportion from 70% of total volume to nearly 90%, and continued efforts to eliminate paper statements.
- Reviewed 245 financial transactions in an effort to mitigate adverse environmental and social impacts.
- Invested more than $190 million* in our communities, including contributions from the JPMorgan Chase Foundation, supporting programs focused toward community development, quality education and access to the arts.
- Engaged more than 2.5 million Facebook users in the innovative, philanthropic crowd-sourcing program, Chase Community Giving. The program directed $10 million to small and grassroots charities across the United States.
- Helped bring private sector talent to the microfinance sector through partnership with Grameen Foundation's Bankers without Borders®. Coordinated training for not-for-profits on establishing for-profit private equity funds and hosted a capital markets leadership conference for women bankers. Employee-driven philanthropy programs span five continents and advocates for causes such as children's wellness, cancer research and environmental preservation.
- Provided nearly 275,000 hours of volunteer service by employees through the Good Works program in local communities.
- Committed $15 million in investments in social venture and micro-insurance funds in Latin America, Africa and Asia. Our Social Finance business targets investments that generate social and financial returns.
- Provided Feeding America with its largest one-time corporate gift, helping it to provide 40 million additional meals to hungry families with 34 new refrigerated trucks and operational support to 19 Feeding America food banks in 13 states.
- Donated $3.5 million to support the expansion of JobAct®, a unique skills development and youth employment initiative in Germany. JobAct® helps long-term unemployed youth enter the job market or pursue further education.
- Continued our commitment to annually spend more than $1 billion with diverse suppliers.

Chase is on track to deliver on its 10-year, $800 billion pledge of investment in low- and moderate-income communities. Seven years into the pledge, we already have invested more than $650 billion.

(in billions)



2010 Charitable Contributions*



* Contributions include charitable giving from JPMorgan Chase & Co. and the JPMorgan Chase Foundation, and this giving is inclusive of $41.8 million in grants to Community Development Financial Institutions.