

JULY 18, 2007

# FINANCIAL RESULTS

Second Quarter 2007

# 2Q07 Managed Results<sup>1</sup>

\$ in millions					
	2Q07	\$ O/(U)		O/(U) %	
		1Q07	2Q06	1Q07	2Q06
Revenue (FTE) <sup>1</sup>	\$19,819	\$78	\$3,955	--	25%
Credit Costs <sup>1</sup>	2,119	518	1,065	32%	101%
Expense <sup>2</sup>	11,028	400	1,646	4%	18%
Income from Continuing Ops.	\$4,234	(\$553)	\$750	(12)%	22%
EPS - Continuing Ops.	\$1.20	(\$0.14)	\$0.22	(10)%	22%
Income from Discontinued Ops. <sup>3</sup>	--	--	(56)	NM	NM
Net Income	\$4,234	(\$553)	\$694	(12)%	20%
EPS	\$1.20	(\$0.14)	\$0.21	(10)%	21%
ROE - Continuing Ops. <sup>4</sup>	14%	17%	13%		
ROE Net of GW - Continuing Ops. <sup>4</sup>	23%	27%	21%		
ROTCE - Continuing Ops. <sup>4,5</sup>	26%	30%	24%		

<sup>1</sup> Managed basis presents revenue and credit costs without the effect of credit card securitizations. All references to credit costs refer to managed provision for credit losses

<sup>2</sup> Includes merger costs of \$64mm in 2Q07, \$62mm in 1Q07 and \$86mm in 2Q06

<sup>3</sup> 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 are reported as discontinued operations for each of the prior periods presented

<sup>4</sup> Actual numbers for all periods, not over/under

<sup>5</sup> See note 1 on slide 14

# Investment Bank

\$ in millions			
		\$ O/(U)	
	2Q07	1Q07	2Q06
Revenue	\$5,798	(\$456)	\$1,469
Investment Banking Fees	1,900	171	532
Fixed Income Markets	2,445	(147)	314
Equity Markets	1,249	(290)	669
Credit Portfolio	204	(190)	(46)
Credit Costs	164	101	226
Expense	3,854	23	763
Net Income	\$1,179	(\$361)	\$340
<u>Key Statistics<sup>1</sup></u>			
ROE	23%	30%	16%
Overhead Ratio	66%	61%	71%
Comp/Revenue	45%	42%	44% <sup>2</sup>
VAR (\$mm) <sup>3</sup>	\$110	\$83	\$84

<sup>1</sup> Actual numbers for all periods, not over/under

<sup>2</sup> Ratio is calculated excluding effect of SFAS 123R

<sup>3</sup> Average Trading and Credit Portfolio VAR

<sup>4</sup> Source: Thomson Financial YTD June 30, 2007

- Net income of \$1.2B on revenue of \$5.8B
  - ROE of 23%
- Record IB fees of \$1.9B up 39% YoY driven by record advisory, strong debt underwriting, and record equity underwriting
- Excellent YTD league table results:
  - #1 in Global Equity and Equity-Related<sup>4</sup>
  - #1 in Global Syndicated Loans<sup>4</sup>
  - #2 in Global Long-Term Debt<sup>4</sup>
  - #4 in Global Announced M&A<sup>4</sup>
- Fixed Income Markets up 15% YoY reflecting strong results across most products, partially offset by lower revenues in commodities versus a strong 2Q06; results down 6% versus a record 1Q07
- Equity Markets up 115% YoY benefiting from strong global derivatives and cash equities performance; results down 19% versus a record 1Q07
- Credit costs were driven by an increase in the allowance for credit losses
- Expense up 25% YoY primarily due to higher performance-based compensation

# Retail Financial Services - Drivers

## Key Statistics<sup>1</sup> (\$ in billions)

	2Q07	1Q07	2Q06
<u>Origination Volumes</u>			
Home Equity Originations	\$14.6	\$12.7	\$14.0
Mortgage Loan Originations	\$44.1	\$36.1	\$31.2
Auto Originations	\$5.3	\$5.2	\$4.5
<u>Balances</u>			
Average Deposits	\$219.2	\$216.9	\$199.1
Avg Home Equity Loans Owned	\$89.2	\$86.3	\$76.2
Avg Mortgage Loans Owned <sup>2,3</sup>	\$8.8	\$8.9	\$47.1
Avg Auto Loans and Leases	\$42.8	\$42.5	\$44.7
<u>Other Metrics</u>			
Checking Accts (mm)	10.4	10.2	9.1
# of Branches	3,089	3,071	2,660
# of ATMs	8,649	8,560	7,753
Investment Sales (\$mm)	\$5,117	\$4,783	\$3,692
3rd Party Mortgage Loans Svc'd	\$572	\$546	\$497

<sup>1</sup> Actual numbers for all periods, not over/under

<sup>2</sup> Does not include held-for-sale loans

<sup>3</sup> Reflects primarily subprime mortgage loans owned. \$19.4B of prime mortgage loans were transferred to Corporate on 1/1/07

- Average deposits up 4% (excluding BNY) YoY and up 1% QoQ
- Home equity originations up 4% YoY; mortgage loan originations up 41%
- Branch production statistics YoY
  - Checking accounts up 14%
  - Credit card sales down 7%
  - Mortgage loan originations up 53%
  - Investment sales up 39%
- 30 new branches were opened during the quarter
- 3rd party mortgage loans serviced up 15% YoY

# Retail Financial Services

\$ in millions			
		\$ O/(U)	
	2Q07	1Q07	2Q06
Net Interest Income	\$2,673	\$56	\$107
Noninterest Revenue	<u>1,684</u>	<u>195</u>	<u>471</u>
Total Revenue <sup>1</sup>	4,357	251	578
Credit Costs	587	295	487
Expense <sup>1</sup>	2,484	77	225
Net Income	<u>\$785</u>	(\$74)	(\$83)
<u>Key Statistics<sup>2</sup></u>			
ROE	20%	22%	24%
Overhead (excl. CDI)	54%	56%	57%
Net Charge-off Rate	0.66%	0.46%	0.24%

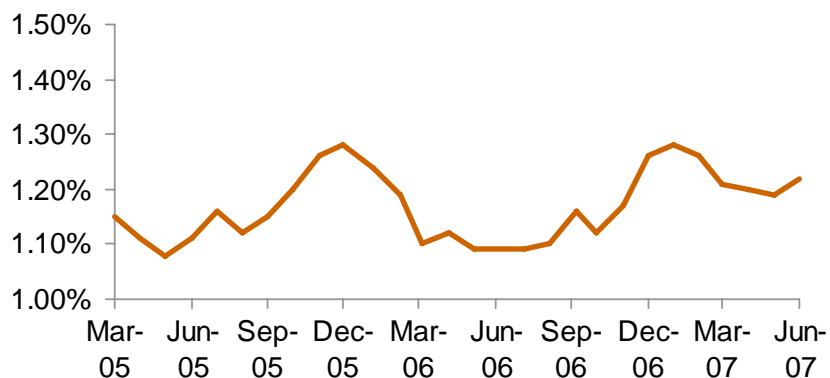
<sup>1</sup> As a result of the adoption of SFAS 159 ("Fair Value Option") in the first quarter of 2007 certain loan origination costs have been reclassified to expense (previously netted against revenue)

<sup>2</sup> Actual numbers for all periods, not over/under

- Net income of \$785mm down 10% YoY and down 9% QoQ
- Revenue growth of 15% YoY reflects:
  - Higher mortgage originations<sup>1</sup> and increased servicing
  - Higher deposit-related fees
  - Higher deposit balances
  - 2Q06 results included Insurance but not BNY
- Credit costs higher due to \$329mm addition to home equity allowance
- Expense<sup>1</sup> growth of 10% YoY reflecting:
  - Higher production-related expense
  - Continued investments in retail distribution

# Home Equity

## JPMC 30-day delinquency trend



## Key statistics

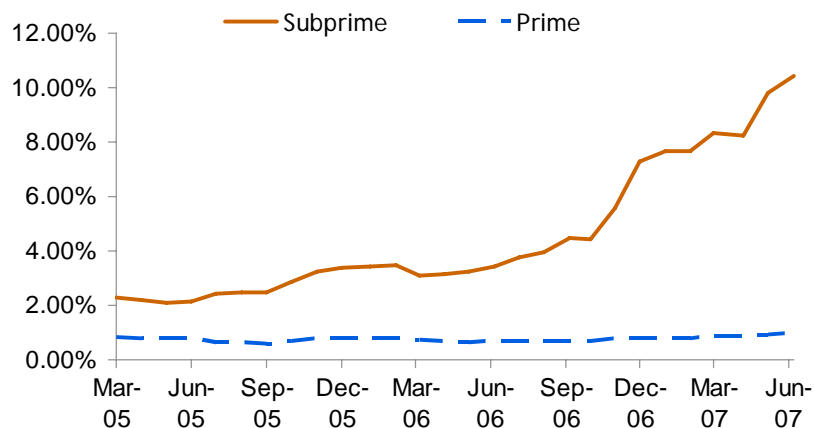
	2Q07	1Q07	2Q06
EOP owned portfolio (\$B)	\$91.0	\$87.7	\$77.8
Net charge-offs (\$mm)	\$98	\$68	\$30
Net charge-off rate	0.44%	0.32%	0.16%

## Comments on home equity portfolio

- Increased charge-offs driven by weak housing prices in select geographic areas for high-LTV loans, especially those originated through the wholesale channel
- Increase of \$329mm in allowance for loan losses contemplates increase of approximately 25 bps in home equity net charge-off rate from current level
- Further tightened underwriting standards and adjusted pricing for elevated risk
  - Lower CLTV maximums
  - Reduced stated income
  - Raised minimum FICO score requirements
- Increased intensity of loss mitigation efforts to assist customers and proactively manage risk

# Subprime Mortgage

## JPMC 30-day delinquency trend<sup>1</sup>



<sup>1</sup> Delinquency rates exclude government guaranteed mortgages. Includes loans transferred to Corporate in January 2007

## Key statistics

	2Q07	1Q07	2Q06
EOP owned portfolio (\$B) <sup>2</sup>	\$8.7	\$9.0	\$16.7
EOP held-for-sale (\$B)	\$3.2	\$3.7	--
Net charge-offs (\$mm)	\$26	\$20	\$7
Net charge-off rate	1.21%	0.92%	0.20%

<sup>2</sup> Excludes mortgage loans held in the Community Development loan portfolio

## Comments on subprime mortgage portfolio

- Portfolio performance is consistent with 1Q07 expectations
- Majority of current quarter's origination was designated for sale
  - \$3.0B of subprime loan origination was sold in 2Q07
  - Selling or retaining future production will be a dynamic economic decision

# Card Services (Managed)

\$ in millions			
	\$ O/(U)		
	2Q07	1Q07	2Q06
Revenue	\$3,717	\$37	\$53
Credit Costs	1,331	102	300
Expense	1,188	(53)	(61)
Net Income	\$759	(\$6)	(\$116)
<u>Key Statistics (\$B)<sup>2</sup></u>			
ROE	22%	22%	25%
ROO (pretax)	3.26%	3.28%	4.05%
Managed Margin	8.04%	8.11%	8.66%
Net Charge-Off Rate	3.62%	3.57%	3.28%
30-Day Delinquency Rate	3.00%	3.07%	3.14%
Avg Outstandings	\$147.4	\$149.4	\$137.2
EOP Outstandings	\$148.0	\$146.6	\$139.3
Charge Volume	\$88.0	\$81.3	\$84.4
Net Accts Opened (mm)	3.7	3.4	24.6

<sup>1</sup> Includes the elimination of certain over-limit fees and the two-cycle billing method for calculating finance charges  
<sup>2</sup> Actual numbers for all periods, not over/under

- Net income of \$759mm down 13% YoY
  - ROE of 22%
- Avg outstandings of \$147B up 7% YoY and down 1% QoQ
- Charge volume increased 4% YoY, impacted by reduced balance transfers, which reflect more targeted marketing efforts
- Revenue up 1% YoY driven by:
  - Higher level of fee-based revenue, higher loan balances and increased interchange income
  - Offset by higher partner payments and rewards expense, a discontinuation of certain billing practices<sup>1</sup> in the quarter, higher revenue reversals related to increased charge-offs and increased cost of funds on growth in introductory and transactor balances
- Revenue up 1% QoQ driven by:
  - Increased interchange income
  - Offset by a discontinuation of certain billing practices<sup>1</sup> in the quarter, higher partner payments and increased rewards expense
- Credit costs up 8% from 1Q, reflecting absence of \$85mm reduction in allowance; credit quality remains stable
- Expense down 5% YoY driven by lower marketing expense



# Commercial Banking

\$ in millions			
	2Q07	\$ O/(U)	
		1Q07	2Q06
Revenue	\$1,007	\$4	\$58
Middle Market	653	(8)	19
Mid-Corporate Banking	197	(15)	36
Real Estate	109	7	(5)
Other	48	20	8
Credit Costs	45	28	57
Expense	496	11	--
Net Income	\$284	(\$20)	\$1
<u>Key Statistics (\$B)<sup>1</sup></u>			
ROE	18%	20%	21%
Overhead Ratio	49%	48%	52%
Net Charge-Off Rate	(0.05)%	(0.01)%	(0.02)%
Avg Loans & Leases	\$59.8	\$57.7	\$52.4
Avg Liability Balances <sup>2</sup>	\$84.2	\$81.8	\$72.6

<sup>1</sup> Actual numbers for all periods, not over/under

<sup>2</sup> Includes deposits and deposits swept to on-balance sheet liabilities

- Net income of \$284mm flat YoY as higher net revenue was offset by higher provision for credit losses
- Liability balances up 16% YoY and loans up 14% YoY due to organic growth and BNY
- Revenue of \$1B up 6% YoY due to increased liability and loan balances, higher investment banking revenue and increased deposit related fees, primarily offset by a shift to narrower-spread liability products and spread compression in the liability and loan portfolios
- Overhead ratio of 49%
- Credit costs reflect an increase in the allowance for credit losses largely due to portfolio activity

# Treasury & Securities Services

\$ in millions			
	\$ O/(U)		
	2Q07	1Q07	2Q06
Revenue	\$1,741	\$215	\$153
Treasury Services	720	31	18
Worldwide Securities Svcs	1,021	184	135
Expense	1,149	74	99
Net Income	\$352	\$89	\$36
<u>Key Statistics<sup>1</sup></u>			
ROE <sup>2</sup>	47%	36%	58%
Pretax Margin	32%	27%	32%
TSS Firmwide Revenue	\$2,375	\$2,142	\$2,204
TSS Firmwide Overhead Ratio	60%	63%	59%
TS Firmwide Revenue	\$1,354	\$1,305	\$1,318
TSS Firmwide Avg Liab Bal (\$B) <sup>3</sup>	\$301.7	\$292.4	\$265.4
Avg Liability Balances (\$B) <sup>3</sup>	\$217.5	\$210.6	\$194.2
Assets under Custody (\$T)	\$15.2	\$14.7	\$11.5

<sup>1</sup> Actual numbers for all periods, not over/under

<sup>2</sup> Reflects increase in allocated capital from \$2.2B to \$3.0B in 1Q07

<sup>3</sup> Includes deposits and deposits swept to on-balance sheet liabilities

- Record net income of \$352mm up 11% YoY
  - Pretax margin of 32%
- Liability balances up 12% YoY; Assets under custody up 32% YoY
- Record revenue up 10% YoY driven by increased product usage and volume by new and existing clients and market appreciation. These benefits were offset partially by narrower spreads affecting liability and F/X products
- Revenue up 14% QoQ driven by seasonally strong activity in securities lending and depositary receipts
- Expense up 9% YoY primarily due to higher compensation expense related to business and volume growth as well as investment in new product platforms

# Asset Management

\$ in millions			
	\$ O/(U)		
	2Q07	1Q07	2Q06
Revenue	\$2,137	\$233	\$517
Credit Costs	(11)	(2)	(4)
Expense	1,355	120	274
Net Income	\$493	\$68	\$150
<u>Key Statistics (\$B)<sup>1</sup></u>			
ROE	53%	46%	39%
Pretax Margin	37%	36%	34%
Assets under Supervision	\$1,472	\$1,395	\$1,213
Assets under Management	\$1,109	\$1,053	\$898
Average Loans <sup>2</sup>	\$28.7	\$25.6	\$25.8
Average Deposits	\$56.0	\$54.8	\$51.6

<sup>1</sup> Actual numbers for all periods, not over/under

<sup>2</sup> \$5.3B of prime mortgage loans were transferred to Corporate on 1/1/07

- Record net income of \$493mm up 44% YoY
  - Pretax margin of 37%
- Record revenue of \$2.1B up 32% YoY with growth across all client segments
- Expense up 25% YoY driven by higher incentive compensation and investments in all business segments
- Assets under management of \$1.1T up 23% YoY, including growth of 38% in alternative assets
  - Net AUM inflows of \$30B for 2Q07, and \$101B for the past twelve months
- Strong global investment performance
  - 77% of mutual fund AUM ranked in first or second quartiles over past three years; 76% over past five years

# Corporate

## Total Corporate (\$ in millions)

	\$ O/(U)		
	2Q07	1Q07	2Q06
Net Income	\$382	(\$249)	\$366
Net Income ex. Disc. Ops <sup>1</sup>	382	(249)	422
Private Equity	702	4	409
Treasury and Other Corporate	(280)	(251)	--
Merger Costs	(\$40)	(\$2)	\$13

## Treasury and Other Corporate (\$ in millions)

	\$ O/(U)		
	2Q07	1Q07	2Q06
Net Income ex. Disc. Ops <sup>1</sup> and Merger Costs	(\$280)	(\$251)	\$ --
Adjustments (after-tax):			
Material Litigation Insurance Recoveries	--	--	(161)
Gain on Sale of Shares in MasterCard IPO	--	--	(64)
Securities gains/(losses)	(141)	(136)	164
Treasury & Other Corp. ex. Adjustments	(\$139)	(\$115)	\$61

## Private Equity (\$ in millions)

	\$ O/(U)		
	2Q07	1Q07	2Q06
Net Income	\$702	\$4	\$409
Private Equity Gains	1,328	50	779
EOP Private Equity Portfolio (\$B) <sup>2</sup>	6.5	6.4	5.6
Private Equity as % of Common Equity less Goodwill <sup>2</sup>	8.8%	8.8%	8.3%

- Treasury and Other Corporate YTD net loss (excluding adjustments) of \$163mm
- Securities losses of \$227mm (pretax) in 2Q07
- Private Equity gains and Corporate results will be volatile

<sup>1</sup> Discontinued operations relate to the sale of select corporate trust businesses, with net income of \$56mm in 2Q06  
<sup>2</sup> Actual numbers for all periods, not over/under

# Capital Management

\$ in billions			
	2Q07	1Q07	2Q06
Tangible Common Equity <sup>1</sup>	\$67.3	\$65.7	\$59.8
Common Shareholders' Equity less Goodwill	\$74.0	\$72.6	\$67.2
Tier 1 Capital	\$85.1	\$82.5	\$75.0
Risk Weighted Assets	\$1,016.5	\$972.8	\$884.2
Tier 1 Capital Ratio	8.4%	8.5%	8.5%
Total Capital Ratio	12.0%	11.8%	12.0%
Leverage Ratio	6.2%	6.2%	5.8%
TCE/Managed RWA <sup>1</sup>	6.5%	6.6%	6.2%

<sup>1</sup> See note 1 on slide 14

- Repurchased 36.7mm shares for \$1.9B in 2Q07

# Notes on non-GAAP financial measures

*This presentation includes non-GAAP financial measures.*

- 1. TCE as used on slide 2 for purposes of a return on tangible common equity and presented as Tangible Common Equity on slide 13 (line 1) is defined as common stockholders' equity less identifiable intangible assets (other than MSRs) and goodwill. TCE as used in slide 13 (line 8) in the TCE/Managed RWA ratio, which is used for purposes of a capital strength calculation, is defined as common stockholders' equity plus a portion of junior subordinated notes (which have certain equity-like characteristics due to their subordinated and long-term nature) less identifiable intangible assets (other than MSRs) and goodwill. The latter definition of TCE is used by the firm and some analysts and creditors of the firm when analyzing the firm's capital strength. The TCE measures used in this presentation are not necessarily comparable to similarly titled measures provided by other firms due to differences in calculation methodologies.*
- 2. Financial results are presented on a managed basis, as such basis is described in the firm's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 and in the Annual Report on Form 10-K for the year ended December 31, 2006 (as amended).*
- 3. All non-GAAP financial measures included in this presentation are provided to assist readers in understanding certain trend information. Additional information concerning such non-GAAP financial measures can be found in the above-referenced filings, to which reference is hereby made.*

# Forward-looking statements

*This presentation contains forward-looking statements 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. Actual results may differ from those set forth in the forward-looking statements. Factors that could cause JPMorgan Chase's results to differ materially from those described in the forward-looking statements can be found in the firm's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 and in the Annual Report on Form 10-K for the year ended December 31, 2006 (as amended), filed with the Securities and Exchange Commission and available at the Securities and Exchange Commission's Internet site (<http://www.sec.gov>).*