

## INVESTMENT BANK

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JPMORGAN CHASE & CO.

# Agenda

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# 2011: strength amidst volatility

## Performance

### Financial results

- Near record performance
  - Revenue: \$26.3B
  - Earnings: \$6.8B (second highest)
- ROE of 17% on capital of \$40B
- Further strengthened fortress balance sheet (Tier 1 common ratios)
  - Basel II: 13.7%
  - Basel III: 8.4%

### Business summary

- Sustained Investment Banking leadership
  - #1 in Global IB Fees (third consecutive year): 8% market share<sup>1</sup>
  - Record loan syndication revenue, advisory fees up 22%
- Fixed Income: historic high revenue market share, 17%<sup>2</sup>
- Equities: record results
- Commodities: complete franchise

<sup>1</sup> Dealogic

<sup>2</sup> Estimated using public disclosure of top 10 competitors, excluding DVA

# Strategic initiatives: 2011 progress and 2012 momentum

## Performance

		2011	2012
Initiatives	Clients	<ul style="list-style-type: none"> <li>Disciplined, sustained focus</li> </ul>	
	International	<ul style="list-style-type: none"> <li>Formed International Steering Committee</li> <li>Expanded Markets footprint in 20 countries</li> <li>Launched EMEA Prime Brokerage</li> </ul>	<ul style="list-style-type: none"> <li>TS/IB Markets growth with corporates</li> <li>Add local market capabilities</li> <li>Build Asia Prime Brokerage</li> </ul>
	Commodities	<ul style="list-style-type: none"> <li>Achieved targets, increased client activity</li> <li>Completed Sempra integration</li> </ul>	<ul style="list-style-type: none"> <li>Maintain leadership</li> <li>Grow developing markets franchise</li> </ul>
	Technology	<ul style="list-style-type: none"> <li>Strategic Reengineering Program: over 50% complete, on target</li> <li>Doubled electronic equity internalization</li> <li>Further reduced errors and cost per trade</li> </ul>	<ul style="list-style-type: none"> <li>Execute Strategic Reengineering Program</li> <li>Rationalize IB/TSS costs and execution (Value for Scale)</li> <li>Deliver cross-asset platforms for innovation</li> </ul>
	Capital/risk management	<ul style="list-style-type: none"> <li>Prudent capital management</li> <li>Continued focus on regulation</li> </ul>	<ul style="list-style-type: none"> <li>Efficient capital usage</li> <li>Control during volatility</li> <li>Repositioning ahead of new regulations</li> </ul>

# Agenda

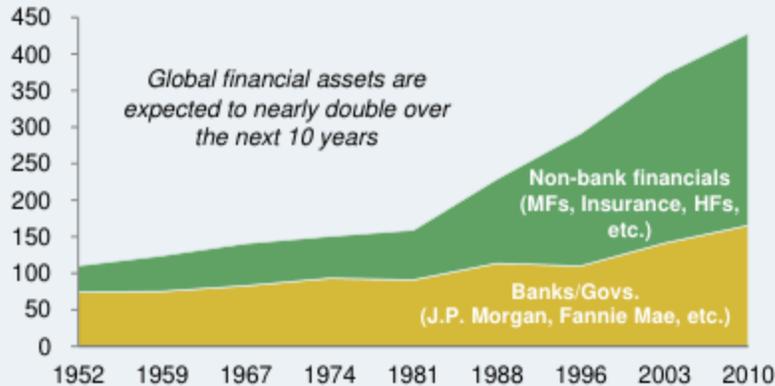
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# Credit, rates and currencies drive the global financial markets

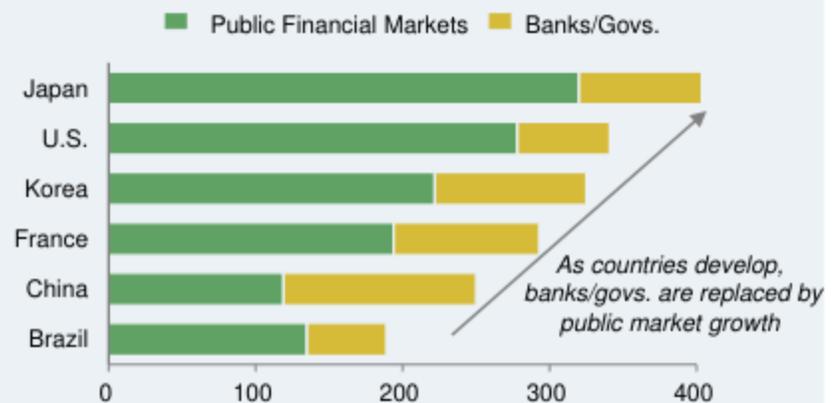
## Markets

### Non-bank financial assets outpacing growth of traditional sources of capital...

**Financial assets (% of GDP)**



**Capital by source (% of GDP)**



### ...and Fixed Income markets continue to dominate Equities

**Gross U.S. equity and long-term debt issuance (\$T)**



**Daily average U.S. trading volume (\$B)**



Source: Federal Flow of Funds, Bloomberg, IMF, Bank for International Settlements, CBRC, CSRC, Thomson Reuters, SIFMA, McKinsey Global Institute

Note: "Gross U.S. equity and long-term debt issuance" and "Daily average U.S. trading volume" graphs not shown to scale

<sup>1</sup> Municipal, Treasury, MBS, Corporate Debt, and Federal Agency securities

<sup>2</sup> Daily average value traded by the NASDAQ and NYSE

Our client franchise is large, diversified and global

Markets

2011 Markets revenue mix



2011 IB fees mix



<sup>1</sup> Other Financials includes public sector, pension funds, private equity, and SPVs

# We have unmatched scale, diversification and leadership

## Markets

Scale	Diversity	Leadership				
How we operate	IB revenue (typical quarter)	Industry rankings			Descriptions	
		2009	2010	2011 <sup>1</sup>		
<ul style="list-style-type: none"> <li>2,500 salespeople</li> <li>2,000 traders</li> <li>2,000 bankers</li> <li>800 research analysts</li> <li>4,000 control and risk professionals</li> <li>13,000 tech. &amp; ops. professionals</li> <li>40 countries</li> <li>110+ trading desks</li> <li>20 trading centers</li> </ul>	<b>Banking</b> 100%	Advisory	#3	#4	#2	<ul style="list-style-type: none"> <li>M&amp;A, Corporate Finance advisory</li> </ul>
		Equity Underwriting	1	3	3	<ul style="list-style-type: none"> <li>Primary and secondary issuance</li> </ul>
		Long-term Debt	1	2	1	<ul style="list-style-type: none"> <li>Bond underwriting</li> </ul>
		Syndicated Loans	1	2	1	<ul style="list-style-type: none"> <li>Loan syndication</li> </ul>
	<b>Fixed Income</b> Flow	Rates	2	1	1	<ul style="list-style-type: none"> <li>Treasuries, agencies, swaps, futures, options</li> </ul>
		Securitized Products	2	1	1	<ul style="list-style-type: none"> <li>Mortgage and asset backed securities</li> </ul>
		Emerging Markets	2	3	2	<ul style="list-style-type: none"> <li>Non G-10 rates, credit, FX</li> </ul>
		Credit Trading	1	1	1	<ul style="list-style-type: none"> <li>Corporate bonds, loans, credit swaps, index products</li> </ul>
		Commodities	5	5	3	<ul style="list-style-type: none"> <li>Swaps, futures, options, physical transactions</li> </ul>
		FX	2	2	2	<ul style="list-style-type: none"> <li>Spot foreign exchange swaps, futures, options</li> </ul>
		Public Finance	3	3	3	<ul style="list-style-type: none"> <li>Municipal debt trading and issuance</li> </ul>
		Structured	3	8	8	<ul style="list-style-type: none"> <li>Rates and credit</li> </ul>
		<b>Equities</b> Flow	Cash	N/A	4	4
	Derivatives		N/A	9	9	<ul style="list-style-type: none"> <li>Low touch execution (electronic)</li> </ul>
	Prime Services		3	3	1	<ul style="list-style-type: none"> <li>Swaps, options, convertibles</li> </ul>
	Structured		2	2	2	<ul style="list-style-type: none"> <li>Financing, execution, clearing</li> </ul>
		N/A	N/A	N/A	<ul style="list-style-type: none"> <li>Margin financing, structured notes</li> </ul>	

Source: Dealogic, Coalition

Note: Coalition competitor set: BAC, BARC, C, CS, DB, GS, MS, and UBS

<sup>1</sup> Fixed Income and Equities ranking as of 3Q YTD 2011 (Coalition – Revenue); Banking rankings are FY 2011 (Dealogic – Volume)

# Flow driven Markets business

## Markets



# High volume Markets business model with standardized products

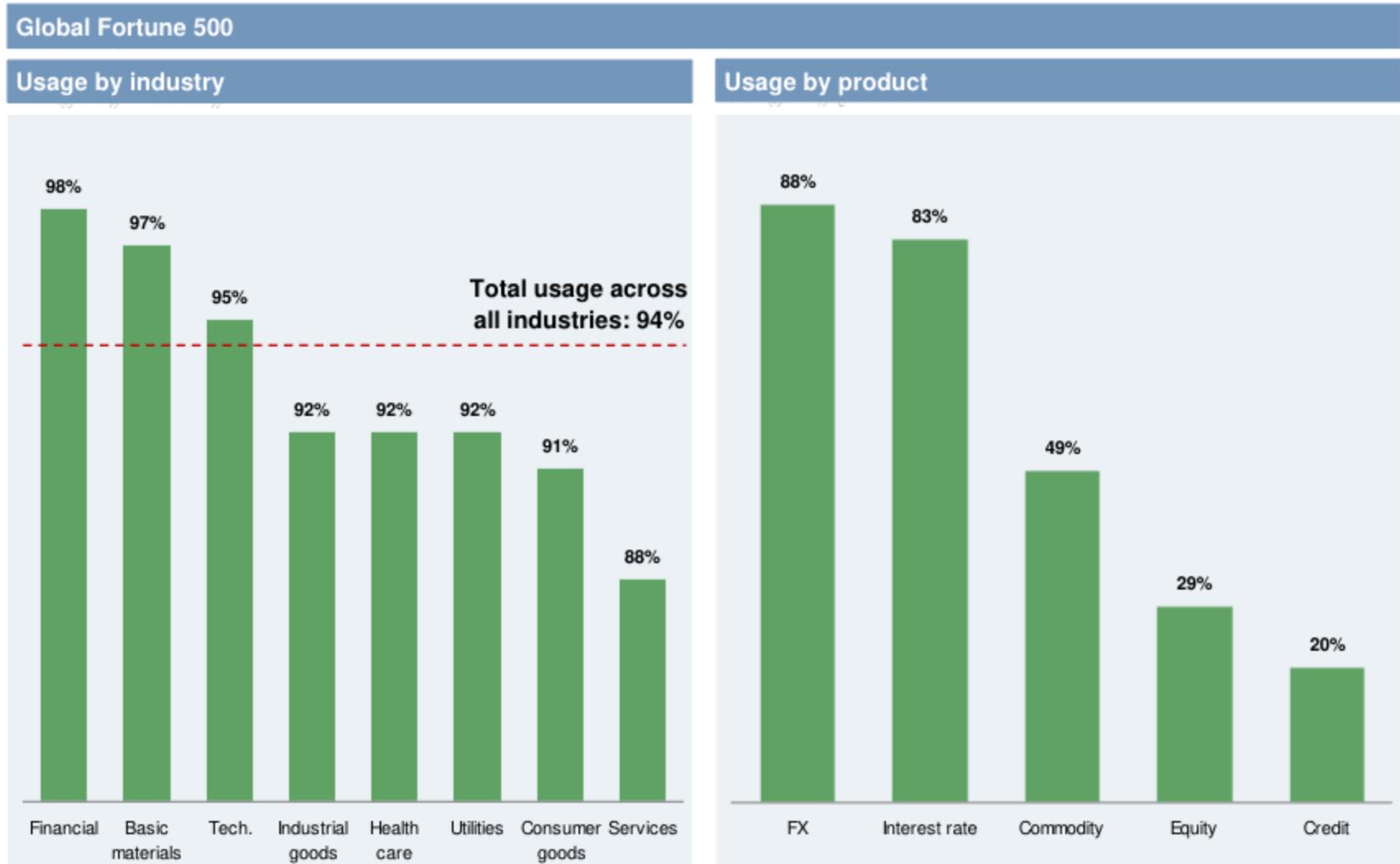
## Markets

	Examples of major trading products	Quantity per quarter (# of trades)	x	Average revenue (\$ per trade)	=	Revenue per quarter (\$mm)
<b>Fixed Income</b>	■ FX Spot/Forwards	5,000,000		70		350
	■ Credit Trading	250,000		1,500		375
	■ FX Options	150,000		600		100
	■ Metals Trading	140,000		600		75
	■ Financing	100,000		1,500		150
	■ Governments	75,000		2,500		200
	■ Energy Trading	50,000		5,000		250
	■ Interest Rate Swaps	30,000		12,000		350
	■ Asset Backed Securities	30,000		10,000		300
	■ Agencies	11,000		7,000		75
	■ Loan Trading	10,000		10,000		100
<b>Equities</b>	■ Cash Equities (N.A.)	10B shares		1.5 cents per share		150
	■ Cash Equities (EMEA/Asia)	\$200B notional		8bps		175
	■ Equity Swaps and Options	6,000		30,000		200
	■ F&O and OTC clearing	350mm lots		40 cents per lot		150

Note: Quantity, average revenue and total revenue are estimates based on typical quarter; revenue per quarter rounded

Over 90% of the Global Fortune 500 use swaps, futures, and options

Markets

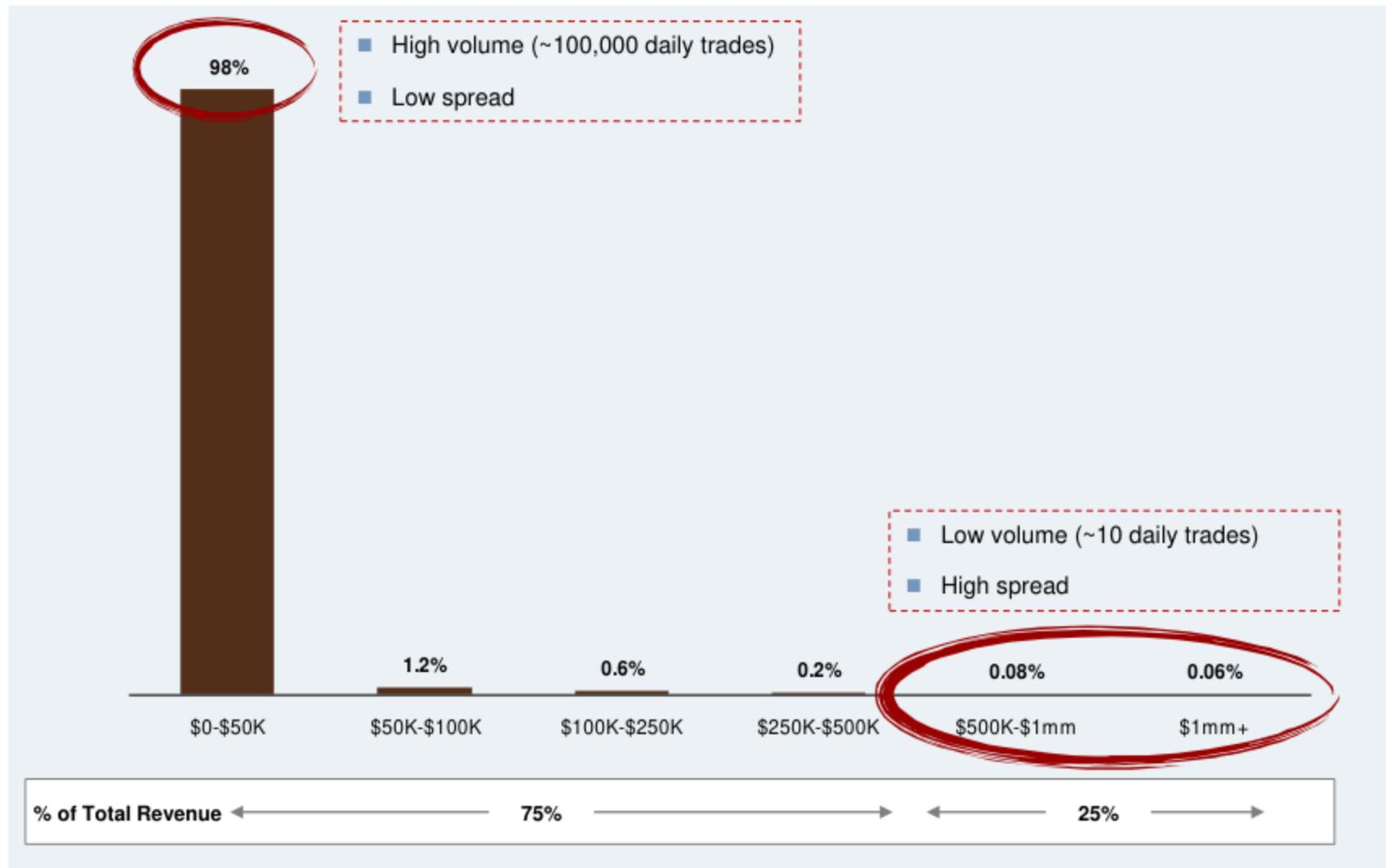


Source: ISDA 2009 Survey

# Scale driven Markets business model

## Markets

Estimated % of total client trades by average revenue per trade (FY 2011)

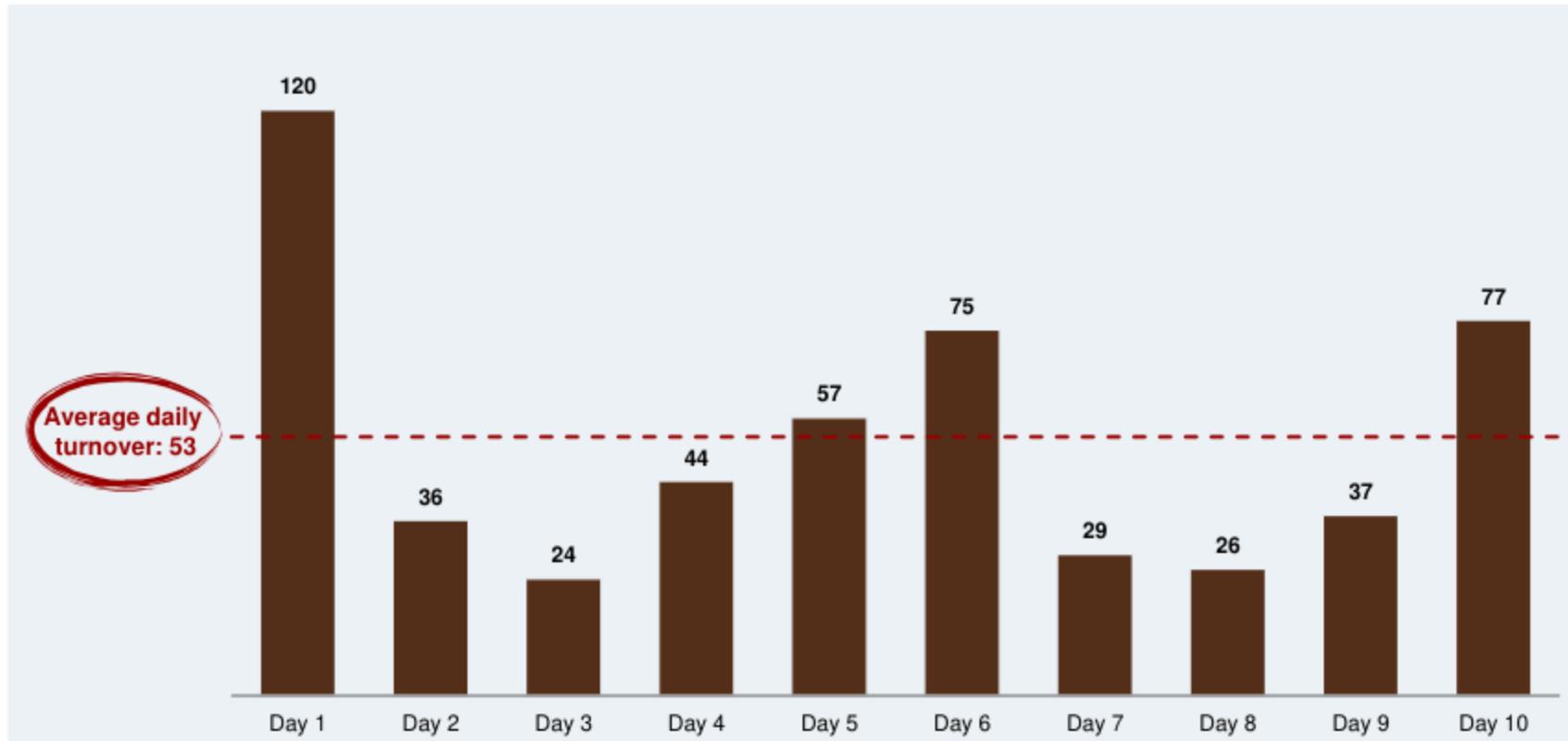


Note: Represents Fixed Income business

# High turnover Markets business model

## Markets

Case study – North America interest rate swaps daily turnover metrics



Client businesses carry little risk inventory and turn their positions multiple times a day

Note: Turnover defined as daily DV01 risk traded divided by starting DV01. DV01 is the risk position for a desk (amount of money desk makes or loses on a one basis point move in the yield curve); actual two-week period in 2011

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# Well positioned to adapt to regulation

## Business highlights

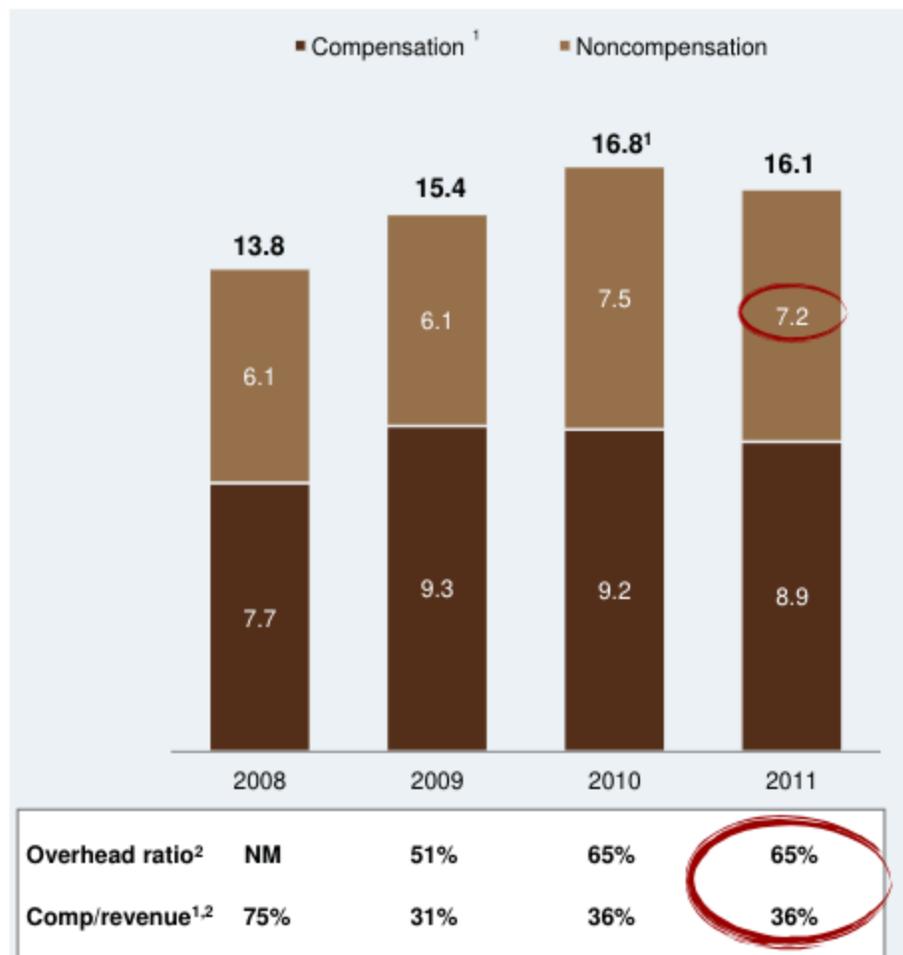
	Impact	Concerns	Strengths
Clearing and Swap Execution Facilities (SEFs)	<ul style="list-style-type: none"> <li>Mandated clearing                             <ul style="list-style-type: none"> <li>Meaningful volumes</li> <li>Lesser revenue impact</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Unresolved: end-user margin/extraterritoriality</li> <li>Concentration of exposure to central counterparties</li> </ul>	<ul style="list-style-type: none"> <li>Competitive advantage by being a scale player with existing connectivity and access to SEFs</li> </ul>
Volcker	<ul style="list-style-type: none"> <li>Ban on Bright Line proprietary trading                             <ul style="list-style-type: none"> <li>Immaterial revenue impact</li> <li>Not a large business</li> </ul> </li> <li>Limits market making/hedging ability</li> </ul>	<ul style="list-style-type: none"> <li>Could limit liquidity                             <ul style="list-style-type: none"> <li>Clients</li> <li>Markets</li> </ul> </li> <li>Compliance emphasis may impact costs</li> </ul>	<ul style="list-style-type: none"> <li>Long-track record of client-focused business model</li> <li>Competitors may need to re-orient their businesses</li> </ul>
Non-Bank Subsidiary (NBS) swap "push out"	<ul style="list-style-type: none"> <li>Pushing-out portions of below investment grade CDS, equity and commodities derivatives                             <ul style="list-style-type: none"> <li>No significant revenue or capital changes expected</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Complicates risk management</li> <li>Extraterritoriality: potential impact to scope</li> </ul>	<ul style="list-style-type: none"> <li>Operational excellence: depth of experience managing complex migrations</li> </ul>

Strong governance programs in place to address regulatory change: 500 people; 65+ projects

# Expense discipline enables investment capacity

## Business highlights

### J.P. Morgan IB expense (\$B)



<sup>1</sup> 2010 compensation expense excludes \$0.5B of U.K. payroll tax

<sup>2</sup> Overhead and comp/revenue ratios exclude DVA impact

### Highlights

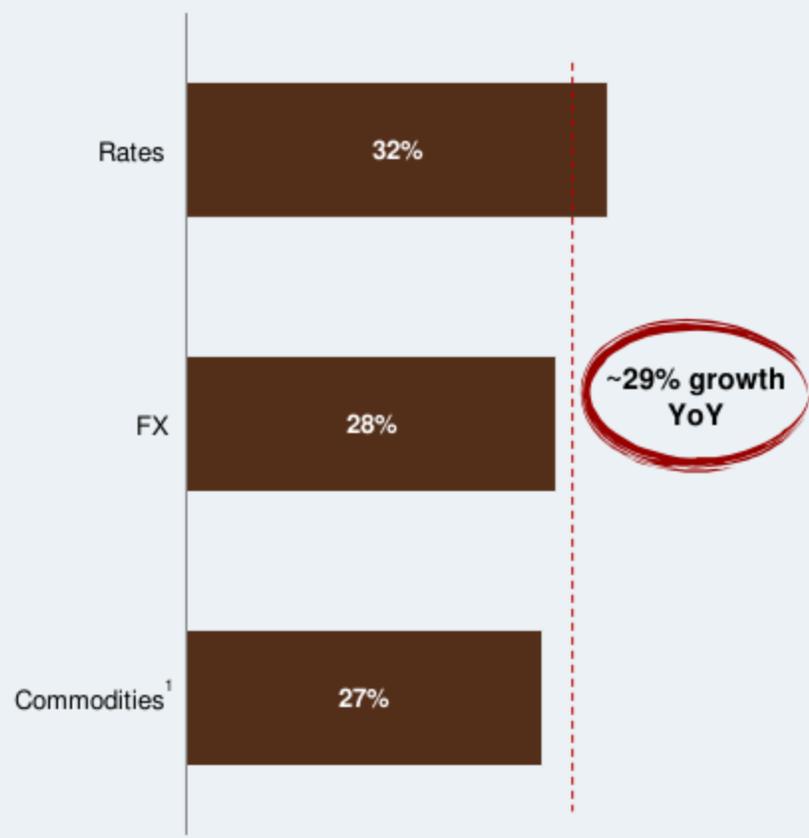
- Disciplined expense management
  - Total expense down 4%
  - Focus on operating efficiency
  - Best-in-class overhead ratio
  - Lowest comp/revenue ratio
  
- Continued investment capacity
  - Strategic Reengineering Project (SRP)
  - International expansion
  - Commodities execution
  - International Prime Brokerage
  
- Value for Scale
  - Synergies across wholesale businesses

# Global Corporate Bank: contributing to IB Markets and Treasury Services

## Business highlights

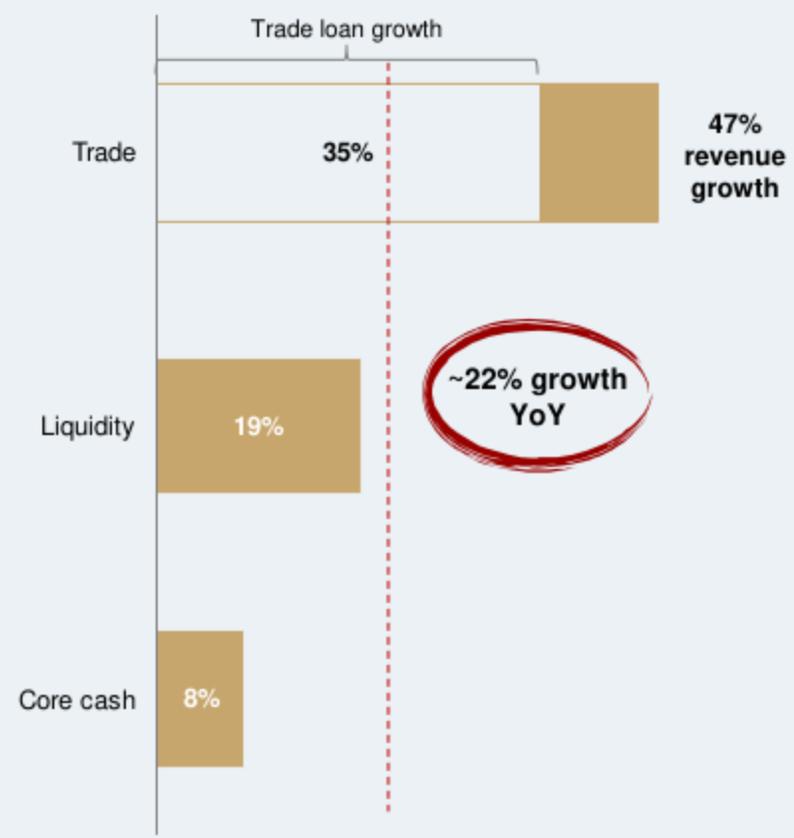
### 2011 international revenue with corporates

#### IB Markets



<sup>1</sup> Excludes non-recurring items

#### Treasury Services



# Leveraging the J.P. Morgan platform

## Business highlights

### J.P. Morgan Investment Bank

#### Leveraging the wholesale platform

##### Commercial Banking

- IB recognized fees for 147 debt and 77 equity deals for CB clients in 2011
- \$1.4B gross revenue in 2011

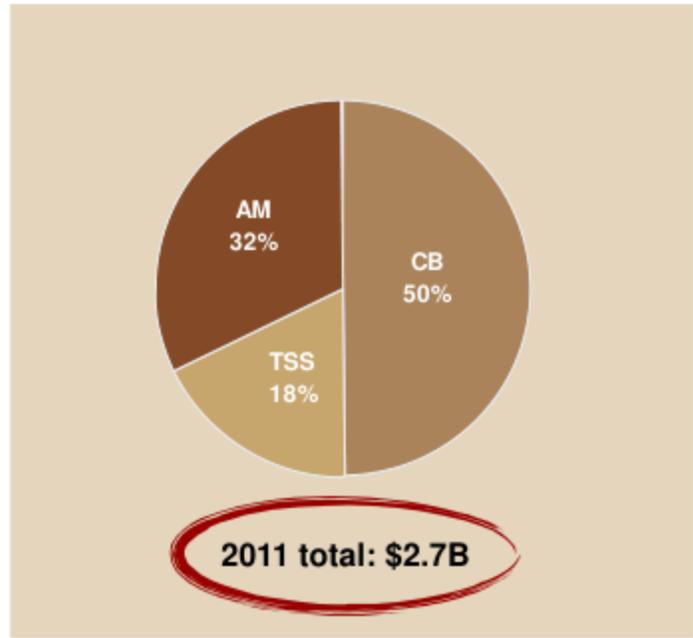
##### Treasury & Securities Services

- Expanded client coverage/footprint with Global Corporate Bank
- Increased credit extension and product penetration

##### Asset Management

- 41 new Private Bank clients from IB referrals
- 71 Private Bank referrals to the IB
- Expanding international referrals and syndication access

##### IB cross-LOB gross revenue share (\$B)

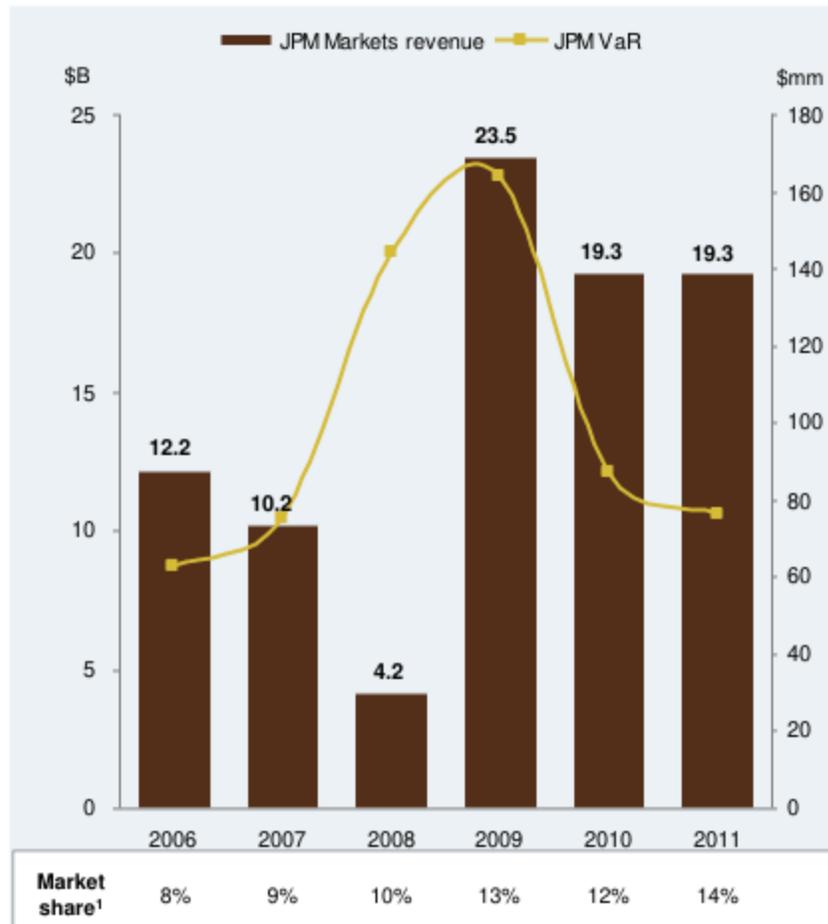


BUSINESS HIGHLIGHTS

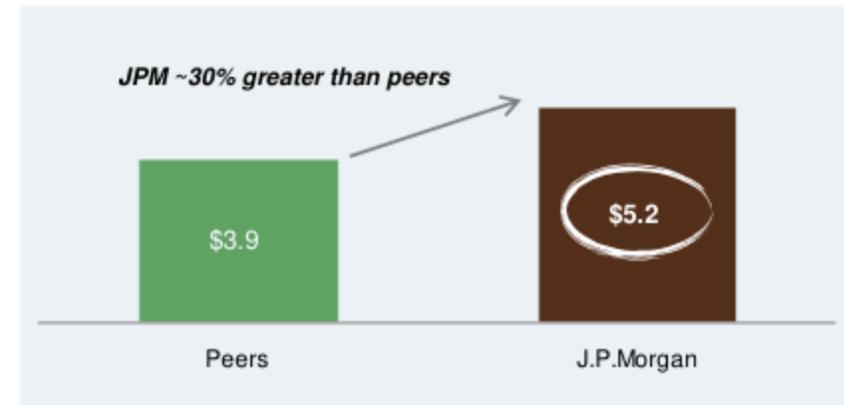
# Proven risk management capability

## Business highlights

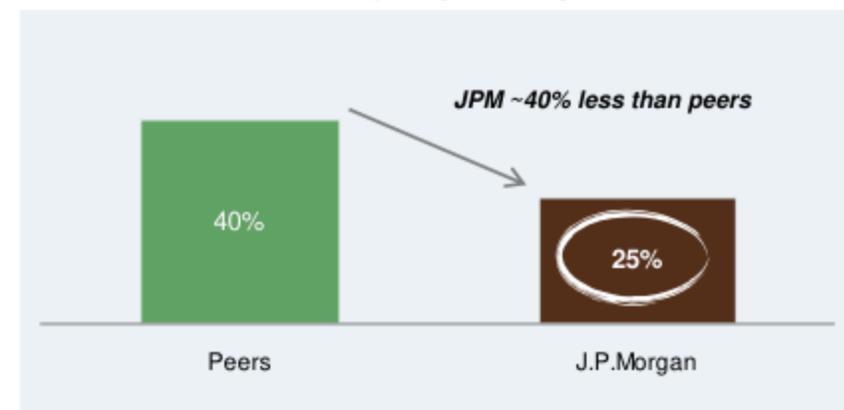
J.P. Morgan Markets revenue and VaR



Average revenue over past 12 quarters



Markets revenue volatility<sup>2</sup> of past 12 quarters

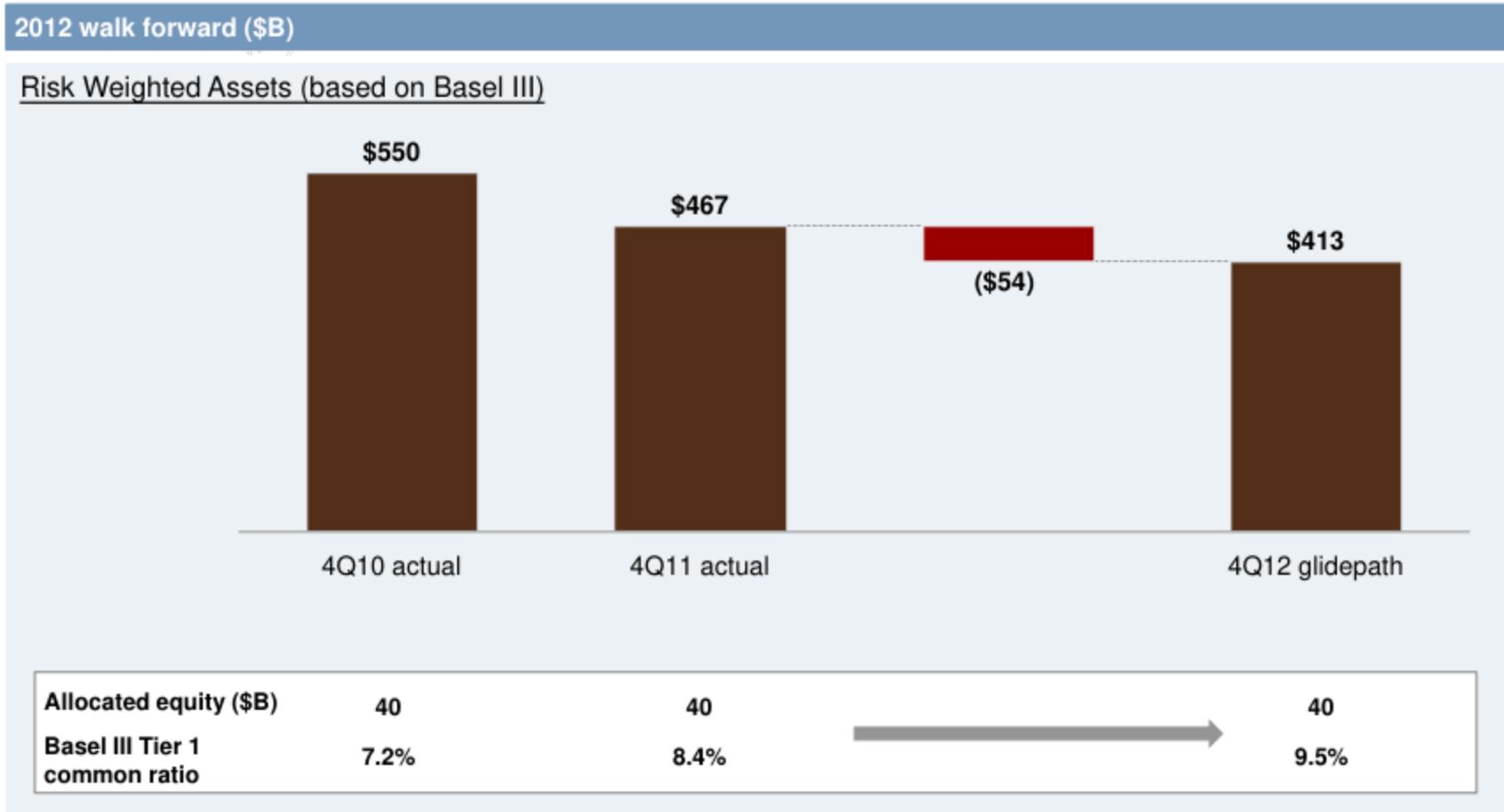


Note: Revenue excludes DVA; peers: BAC, BARC, C, CS, DB, GS, MS and UBS  
<sup>1</sup> Estimated using public disclosure of top 10 competitors, including DVA  
<sup>2</sup> Volatility equals standard deviation as a percentage of the period average

**~30% higher revenue than peers with ~40% less volatility**

# Fortress balance sheet and prudent capital management

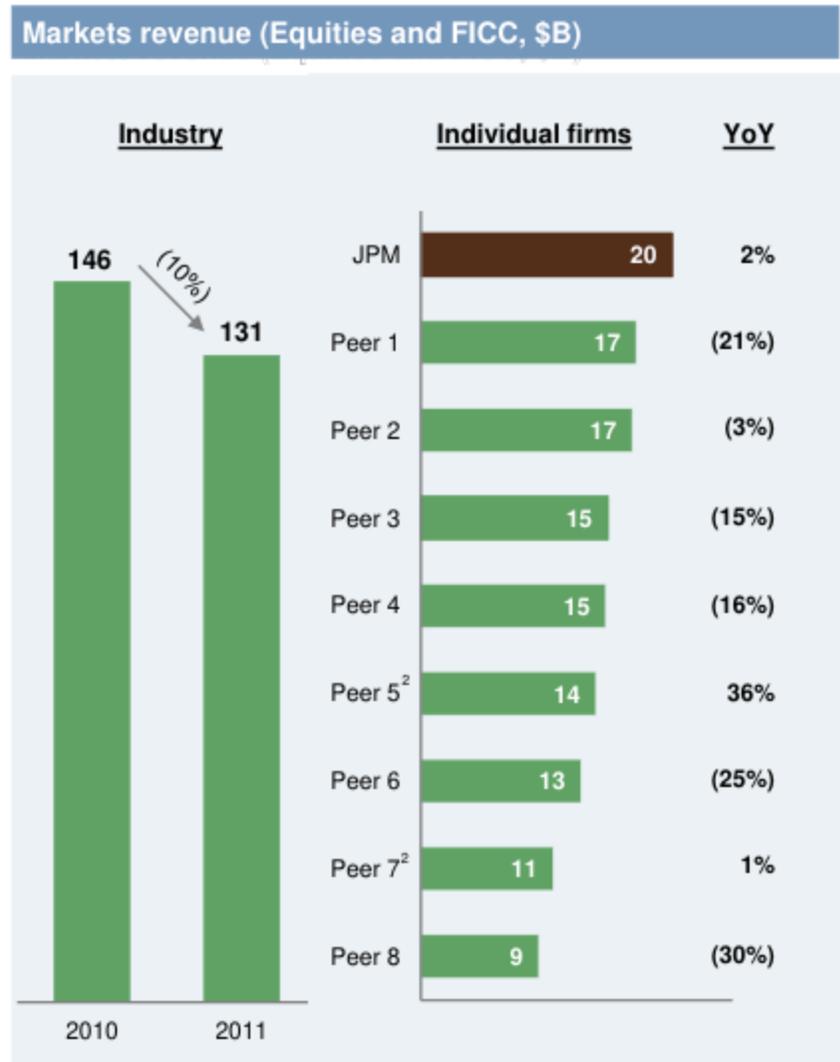
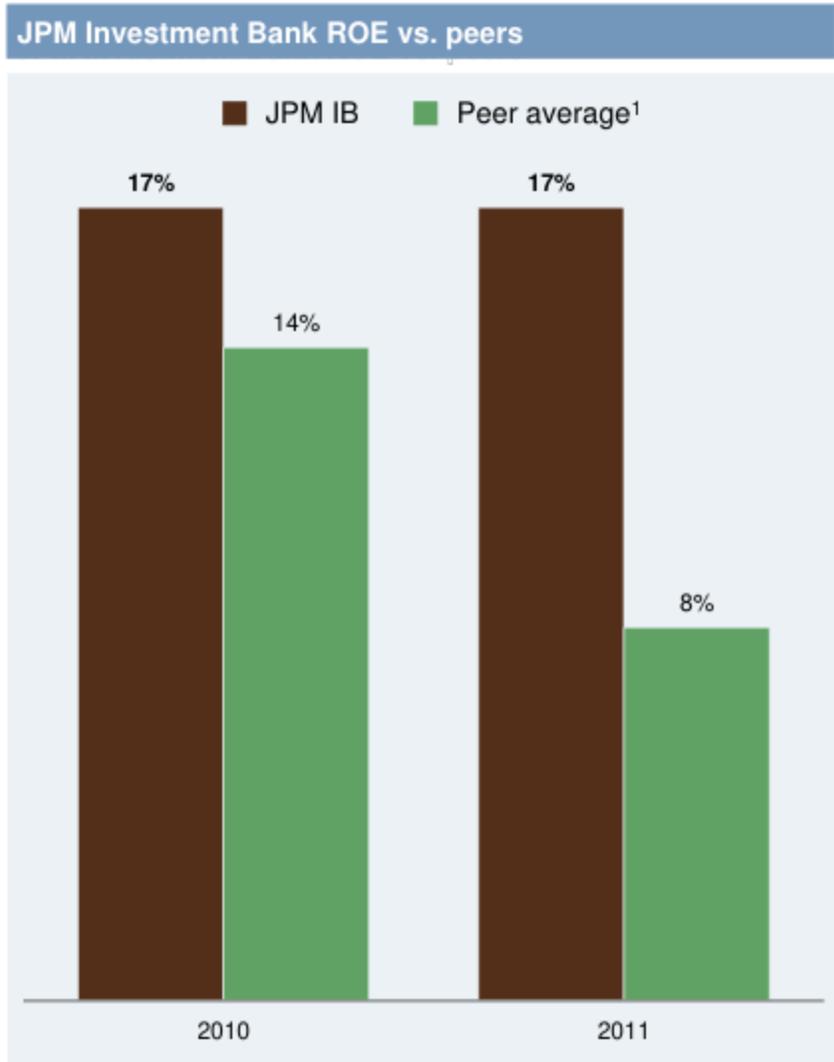
## Business highlights



Note: 2012 RWA reduction is a combination of legacy asset roll-off, risk adjustments, and continued RWA management discipline

# Consistency of results

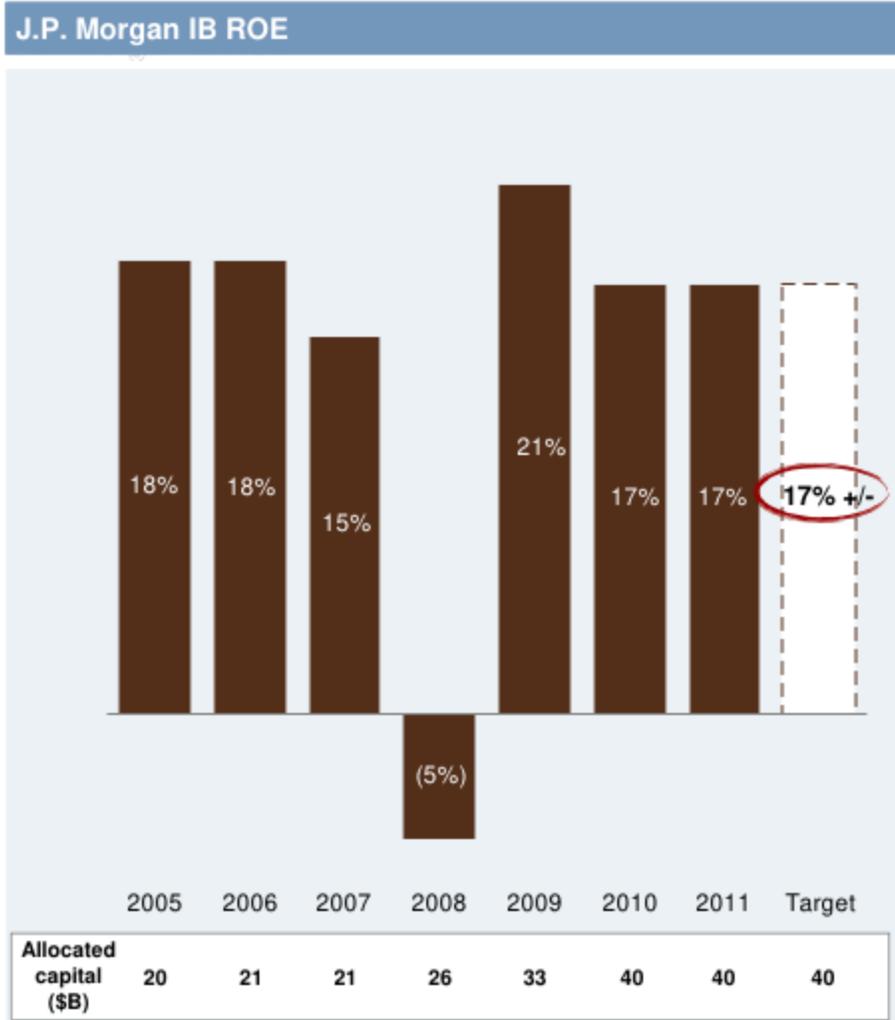
## Business highlights



Source: Company filings  
<sup>1</sup> Peer average ROE excludes firms without sufficient IB segment-level disclosure  
<sup>2</sup> Adjusted for non-recurring items

# Performance and outlook

## Business highlights



### Outlook

- We are holding 17% target going forward
- Headwinds to consider
  - Regulatory burden
  - Global market uncertainty
  - Tougher RWA calculations
  - Sustained low interest rate environment
- Key drivers
  - Scale and diversity of franchise
  - Market leadership
  - Growth initiatives
  - Disciplined expense management
  - Strong capital position