JPMorgan

securities lending QUARTERLY

Fourth Quarter 2007 Edition

Letter From Sandie O'Connor

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Disciplined Risk Management Remains Critical Focus as Market Turbulence Continues

Turbulent market conditions prevailed in fourth quarter 2007, marked by heightened illiquidity and a pronounced flight to quality. As you will read in this issue, we continued to navigate through challenging market conditions, focused on disciplined risk management and provided open communication and transparency to our clients.

Access to the entire JPMorgan franchise is a significant advantage to our trading and client teams, as well as to our clients when weathering challenging market conditions. Our investment desk benefits from independent credit analysis and reviews performed by JPMorgan's Asset and Wealth Management professional analysts, who evaluate cash reinvestment risk within the guidelines that you establish. Our collateral management teams help assure that pricing and margin collections are accurate and timely. The Investment Bank and the broker dealer community at large give us insights into market flows and areas of both risk and opportunity. The power of the JPMorgan collective franchise contributes to delivering results for you under varied market conditions and, we believe, will continue to serve you well.

JPMorgan Capitalizes on Current Conditions

This quarter, both our lending and reinvestment desks translated challenging market conditions into clients' earnings opportunities. Throughout this period, active liquidity management by our investment desk has been a constant across all client portfolios. Additionally, employing a nimble investment strategy, while adhering to individual client guidelines, maximized our ability to capture alpha when possible in these volatile markets.

In the fixed income arena, our experienced teams continued to be well positioned to take advantage of "flight-to-quality" opportunities. In particular, strong demand for U.S. government securities created high intrinsic value. Our equity lending desk saw a sizable increase in non-cash balances in the fourth quarter, and generated record revenues in the U.S. by taking advantage of the increased spreads created by Fed easings and the credit crunch. End-of-year dividend season was strong, with Italy and France trading at or near the highs we saw last summer. Asian markets remained a healthy source of earnings. Markets in southeast Asia and Hong Kong performed well, while increased demand for Korean equities resulted in higher fees.

New Markets

JPMorgan continues to expand into new markets, allowing clients to extend their lendable base of assets and maximize value as early entrants. We are now actively lending Turkish assets and anticipate starting to lend in Brazil during the first quarter of 2008. We continue to review conditions in Greece and Poland, and are assessing opportunities in Japan, India and Malaysia.