J.P.Morgan

ANNUAL REPORT 2009 OF J.P. MORGAN AG

J.P. Morgan

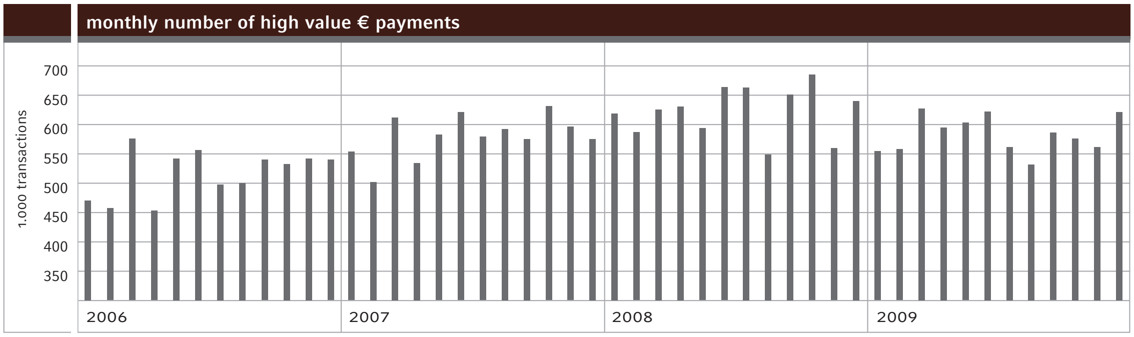
KEY FIGURES J.P. MORGAN AG

€ MILLION	2009	2008	2007	2006
Total net revenues	96.8	120.0	116.3	115.3
Total expenses	80.8	94.0	87.4	77.3
Income before tax	24.6	25.9	29.0	[1] 38.0
Equity	**291.1**	**149.0**	**143.5**	**143.5**
ROE	6 %	17 %	20 %	26 %
Cost/income ratio	83 %	78 %	75 %	67 %
Pretax margin ratio	25 %	22 %	25 %	33 %

1: without special item: ROE 15 %, Pretax margin ratio 18 %

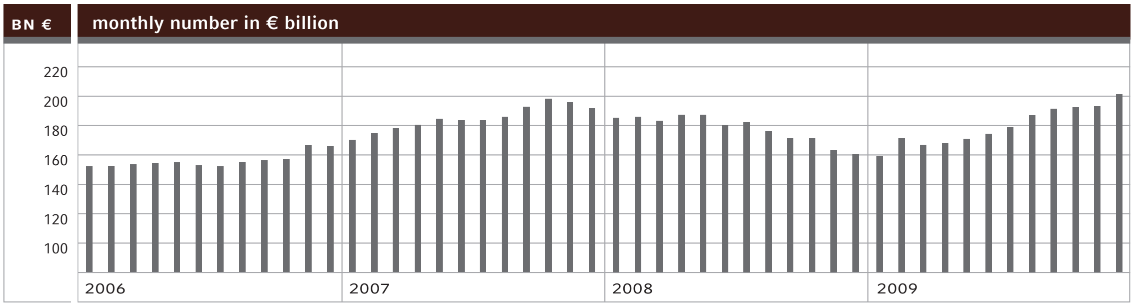
HIGH VALUE PAYMENTS

> PAGE 2: TREASURY SERVICES



ASSETS UNDER CUSTODY

> PAGE 3: WORLDWIDE SECURITIES SERVICES



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Business and Regulatory Framework

ORGANIZATION AND LEGAL STRUCTURE

J.P. Morgan AG, resident in Frankfurt am Main, is an indirectly owned 100 % subsidiary of JPMorgan Chase & Co., resident in Columbus, Ohio, US. J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH in Frankfurt am Main is the direct shareholder of J.P. Morgan AG with whom a control and profit/loss transfer agreement exists.

J.P. Morgan AG is managed by a Management Board "Vorstand" consisting of two (until 30 June, 2009 three) members and controlled by a Supervisory Board "Aufsichtsrat" with six members. The Management Board meets at least once a month, whereas the Supervisory Board meets at least twice a year; as of 2010, the Supervisory Board together with the Management Board and the Functional Heads will additionally meet twice a year to discuss the risk reports. Likewise as of 2010 the Supervisory Board will have an "Prüfungsausschuss". The Supervisory Board is also informed on a quarterly basis by means of a business report and a risk report in compliance with the MaRisk (Minimum Requirements for Risk Management). The individual names of all Board Members are listed in the Notes.

The Bank has a full license according to section 1 para. 1 German Banking Act (KWG, no. 1 to 5 and 7 to 9) and conducts banking business with institutional clients, banks, corporate clients and public sector clients.

BUSINESS SEGMENTS AND ESSENTIAL PRODUCTS & PROCESSES

J.P. Morgan AG is an integral part of the global JPMorgan Group and forms the backbone of J.P. Morgan's operations in Germany. The full integration into JPMorgan's global Treasury & Securities Services segment is of crucial importance as it provides us with the necessary international production network to deliver client services that do full justice to JPMorgan's mission "First class business in a first class way". In 2009, the Bank continued to concentrate on its core businesses in order to meet JPMorgan's endeavor to develop its Frankfurt base into its European flagship bank for € payment transactions and as the global custodian for the German investment market.

TREASURY SERVICES

In the past business year, we continued to sharpen our profile in Treasury Services and on this basis succeeded in further growing our business. J.P. Morgan AG is globally responsible for the Group's € Clearing Operations. Alongside political developments to generate a unified payment area in Europe and ongoing high investments into our technology, we expect in coming years to deliver our leading global technology and our client service to a growing number of corporate clients and financial institutions in the mass payment market in Europe centrally from J.P. Morgan AG and in close cooperation with our sister companies and to achieve substantial business growth.

On the basis of our global infrastructure capabilities, our sales teams offer highly-advanced solutions in the areas of cash, treasury and trade finance management for corporate clients, insurance companies, asset managers, and financial institutions. Advanced technology and substantial enlargement of our international footprint within our Global Corporate Banking concept enable our sales teams to offer ever more far-reaching global cash management concepts with notable advantages in the management of liquidity, particularly for our international clients. Together with our service concept, which we have moved forward, this has in turn sparked further growth in cash management and supply chain financing with selected target clients.

WORLDWIDE SECURITIES SERVICES

Within the Group's global Worldwide Securities Services segment, the Bank plays the role of a fully-licensed custody bank, and has been offering services as a global custodian to German institutional clients since as long ago as 1995. As a global custodian the Bank services more than 200 investment funds across over 600 different segments on behalf of its clients. Alongside global custody services relating to securities safekeeping and trade transaction settlement, our extended service range includes diversified products and additional services as well as in particular client reporting.

Providing a cutting-edge technological infrastructure and ensuring a strong client focus are essential elements of our strategy of generating future organic growth in additional client segments. Through the internet access portal JPMorgan access™ we offer clients and asset managers alike countless report compilation opportunities and reporting functions tailored to the needs and wishes of their respective customers while also supplying data and reports. Moreover, our transaction management module provides asset managers and investment companies who do not have their own link to the S.W.I.F.T. network with direct and efficient access to J.P. Morgan AG when placing their business instructions and payment orders.

KEY SALES MARKETS AND COMPETITIVE SITUATION

In Treasury Services we differentiate between client management and our function as global operating hub for € Clearing Operations. In client management, J.P. Morgan AG is responsible for institutional clients, banks, corporate clients and public-sector clients domiciled in Germany or Austria, including the subsidiary companies domiciled in these two countries whose parent companies are registered elsewhere.

Based on our global worldwide responsibility in the Group for € Clearing Operations, which we manage with a core team in Frankfurt am Main and teams in sister companies of the Group in Mumbai (India) and in Manila (Philippines), J.P. Morgan AG services clients from the multitude of countries where the JPMorgan Group is active. Measured by payment values in TARGET2 and EBA, J.P. Morgan AG belongs to the three largest € clearers in Germany in terms of value of daily payments settled.

In Worldwide Securities Services we offer our services as a custodian bank according to the German Investment Act foremost to special funds under German law and for direct investments by institutional clients, corporate clients and public sector clients in Germany, including subsidiary companies domiciled in Germany whose parent companies are registered elsewhere. J.P. Morgan AG is one of the top three custodian banks in Germany.

KEY LEGAL AND BUSINESS FACTORS

The business of J.P. Morgan AG is primarily influenced by global economic trends and the level of interest rates as regards its Treasury Services segment, whereas the Worldwide Securities Services segment business is primarily exposed to trends in the world's capital markets. Both key segments depend essentially on regulatory developments for the banking industry.

INTERNAL CONTROL SYSTEM AND KEY INDICATORS

In addition to regular meetings of the Management Board and the Supervisory Board, a local operating committee with all key corporate functions represented on it manages corporate governance in everyday business on behalf of the Management Board. J.P. Morgan AG's corporate functions continue to support not only the Bank's business segments but all other Group units in Frankfurt am Main.

The Treasury Services and Worldwide Securities Services segments are managed by a Member of the Board ("Markt") and are controlled by a Member of the Board ("Marktfolge") respectively. In addition to the key performance indicators of interest income and commission income, a conservative risk policy that in particular narrowly limits credit and counterparty risk provides the basis for successful management of J.P. Morgan AG by the Management Board.

All aspects of the business segments are transparently covered by a wide-ranging set of scorecards and controlled by the means of key risk and key performance indicators on a monthly basis in meetings of business control committees together with the inclusion of international risk managers of the Group. This enables the Management Board in a timely manner to identify changes and risks on an informed basis and to respond by taking corrective decisions.

Over and above this, all data representing loan utilization, overdrafts, level of collateral and key ratios according to SolvV and LiqV are produced on a daily basis by the Finance and Credit teams for the Management Board. These reports were completely redesigned in the year under review and will continuously be advanced to reflect the increased operational risk in the wake of the financial crisis.

All new governance regulations called for by BilMoG (the German act to modernize accounting) and the expanded requirements under the MaRisk guidelines (minimum requirements for risk management) were implemented as of year-end. Anticipating further business growth and increased regulatory requirements, the shareholder increased the equity of J.P. Morgan AG to a total of € 631 million as at year-end.

BUSINESS DEVELOPMENT

After the peak of the financial crisis in the final quarter of 2008, global economic developments such as are of relevance to the business of J.P. Morgan AG stabilized in the course of business year 2009. Whereas we benefited over-proportionally from the "flight to quality" throughout 2008, we have seen the reverse development in 2009 cause business to return to normal. Massively reduced interest rates by the central banks have, moreover, left a clear mark on our interest income in the year under review.

After a somewhat weaker first half in 2009, Treasury Services improve markedly during the second half of the year as we were entrusted with important new mandates. In terms of commission income, we had achieved 4 % growth by year-end. Worldwide Securities Services also benefited from new business wins (especially one of the largest German insurance companies) and the rebound in asset prices; however, this was not enough to quite offset the continued restraint towards finance and market-related services by our clients in 2009. Results in both business segments suffered appreciably from the deterioration in interest income of just short of 58 % on the year.

The reversal of the "flight to quality" given the stabilization of the banking system by the central banks led to a reduction in J.P. Morgan AG's balance sheet total by 42 % on the year. Thanks to our extremely conservative credit policy and very careful liquidity management, we again avoided any defaults on loans. In the year under review, the Bank again demonstrated that thanks to a convincing business concept, first-class risk management and a conservative business policy satisfactory results can be achieved.

PERSONNEL

Caused by adjustments to a weaker economic climate and based on further efficiency gains, the number of employees at J.P. Morgan AG was reduced 10 % from 272 to 245 as at year-end. In 2009, the attrition rate reached an unusually high figure of 20 % compared to 8 % in 2008. 12 % of all employees made use of flexible work arrangements offered. In line with our business concept we continue to put the highest emphasis on the qualitative selection of hires and continued learning and training programs for our staff. The J.P. Morgan AG human resources policy focuses on the highest level of quality and diversity, and the Bank is simultaneously committing to adjusting to the needs of our employees as far as possible.

Earnings, Financial and Assets Position

EARNINGS

Despite continued business growth, as reflected in an increase of almost 2 % in commission income, which thus passed the € 60 million mark for the first time, in the year under review J.P. Morgan AG was affected by the central banks' near-zero interest rate policy, with interest income falling sharply by 58 % on the year, from € 39.5 million to € 16.8 million. All negative adjustments caused by BilMoG, in particular as regards pensions, have been factored in, and ordinary income thus rose € 7.3 million while extraordinary income fell € 8.6 million. Other operating income, first and foremost entailing services to other Group units, dropped by 18.9 % owing to a reclassification of net rental cost for the J.P. Morgan Group in Germany. By contrast, administrative expenses were correspondingly lower in business 2009. Despite higher expenses for deposit collateralization, total administrative expenses were 18.4 % or € 15.5 million lower than the year before, supported by BilMoG adjustments of € 7.3 million, meaning that the real reduction in operating costs was 9.8 % or € 8.2 million.

Earnings before taxes contracted by 38 % or € 10 million to € 16 million, including € 8.6 million in extraordinary expenses. Taxes on income are consolidated for the Bank and its sole shareholder J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH, Frankfurt am Main, with whom a control and profit/loss transfer agreement exists.

FINANCING & LIQUIDITY

Principles and Objectives

J.P. Morgan AG's balance sheet is driven by deposits provided from our institutional clients and banks through the € Clearing segment and the custodian bank business. Clients are enabled to utilize credit solely in the form of intra-day lines and short-term overnight overdrafts to cover technical shorts in cash positions in both business segments. Excess liquidity generated by these deposits in both business segments is placed in short-term deposits either within the Group or with first-class banks and through GC Pooling at EUREX.

On principle, our general objectives of course include permanent liquidity and a risk-averse credit policy for the excess liquidity generated. It is our conscious business policy to waive potential opportunities to take higher interest income through increased counterparty risk or through term transformation.

In the year under review, J.P. Morgan AG always held sufficient liquidity despite the ongoing imbalances on the money markets caused by the central banks in response to the financial crisis. The liquidity ratio is managed conservatively; it reached 1.91 at year end and averaged 2.03 for the year.

Capital Structure

In view of increased regulatory requirements and our business growth the shareholder decided to increase the capital of J.P. Morgan AG in a number of tranches in December 2009 from € 328 million to € 647 million. The regulatory capital of J.P. Morgan AG has since been subdivided as follows:

Tier 1:	€ 331	million share capital, reserves and reserves for general banking risks
Upper Tier 2:	€ 150	million profit participation loan
Lower Tier 2:	€ 150	million subordinated loan
Total Tier 2:	€ 300	million

Off Balance Sheet Business

Within the business of Trade Finance most credit risk exposure in the form of contingent liabilities taken on J.P. Morgan AG's own books continue to be directly collateralized through sister companies within the Group.

Cash Flow

in € thousands	2009	2008
Cash position at the end of previous year	37,038	–
Cash flow from operating activities	–340,142	33,847
Cash flow from investment activities	447	–1,999
Cash flow from financing activities	302,981	–
Effects of exchange-rate changes	60	5,190
Cash position at the end of the year	**384**	**37,038**

Assets & Liabilities

Receivables from clients decreased by € 99 million to € 2,036 million owing to reduced utilization of short-term overdraft lines; liabilities due to customers fell by € 504 million to € 4,806 million by year-end. Receivables from banks dropped by € 6,822 million to € 7,569 million, while liabilities declined by € 6,658 million to € 3,860 million by year-end.

J.P. Morgan AG's balance sheet thus reversed last year's growth and normalized through the year, reaching € 9,646 million at year-end 2009. The solvability ratio was at 31.13 at year-end and averaged 14.54 for the year; as per March 22nd, 2010 it ran at 31.10.

Endorsement

There are no reportable events after the close of business 2009.

Risk Report

MANAGEMENT AND CONTROLLING

The Management Board of J.P. Morgan AG is responsible for the adequate organization of its risk management function, which is defined and documented in the Bank's Business and Risk Strategy.

Control functions which are independent of J.P. Morgan AG's front-office departments are in charge of the operational implementation of the risk control and monitoring, taking into account the Group-wide infrastructure and policies. Control functions in J.P. Morgan AG comprise, in particular, the Chief Credit Officer (CCO) for the controlling and monitoring of credit risks and the Chief Operating Officer (COO) for global risk management including the controlling of market price, liquidity as well as operational risks.

Risk controlling and monitoring in J.P. Morgan AG are based on the following principles:

– The risk strategy is directly derived from the business strategy of J.P. Morgan AG and is defined accordingly by the Management Board. Both the business and the risk strategy, are approved each year by the Supervisory Board. Actual implementation takes into consideration the Group's policies.
– There are clearly defined organizational structures and documented processes for all risk categories, and from these the responsibilities and competencies of all functions involved are then derived.
– The organizational and operational structure of J.P. Morgan AG follows the principle of a clear segregation of duties between Front Office ("Markt") and Back Office ("Marktfolge") in order to avoid conflicts of interest.
– The Bank has defined and put in place the necessary processes for identifying, aggregating, managing, monitoring and communicating risks in light of the Group-wide infrastructure.
– Appropriate limits for all significant risk categories have been adequately defined and are effectively controlled.

The Chief Financial Officer (CFO) is responsible for the daily monitoring of the firm's risk capacity and compliance with regulatory capital requirements. Like the CCO and the COO he reports directly to the member of the J.P. Morgan AG Board representing the Back Office ("Marktfolge").

A timely and independent system of reporting to the Management Board, covering the risk categories of credit risk, market price risk, liquidity risk and operational risk has been established on a daily, weekly, and monthly basis, with quarterly summaries in the form of the MaRisk Report issued by the COO.

The risk capacity is controlled on an ongoing basis. The economic capital used for the various risk categories in the year under review is shown in the table below (all amounts in € thousand). Fluctuations in the utilization of the liable equity capital, in particular owing to credit risk, mainly arise owing to the scale of excess liquidity and counterparty classification for the investment of the surplus liquidity. For example, as at June 30, 2009 and unlike the other reporting dates, the excess liquidity of € 6.3 billion was deposited in its entirety with Deutsche Bundesbank, something that does not require collateralization with liable equity capital for credit risks.

in € thousands	Dec. 31, 2009	Sept. 30, 2009	June 30, 2009	March 31, 2009	Dec. 31, 2008
Risk category					
Credit risk	135,820	106,087	80,456	161,804	116,980
Operational risk	16,699	16,699	16,699	15,431	15,431
Market risk	9,763	9,018	8,962	8,811	5,337
Economic capital	**162,282**	**131,804**	**106,118**	**186,046**	**137,748**

The Internal Audit function reports directly to the Chairman of the Management Board and reviews the Bank's business activities based on a risk-oriented audit approach, covering all in-house and outsourced activities and processes. In addition, J.P. Morgan AG relies on the Group-wide internal audit activities of JPMorgan Chase Bank, National Association, London.

RISK CATEGORIES

Credit Risk

Credit or counterparty default risk is the most significant risk category in J.P. Morgan AG due to its core activities, resulting in the potential drawdown of overdraft facilities by clients who hold their transactional cash account for € Clearing or Global Custody activities with J.P. Morgan AG. Prerequisite for the allocation of overdraft facilities can, in the event of an unfavourable client rating, be the implementation of defined risk mitigation steps, such as the provision of collateral.

Since J.P. Morgan AG does not run an active trading book, other credit risk categories, such as issuer risk, replacement risk and settlement risk, play a minor role for the firm's risk profile. The credit risk strategy is derived from the J.P. Morgan AG's business strategy and is an integral component of the Bank's overall approach to risk management.

By means of its credit risk strategy, the Management Board defines the risk profile as regards clients and credit products. Moreover, credit organization and processes for risk management, potential measures to minimize risk and risk reporting are defined more closely in the Group-wide policies and in the J.P. Morgan AG MaRisk Guidelines. The Management Board takes credit decisions on the basis of the clearly defined separate responsibilities of "Markt" and "Marktfolge".

Worst-case scenarios are calculated regularly. Even assuming an extreme scenario of complete usage of intra-day settlement limits by all clients at the same time, the liable equity capital of J.P. Morgan AG is sufficient to comply with the GroMiKV and SolvV regulations.

Daily monitoring of counterparty default risk at the individual client level is done by Treasury & Credit Control, using the Group-wide credit limit control system, which records individual limits and utilization at the account level and/or at the level of single borrower units ("Kreditnehmereinheit"). Daily activities mainly focus on the monitoring of intra-day and overdraft facility usage. A new form of daily reporting was developed in 2009 for the daily exposures, all new accounts and facilities, and all changes of existing facilities; the report is controlled and approved on a daily basis by either the COO or the respective Member of the Board depending on the competencies assigned.

Moreover, compliance with the approved limit structure, the monitoring of J.P. Morgan AG's risk capacity as well as the analysis of the Bank's portfolio (e. g. maturities, credit products, segments and countries) including concentration risk is summarized in monthly and quarterly reports to the Management Board. J.P. Morgan AG has procedures for intensified loan management as well as the treatment of problematic loans, but did not need apply these procedures during 2009.

Operational Risk

Operational Risk is defined under supervisory regulations as the risk of loss resulting from inadequate or failed processes, people and systems, or from external events. This definition also covers legal risk which is defined as the risk of loss resulting from failure to comply with the framework set down by law and legal judgements owing to a lack of knowledge, insufficiently careful application of the laws or no timely response to changes in the legal framework.

The necessary processes for identifying, measuring, aggregating, managing, monitoring and communicating risks are stipulated in Group-wide risk policies and guidelines and stated in the J.P. Morgan AG OpsRisk Manual, for which the COO and the Local Operational Risk Manager are responsible.

J.P. Morgan AG calculates the Operational Risk Capital Requirement (ORCR) using the basic indicator approach (BIA). As part of risk monitoring, J.P. Morgan AG simulates the possible interest loss from delays in daily settlement by the Treasury Services and Worldwide Securities Services segments.

A regular inventory of all processes is carried out to monitor the quality of operational risks, and the inherent risks of the inventory likewise reviewed and allows for an in-depth analysis of inherent risks. The final assessment of the residual risks and of possible weaknesses in individual processes is based on the results of the institutionalized damage report assessment, which stores quantitative information on OpsRisk events and on the results of a control self assessment. For those processes, corresponding risk mitigation action plans are then defined. The COO provides a summary of these results and possible risk events to the J.P. Morgan AG Board in his quarterly MaRisk Report.

Independent whether functions are out-sourced or merely off-shored within the wider JPMorgan Group, all such functions and processes will be judged according to complexity and risk potential within risk-oriented outsourcing controlling. The result of such an assessment forms the basis of a decision on the intensity of the outsourcing controlling and may result in monthly controls and discussions at the Governance meetings.

Operational risks are essentially limited in the framework of business continuity, destined to enable due operation of critical processes, such as to give J.P. Morgan AG the resiliency to recover from a business impacting incident. The resiliency risk scenarios include loss of people, unavailability of IT systems as well as the closure of its office building. Corresponding recovery plans have been developed incorporating the Group-wide infrastructure and are tested on a regular basis.

Liquidity Risk

J.P. Morgan AG defines liquidity risk as the risk of loss arising from the firm's inability to meet its current or future commitments in total or when they come due.

The management and monitoring of liquidity risk is defined in binding fashion by the Management Board of J.P. Morgan AG in the Bank's business and risk strategy, whereas the treasury policy defines the framework for implementation of J.P. Morgan's liquidity risk strategy and includes, among other things, daily control of J.P. Morgan AG's liquidity position and measures to preserve such.

The J.P. Morgan AG Management Board concluded that liquidity risk not be secured by risk capital, as risk coverage assets are unsuitable to cover the risk of illiquidity. Instead the treasury policy defines a number of stress scenarios which analyze the effects of sudden withdrawals of liquidity on the liquidity situation and thus J.P. Morgan AG's capacity to act. Stress scenarios include both the sudden outflow of liquidity as well as a sudden increase in utilization of credit lines. Scenarios are then calculated assuming the day of lowest excess liquidity in the given quarter. In both scenarios, J.P. Morgan AG's liquidity needs are covered.

Liquidity management is handled by the J.P. Morgan AG Treasury function in compliance with Group-wide policies and J.P. Morgan AG's treasury policy. Compliance with these policies as well as defined warning thresholds are monitored daily by Treasury & Credit Control, which reports to the COO.

Market Price Risk

J.P. Morgan AG defines market price risk as the risk of loss due to changed market prices. Given J.P. Morgan AG's business activities, only interest rate risks as well as exchange-rate risks have an impact, if a limited one, while share price and commodity price risks have no importance whatsoever for the Bank's risk profile.

Since J.P. Morgan AG has no active trading book, interest rate risks arise solely in treasury management of € liquidity. Exchange-rate risks are solely generated through the settlement of FX payments on behalf of clients who hold a payments transaction or deposit account with J.P. Morgan and from intra-Group settlements in US $.

The management of market risks is defined by the Management Board in the business and risk strategy and defined more closely by the treasury policy, setting approved limits for the Bank's risk. These positions are valued and accordingly monitored on an ongoing basis.

To calculate interest rate risk for its banking book, J.P. Morgan uses the basis point-interest approach. To monitor risk as regards risk capacity, J.P. Morgan AG calculates the impact of a shift of 200 basis points as a stress scenario for the interest rate risk. Given the low exposure exchange-rate risks are solely limited by ceilings for spot positions.

The basis point-interest approach is also used to monitor interest rate risk in the debentures portfolio and separate limits set for the related interest swaps and total return swaps.

Treasury & Credit Control is responsible for the daily monitoring of the market price risk. Daily adherence to limits and the impact on the Bank's risk capacity is reported to the Management Board of J.P. Morgan AG on a monthly and quarterly basis.

RISK CONTROL AND MONITORING

Risk Capacity

The CFO is responsible for the daily monitoring of the Bank's risk capacity and compliance with regulatory capital requirements. He reports directly to the member of the J.P. Morgan

AG Board representing the Back Office ("Marktfolge"). In order to calculate the economic capital requirements, J.P. Morgan AG applies (a) the credit risk standard approach, (b) the basis indicator approach for operational risk and, (c) the basis point-interest approach for market price risks.

A detailed analysis of the Bank's risk capacity, using various scenario analyses and stress scenarios, is performed on a quarterly basis for all risk categories. The results of this regular analysis is summarized in the quarterly MaRisk Report and presented to the Management Board of J.P. Morgan AG by the COO.

Definition of Limits

A series of limits were defined, complementary to the regulatory limits of LiqV and SolvV, and monitored on a timely and daily basis, especially for the controlling of the Bank's liquidity risk for which the Management Board decided not to allocate any risk capital. These limits are defined in the J.P. Morgan AG treasury policy and comprise deposit guidance limits, bidding limits, position limits as well as J.P. Morgan AG minimum liquidity.

The treasury policy has been approved by the Management Board and is updated on a regular basis. It defines roles and responsibilities as well as escalation procedures in the event of threshold figures being exceeded or not reached, or even of set limits being breached.

Approval of New Products & Markets

The introduction of new products and the expansion of business into new markets occurs in line with the Group-wide "New Business Initiative Policy". The COO is responsible for an analysis of the potential risks, the design of the operative processes, their regulatory impact, and their impact on J.P. Morgan AG's risk capacity. If the product involves an expansion of trading activities, the COO shall also ensure there is a sufficient test phase prior to introduction in real production.

Integrating various functions such as Financial Control, Tax, Legal, Compliance and Risk Management as co-ordinated by the COO guarantees a review of the planned product launch independent of the trading function. This committee documents its findings along with a recommendation, which are then submitted for discussion and approval by the Management Board as a whole. Only after approval, the initiative is integrated into real production at J.P. Morgan AG.

INTERNAL CONTROL SYSTEM

General Remarks

The internal control system (IKS) and the risk management system that covers the J.P. Morgan AG accounting processes focus on the guidelines, procedures and measures taken to ensure the efficacy, economic viability and orderliness of the accounting as well as to guarantee adherence to the key statutory regulations. The internal control system consists of two areas, Control and Monitoring. In organizational terms, the Financial Control section is responsible for IKS management.

The monitoring measures consist of elements integrated into the process and external, independent elements. Among other things, the integrated measures include a monthly control process covering all the Bank's activities, during which the balance sheet as at that date and the P&L account are examined to assess their correct presentation, and the risks and the validity then confirmed. Moreover, in all instances the four-eye principle is applied, along with technical controls, mainly by software-controlled audit mechanisms. Furthermore, qualified staff members with the due expertise

(Head of Finance) and specialist functions such as Financial Control and Internal Audit take part in the process-integrated monitoring and control functions.

The Management and Supervisory Boards (in particular the "Prüfungsausschuss") as well as an auditing company are involved in the internal monitoring system in the form of process-independent audit measures. The audit of the annual financial statements constitutes a key element of the process-independent monitoring.

With a view to the accounting the risk management system is geared to identify, evaluate and communicate risks from faulty bookkeeping, accounting, and reporting in a timely manner.

Use of IT

The software used in the Bank to input accounting processes is made up of the IT systems used throughout the Group. The orderly functioning of the programs and interfaces utilized is regularly assessed and confirmed. As part of the examination of our IT, the auditors check the due operation of the accounting-relating applications at all computer center locations. The complete IT system, including that for accounting, is secured against unauthorized access.

Key Regulations and Control Activities to ensure due, orderly and reliable Accounting

The internal control system's structure and measures ensure that business transactions are entered swiftly and completely in line with the statutory and the internal regulations and that assets and liabilities are accurately calculated, valued and carried in the annual financial statements. The booking documentation provides a reliable information base and a clear paper trail.

The regulations of the Financial Accounting Standard Boards are applied within the JPMorgan Group as uniform valuation and accounting principles according to US-GAAP, supplemented and commented on by the Group's "Accounting Policies" section. Here, again, stipulations are made as regards the intra-Group settlement policies. In the framework of preparing the individual financial statements of J.P. Morgan AG, a reconciliation statement is prepared from US-GAAP to the annual financial statements under HGB, compiled in 2009 in concurrence with the new regulations of BilMoG. Here, local work directives cover the details of the formal requirements for the individual financial statements.

Outlook

FUNDAMENTAL CHANCES AND RISKS FOR THE COMING YEARS

J.P. Morgan AG is very well positioned to benefit enduringly and over-proportionally in coming years due to the various initiatives on sharpening the profile, in corporate governance and risk management carried out in recent years, and which we constantly adapt to reflect the market and new regulatory requirements.

This situation is supported by the leading position of JPMorgan globally and the Group's continued investments in the technology used in our business and not least our constant local effort to provide highest-quality services, best people management and a prime customer focus. Risks to our business are limited in our view to a potential overreaction of regulators after the experience of the financial crisis. However, we assume that regulators world-wide will develop and introduce a coordinated and measured concept for the regulation of financial markets in such a way as to avoid negative consequences for economic and capital market activity.

Expectations of the Bank's future Performance

Staying with our ongoing and consistent conservative credit policy within a light economic recovery cycle we do not expect credit losses during the next two years. We expect a small increase in our commission income due to renewed growth in business and capital market activities. With regard to interest income, we only expect consolidation at the low level due to the low nominal interest rate environment and our continued conservative credit policy without any term transformation.

Assumptions

These expectations are based on our assumption of a continuation of a fairly light recovery of the economy in coming years. We also believe that the ECB does not have real alternatives to a "near-zero rate policy" throughout the year 2010 and that its exit strategy will therefore be very slow in 2011 and taken in small steps only.

Development of Segments

Based on the scenario described above we will continue to implement rigorous cost discipline in both segments. Last year, we started to enhance efficiencies without sacrificing the quality of our services or the investments into technology. We will continue to expand our efforts to win new clients. Last year, we invested significantly in upgrading our client service areas in both segments, and expect further returns on these investments this business year.

Liquidity & Solvency

J.P. Morgan AG is solvent at all times owing to the business-model-driven structure of our balance sheet. Additionally the Bank will continue to manage a high liquidity ratio, which came to 1.91 on March 22, 2010, and will continue to stay away from term transformation to achieve an additional interest rate margin.

Assurance by the Board

We hereby assure that to the best of our knowledge and in line with the applicable accounting principles for financial reporting, this report offers a fair picture of the Bank's assets, financial / liquidity and earnings that corresponds to the facts and that the course of business, the business results and the Bank's position are presented in such a way as to convey a true and fair picture, and that the material opportunities and risks of the Bank's presumable future performance in the remainder of the current business year are described.

Frankfurt am Main, April 19, 2010

J.P. Morgan AG
Frankfurt am Main
The Board

THOMAS MEYER OLIVER BERGER BURKHARD KÜBEL-SORGER

Financial statements for 2009 J.P. Morgan AG

BALANCE SHEET AS AT DECEMBER 31, 2009 OF J.P. MORGAN AG, FRANKFURT AM MAIN

ASSETS

in € thousands	Notes	2009	2008
Cash	2.1.	384	37,038
Receivables from banks	2.2.	7,568,804	14,390,964
Receivables from clients	2.3.	2,036,415	2,135,319
Bonds and other fixed-income securities		–	–
Shares and other non-fixed-income securities		–	109,853
Participations	2.4.	244	89
Fixed assets	2.5.	11,823	15,118
Other assets		12,260	11,284
Prepaid and deferred expenses		38	51
Capitalized differences from netting assets	2.6.	16,199	–
Total assets		**9,646,167**	**16,699,716**

LIABILITIES AND STOCKHOLDERS' EQUITY

in € thousands	Notes	2009	2008
Liabilities due to banks	2.8.	3,860,478	10,518,922
Liabilities due to customers	2.9.	4,805,586	5,309,379
Securitized liabilities	2.10.	265,546	342,675
Other liabilities	2.11.	57,467	86,937
Deferred income and accrued expenses		108	65
Accruals	2.12.	9,550	113,297
Subordinated liabilities	2.13.	150,032	97,052
Profit-participation capital	2.14. + 2.16.	150,000	26,076
Fund for general banking risks	2.15.	56,300	56,300
Stockholders' equity	2.16. + 2.17.	291,100	149,013
Total liabilities and stockholders' equity		**9,646,167**	**16,699,716**
Contingent liabilities	2.20.	144,465	142,428
Other commitments		–	–

INCOME STATEMENT
OF J.P. MORGAN AG, FRANKFURT AM MAIN

FOR THE PERIOD JANUARY 1, 2009 THROUGH DECEMBER 31, 2009

in € thousands	Notes	2009	2008
Interest income		81,447	361,860
Interest expense		64,686	322,363
	3.1.	**16,761**	**39,497**
Income from shares and other variable rate securities		42	4
Income from investments		–	4
		42	**8**
Commission Income		70,171	68,534
Commission Expenses		9,719	9,043
	3.2.	**60,452**	**59,491**
Net income from financial transaction		223	323
Other operating income	3.3.	16,789	20,579
General administrative expenses	3.4.	68,755	84,246
Amortization and depreciation of fixed and intangible assets		3,317	3,382
Other operating expenses		134	169
Amortization and value impairments on receivables and specific securities as well as allocations to loans-business accruals	3.5.	–	6,216
Income from allocations to receivables and specific securities as well as allocations to loans-business accruals	3.6.	2,538	64
		2,538	**–6,152**
Net operating income		**24,599**	**25,949**
Extraordinary income		–	–
Extraordinary expenses	3.7.	8,574	–
Other taxes, if not recorded under other operating expenses		14	12
		14	**12**
Profits transferred as a result of a profit transfer of partial profit transfer agreement		–	25,937
Net income for the year		**16,011**	**–**
Unappropriated profit		**16,011**	**–**

NOTES TO THE FINANCIAL STATEMENTS OF J.P. MORGAN AG, FRANKFURT AM MAIN FOR 2009

1. General information

1.1. GENERAL PRINCIPLES

J.P. Morgan AG, Frankfurt am Main, is a registered stock corporation under German law active in Germany in the main segments of transaction banking, securities custody and deposit and loans business.

The J.P. Morgan AG balance sheet and the P&L account have been prepared according to the regulations of the German Commercial Code (HGB) and the Decree on Accounting for Banks and Financial Service Providers.

The new regulations of the HGB as outlined in the Balance Sheet Law Modernization Act (BilMoG) in the version of May 25, 2009 as well as the related section 66 para. 2 sentence 1 EGHGB in the new amended version have already been applied in full to this year's annual financial statements.

Given our classification as a corporation focused on the capital market as per section 264d HGB we are obliged to prepare a cash flow statement and a schedule of movements in equity.

The structure of the balance sheet and the P&L account are unchanged over the prior year.

1.2. CHANGED ACCOUNTING AND VALUATION METHODS

The accounting and valuation regulations that arise from the new amended version of BilMoG have, to the extent applicable, been utilized in drawing up the annual financial statements for 2009.

German Commercial Code			
Section 253	para. 1	"Receivable and subs. valuation"	Valuation of assets at market value if they fulfill the conditions for the netting against pension obligations
Section 253	para. 2	"Receivable and subs. valuation"	Accruals: mandatory discount > 1 year
Section 254		"Setting valuation units"	Bundling of assets, debts, pending transactions of financial instruments in valuation units
Section 266		"Structure of balance sheet"	Balance-sheet structure, specifically item for "Capitalized Difference from Netting Assets"
Section 277	para. 4	"Regulations on indiv. items of the P&L"	Extraord. income: posting non-period income
Section 277	para. 5	"Regulations on indiv. items of the P&L"	Post accruals for discount expenses

1.3. FOREIGN CURRENCY TRANSLATION

The foreign-currency receivables and liabilities have been translated at the European Central Bank reference rates applicable at year-end. Transactions denominated in foreign currency were translated at the end-of-month rate for the month in which the business was transacted. Currency gains/losses are booked to the P&L item for "net income from financial transactions".

2. Key accounting and valuation principles and explanations

2.1. CASH RESERVE

in € thousands	Dec. 31, 2009	Dec. 31, 2008
Cash reserve	**384**	**37,038**
Cash balances	–	–
Credit with central banks	384	37,038
of which: with Deutsche Bundesbank	384	37,038

Liquid funds are carried at nominal values. As at year-end, the liquidity was deposited with Deutsche Bundesbank.

2.2. RECEIVABLES FROM BANKS

in € thousands (§ 9 RechKredV)	Dec. 31, 2009	Dec. 31, 2008
Receivables from banks	**7,568,804**	**14,390,964**
Structure of maturities:		
– due daily	1,909,108	3,048,708
– other receivables		
1. up to three months,	4,856,971	11,342,255
2. three months up to one year,	802,725	–
3. one year up to five years,	–	–
4. more than five years	–	–
of which: receivables from affiliates	5,481,426	5,146,739

Receivables from banks are carried at nominal value or the lower of cost or market plus deferred interest.

2.3. RECEIVABLES FROM CLIENTS

in € thousands (§ 9 RechKredV)	Dec. 31, 2009	Dec. 31, 2008
Receivables from clients	**2,036,415**	**2,135,320**
Structure of maturities:		
– with an undefined term	34,333	128,871
– with agreed term or termination date		
1. up to three months,	2,000,399	2,003,245
2. three months up to one year,	–	–
3. one year up to five years,	–	1,212
4. more than five years	1,684	1,992
of which: receivables from affiliates	8,983	86,694

Receivables from clients are carried at nominal value or at then lower of cost or market plus deferred interest.

2.4. PARTICIPATIONS

in € thousands	Dec. 31, 2009	Dec. 31, 2008
Participations	**244**	**89**
of which: in banks	89	89

In business 2009 a further participation was acquired in the sense of section 271 para. 1 sentence 1 HGB and is valued at purchase cost.

The participations are carried at acquisition cost. There is an obligation to retroactively pay € 600,000 relating to a participation in banks.

2.5. SCHEDULE OF CHANGES IN FIXED ASSETS

in € thousands	Other plant and business equipment	Technical plant and equipment	Total
Tangible assets			
Cumulative purchase costs as at Jan. 1, 2009	**20,477**	**7,552**	**28,029**
Additions	14	13	27
Disposals	59	0	59
Cumulative purchase costs as at Dec. 31, 2009	**20,432**	**7,565**	**27,997**
Scheduled depreciation in the current year	2,110	1,207	3,317
Cumulative depreciation as at Dec. 31, 2009	**10,274**	**5,900**	**16,174**
Status at Dec. 31, 2009	**10,158**	**1,665**	**11,823**
Net book value as at Dec. 31, 2008	12,259	2,859	15,118

Fixed assets refer exclusively to operating and business equipment.

Tangible assets are posted at purchase cost less scheduled straight-line depreciation. The addition of minor-value assets is valued and written back in line with section 6 para. 2a German Income Tax Act (EStG).

2.6. CAPITALIZED DIFFERENCES FROM NETTING ASSETS

In line with the valuation method stated in section 246 para. 2 sentence 2 BilMoG assets that serve to cover debts from pension commitments and similar non-current commitments must be netted against the liabilities. The excess carrying value of the balance is then entered under the item for “Capitalized differences from netting assets”. No use was made of the transitional option as per section 67 para. 1 EGHGB and the difference as at Jan. 1, 2009 between the valuation as per section 6a EStG and the BilMoG valuation of € 8,573,995 was written back direct.

The calculation for the actuarial expert report was based on the Prof. Dr. Klaus Heubeck 2005 G actuarial death tables.

The income from discounting (section 277 para. 5 HGB) pension commitments was entered in the P&L account under the item for “welfare contributions” (section 67 para. 7 EGHGB).

		2009
Schedule of "Capitalized Differences from Netting Assets"		
Pension and pre-pension part-time commitments	**Jan. 1, 2009**	**100,691,091**
Allocation		11,591,369
Expense from discounts		6,267,797
Extraord. expense from reconciliation to BilMoG		8,426,938
Use (pension disbursements)		−3,049,964
Pension commitments	**Dec. 31, 2009**	**123,927,231**
Assets	**Jan. 1, 2009**	**109,853,251**
Reclassification from "other assets"		3,000,015
Additions		6,207,702
Disposals		−4,326,785
Revaluation for risen partial assets		3,279,210
Market valuation above purchase costs		22,113,156
Assets	**Dec. 31, 2009**	**140,126,551**
Capitalized difference from netting assets	**Jan. 1, 2009**	**9,162,160**
Capitalized difference from netting assets	**Dec. 31, 2009**	**16,199,320**
Purchase costs – assets	**Jan. 1, 2009**	**111,095,697**
Purchase costs – assets	**Dec. 31, 2009**	**119,373,816**
Trend for allocations to pension accruals		
Allocation		11,591,369
Allocation – realized profit from asset sales – posted under "Income from write-ups of receivables and specific securities"		2,517,945
Allocation – capitalized direct insurances – posted under "Other Assets"		−2,502,295
Market valuation pre-pension part time work – posted under "Wages and Salaries"		245,404
Expense from discount		6,267,797
Revaluation from prior write-downs on partial assets from prior years		−3,279,210
Market valuation assets over purchase costs – blocked disbursement		−22,113,156
Allocation to pension accruals	**Jan. 1 – Dec. 31, 2009**	**−7,272,146**

	2009
Valuation parameters (BilMoG)	
for pension commitments	
Discount rate	5.25 %
Growth in commitments	3.00 %
Growth in pension	2.00 %
Fluctuation: for staff turnover, age and gender based probabilities are considered.	Mercer Standard
for pension-like commitments – Pre-Retirement Employment – Part-time	
Discount rate	5.25 %
Growth in commitments	3.00 %
Growth in pension	0.00 %

The assets involved are exclusively shares in funds tied to supporting staff claims to pension commitments. Primarily, an investment strategy is pursued dedicated to long-term financial security.

	2009
Investment measures pursuant to section 285 para. 26 assets	
for Special Assets I	**JPMC I-Universal Fund**
Legal basis	German Investment Act
Risk management method	Qualified method
Calculation based on	Market value (NAV) of the assets
Reinvestment	Compounded investments
Section 253 para. 3 sen. 4	No write-downs as valued as per section 246 (2) HGB
Term	No limit in daily redemption
Valued as per section 36 InvG at year end	€ 96,090 thousand; 870,621 shares
Invested capital	not eligible for exchange listing/ not listed
for Special Assets II	**Universal-CMB II Fund**
Legal basis	German Investment Act
Risk management method	Simple method
Calculation based on	Market value (NAV) of the assets
Reinvestment	Compounded investments
Section 253 para. 3 sen. 4	No write-downs as valued as per section 246 (2) HGB
Term	No limit in daily redemption
Valued as per section 36 InvG at year end	€ 28,405 thousand; 173,394 shares
Invested capital	not eligible for exchange listing/ not listed

2.7. OTHER ACCOUNTING AND VALUATION METHODS

Other assets are strictly valued at the lower of cost and market.

Expenses and income deferrals have been formed and allocated to the respective balance-sheet item.

Liabilities are carried at the sums repayable and securitized liabilities are entered at nominal value.

Appropriate provisions have been made for uncertain liabilities; there were no threatened losses from pending business.

Accruals are valued at the sum to be met, factoring in expected increases in prices and costs.

Accruals with a remaining term of more than one year have been discounted / revalued at the average market interest rates as calculated and announced by Deutsche Bundesbank (section 253 para. 2 HGB).

Income and expenses from discounting and revaluing are entered without netting under the respective interest income / interest expense item (section 277 para. 5 HGB).

The interest for interest swaps and total return swaps are charged on a pro rata temporis basis and carried as receivables / liabilities, with interest claims being netted against interest obligations for the respective transaction. The interest swaps have been entered at cash value, with the future cash outflow discounted at market interest as at year-end and netted for each swap. No accrual had to be formed for unrealized losses. Unrealized losses from cover transactions for which there are liabilities on the balace sheet have not been taken into account in the annual financial statements.

Valuation units were set up for bearer debentures and notes issued that are hedged by total return swaps against market price risk. The TRS are concluded in a clear relationship to the respective liability and their effectiveness tested. Owing to the clear hedge relationship, the transactions involved are micro-hedges that represent an efficient and perfect hedge relationship for the entire term. The fair values covered by the total return swaps in relation to the underlying liabilities are calculated using customary valuation models. Efficiency is measured by juxtaposing the market valuation for the liability to that of the respective total return swap.

The terms of the individual TRS matches that of the liabilities hedged and as at 31 Dec., 2009 was as follows:

	Total return swap	Liability
Term		
2011	49,653,000	−49,653,000
2012	150,055,000	−150,055,000
2013	29,185,150	−29,185,150
2014	112,791,696	−112,791,696
2015	88,386,770	−88,386,770
2016	76,779,498	−76,779,498
2017	80,898,460	−80,898,460
2018	90,000,000	−90,000,000
2020	130,000,000	−130,000,000
Total	**807,749,574**	**−807,749,574**

In total, 32 valuation units were formed, and 36 total return swaps established to cover 52 liability items.

2.8. LIABILITIES DUE TO BANKS

in € thousands (§ 9 RechKredV)	Dec. 31, 2009	Dec. 31, 2008
Liabilities due to banks	**3,860,478**	**10,518,922**
Structure of maturities:		
– due daily	1,590,342	4,144,160
– with agreed term or termination point		
1. up to three months,	681,901	6,373,951
2. three months up to one year,	1,303,422	811
3. one year up to five years,	–	–
4. more than five years	284,813	–
of which: liabilities to affiliates	1,802,954	7,948,640

2.9. LIABILITIES DUE TO CLIENTS

in € thousands (§ 9 RechKredV)	Dec. 31, 2009	Dec. 31, 2008
Other liabilities due to clients	**4,805,586**	**5,309,379**
Structure of maturities:		
– due daily	2,617,770	3,484,821
– with agreed term or termination point		
1. up to three months,	1,684,002	1,289,124
2. three months up to one year,	369,368	420,471
3. one year up to five years,	69,446	39,963
4. more than five years	65,000	75,000
of which: liabilities to affiliates	217,769	60,530

2.10. SECURITIZED LIABILITIES

in € thousands (§ 9 RechKredV)	Dec. 31, 2009	Dec. 31, 2008
Securitized liabilities	**265,547**	**342,675**
Debentures issued	265,547	342,675
– of which due the following year	265,547	342,675
other securitized liabilities	–	–
Structure of maturities:		
– with agreed term or termination point		
1. up to three months,	–	–
2. three months up to one year,	–	–
3. more than five years	–	–
of which: own bills accepted and bills in circulation	–	–

Securitized liabilities result from bearer debentures issued. The possibility of their termination before maturity was taken into consideration when grouping them by remaining term.

In financial 2009 no further debentures were issued.

2.11. OTHER LIABILITIES

in € thousands	Dec. 31, 2009	Dec. 31, 2008
Other liabilities, consisting of:	**57,467**	**86,937**
– Profit transfer	–	25,937
– Share in profit-sharing capital (J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH)	133	4,410
– Withholding tax	48,026	45,728
– Turnover tax	7,928	9,410
– Other liabilities	1,380	1,452

The share in the profits accruing to the profit-sharing capital are credited to J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH, Frankfurt am Main. The profit transfer as at Dec. 31, 2008 related exclusively to business 2008. As per section 268 para. 8 sentence 3 HGB there will be no profit transfer as per Dec. 31, 2009.

The block on disbursements as at 31 Dec., 2009 totaled € 22,113,156 (see Note 2.6.).

2.12. ACCRUALS

in € thousands	Dec. 31, 2009	Dec. 31, 2008
Accruals	**9,550**	**14,996**
of which for		
– other accruals	9,550	14,996

The accruals carried contain all obligations discernible as at year-end relating to past business transactions or past occurrences, valued in line with section 253 HGB.

Accruals with a remaining term of more than one year have been discounted / revalued at the average market interest rates as calculated and announced by Deutsche Bundesbank (section 253 para. 2 HGB).

Income and expenses from discounting and revaluing are entered without netting under the respective interest income / interest expense item.

Accruals for jubilees contained in the figure were calculated using an actuarial expert opinion and on the basis of the Prof. Dr. Klaus Heubeck 2005 G actuarial death tables and in line with the valuation method as per section 253 para. 1 HGB. In keeping with section 67 para.7 EGHGB the calculated increase from the mathematical definition was booked to the P&L account in the item for "Extraordinary expenses".

	2009
Valuation parameters (BilMoG)	
for pension-like commitments – Accruals for jubilees	
Discount rate	5.25 %
Growth in no. of entitled persons	3.00 %
Rise in pension	0.00 %
Fluctuation	Mercer Standard

The other accruals are largely made up of accruals for personnel expenses and restoration obligations for the office building rented.

2.13. SUBORDINATE LIABILITIES

in € thousands	Dec. 31, 2009	Dec. 31, 2008
Subordinate liabilities	**150,033**	**97,051**
of which: Subordinate liabilities due to affiliates	150,033	97,051

The subordinate capital posted as at year-end 2008 was written back as contractually agreed and replaced by a subsequent item as at Dec. 21, 2009. The interest expense for business 2009 for the repaid subordinate liabilities have been assigned as a sum of € 1,130 thousand to the item for "Interest expense" in the P&L account.

As agreed, as of Dec. 21, 2009 the original currency in which the subsequent subordinate capital is entered is euro; interest payments are made quarterly as of the capital being taken up, starting on Dec. 21, 2009. Interest is calculated on the basis of the respective 3-month EURIBOR (European InterBank Offered Rate) interest rate. Pro-rated interested deferrals of € 32,496 have likewise been entered under the item for "Subordinate liabilities". The subordinate capital is guaranteed for 30 years as of closure of the contract.

The subordinate liabilities meet the requirements of section 10 para. 5a German Banking Act (KWG).

2.14. PROFIT-PARTICIPATION CAPITAL

in € thousands	Dec. 31, 2009	Dec. 31, 2008
Profit-participation capital	**150,000**	**26,076**
J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH, Frankfurt am Main		

Holder of the profit participation rights, J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH, Frankfurt am Main, agreed in financial 2009 to waive the repayment obligation on the capital investment of € 26,076 thousand in order to have the same sum allocated in the meaning of section 272 para. 2 no. 4 HGB to equity capital under the item capital reserves. It likewise waived its right to a profit participation for business 2009 on the basis of contracts relating to this.

As per contractual agreement of Dec. 21, 2009 J.P. Morgan AG was issued new profit-participation rights of € 150,000 thousand, which are again held by J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH, Frankfurt am Main.

2.15. FUNDS FOR GENERAL BANKING RISKS

in € thousands	Total
Funds for general banking risks	
Status as at Jan. 1, 2009	56,300
Additions	–
Disposals	–
Status as at Dec. 31, 2009	**56,300**

2.16. SCHEDULE OF CHANGES IN EQUITY CAPITAL FOR BUSINESS 2009

in € thousands	paid-in capital*	capital reserves	statutory reserve	other profit reserves	unappro-priated profit	Total	Profit participating capital
Schedule of changes in equity for business 2009							
Status as at Jan. 1, 2009	60,000	59,236	6,000	23,777	–	149,013	26,076
Profit carried forward					16,011	16,011	
Reclassification		26,076				26,076	–26,076
Capital increase	100,000					100,000	150,000
Status as at Dec. 31, 2009	**160,000**	**85,312**	**6,000**	**23,777**	**16,011**	**291,100**	**150,000**
Status as at Jan. 1, 2008	60,000	59,236	6,000	23,777	–	149,013	26,076
Profit carried forward						–	–
Reclassification						–	–
Capital increase						–	–
Status as at Dec. 31, 2008	**60,000**	**59,236**	**6,000**	**23,777**	**–**	**149,013**	**26,076**

The capital increase by € 100,000 thousand was resolved on Dec. 17, 2009 at the General Meeting and entered in the Commercial Register (HRB 16861, Frankfurt District Court) as at Dec. 21, 2009.

2.17. *PAID-IN CAPITAL

The capital stock is € 160,000,000, subdivided into 160,000,000 unit shares. All 160,000,000 unit shares are held by J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH, Frankfurt am Main, and are wholly paid in.

2.18. OTHER ITEMS DUE TO AFFILIATES

in € thousands	Dec. 31, 2009	Dec. 31, 2008
Other items due to affiliates		
Other assets	796	631
Other liabilities	133	30,347

2.19. FOREIGN-CURRENCY ASSETS AND DEBTS

in € thousands	Dec. 31, 2009	Dec. 31, 2008
Foreign-currency assets and debts		
Assets	1,180,060	1,651,103
Debts	1,179,659	1,649,666

2.20. CONTINGENT LIABILITIES

in € thousands	Dec. 31, 2009	Dec. 31, 2008
Contingent liabilities		
Liabilities from warranties and guarantee agreements	144,465	142,428

The rise is a result of translation of the foreign-currency items.

3. Explanatory Notes to the P & L Account

3.1. SURPLUS INTEREST

in € thousands	Jan. – Dec. 2009	Jan. – Dec. 2008
Surplus interest (net)	**16,761**	**39,497**
Interest income from	**81,447**	**361,860**
Loan and money-market transactions	81,447	361,860
Fixed-income securities an receivables in the debt	–	–
Interest expenses	**64,686**	**322,363**

Interest income dropped sharply owing to a lower total volume and the low level of interest rates.

3.2. COMMISSION INCOME (NET)

in € thousands	Jan. – Dec. 2009	Jan. – Dec. 2008
Commission income (net)	**60,452**	**59,491**

Commission income rose 1.62 % in 2009. Income from payment transactions was boosted 4 % by developing new clients, while custody bank business could not quite offset the drop in assets by developing new clients.

3.3. OTHER OPERATING INCOME

in € thousands	Jan. – Dec. 2009	Jan. – Dec. 2008
Other operating income	**16,789**	**20,579**
of which from		
Services rendered for group units	16,622	19,085
Other operating income	166	1,493

Other operating income mainly includes services performed for group member units and a major event in 2009.

3.4. GENERAL ADMINISTRATIVE EXPENSES

in € thousands	Jan. – Dec. 2009	Jan. – Dec. 2008
General administrative expenses	**68,755**	**84,246**
• of which for personnel expenses		
– wages and salaries	22,703	24,690
– welfare payments and expenses, old-age provisions and support	–2,805	9,567
of which: for old-age provisions	5,375	6,927
• other administrative expenses	48,857	49,989

Welfare payments and expenses for old-age provisions and support contain valuation changes for assets to reflect the current fair values. According to BilMoG, valuation changes for commitments and assets are netted.

3.5. AMORTIZATION AND VALUE IMPAIRMENTS ON RECEIVABLES AND SPECIFIC SECURITIES AS WELL AS ALLOCATIONS TO LOANS-BUSINESS ACCRUALS

in € thousands	Jan. – Dec. 2009	Jan. – Dec. 2008
Amortization and value impairments on receivables and specific securities as well as allocations to loans-business accruals	**–**	**6,215**

3.6. INCOME FROM ALLOCATIONS TO RECEIVABLES AND SPECIFIC SECURITIES AS WELL AS ALLOCATIONS TO LOANS-BUSINESS ACCRUALS

in € thousands	Jan. – Dec. 2009	Jan. – Dec. 2008
Income from allocations to receivables and specific securities as well as allocations to loans-business accruals	**2,538**	**64**

The amount of € 2,496 thousand represents a realized profit from the sale of shares from a special fund.

3.7. EXTRAORDINARY EXPENSES

in € thousands	Jan. – Dec. 2009	Jan. – Dec. 2008
Extraordinary expenses		
Difference from BilMoG valuation method as per section 67 para. 7 EGHGB		
for pension commitments	8,434	–
for accruals for jubilees	147	–
for pre-retirement part-time commitments	–7	–

Extraordinary expenses result exclusively from the transition to BilMoG and the new valuation of old-age commitments and related assets. No use was made of the option of the transition as per section 67 para. 1 EGHGB and the difference calculated as at Jan. 1, 2009 between the valuation as per section 6a EStG and that as per BilMoG of € 8,573,995 was directly written back.

4. Other information

	Market value as at Dec. 31, 2009		Market value as at Dec. 31, 2008	
in € thousands	positive	negative	positive	negative
Interest-based transactions				
Interest swaps	–	–	4,588	4,588
Equity-related transactions				
Total return swaps	50,557	99,142	32,519	81,734
Total	**50,557**	**99,142**	**37,107**	**86,322**

Forward transactions not yet settled existed as at year-end solely of total return swaps.

The interest-based forward transactions related to closed positions for which the Bank acted as intermediary.

The total return swaps were concluded to hedge against market risks.

As at Dec. 31, 2009 there were no foreign currency swaps.

4.1. RELATIONS TO AFFILIATED COMPANIES

J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH, Frankfurt am Main, is the sole shareholder and there is a profit/loss agreement in place. A report on Dependent Companies as per section 312 AktG need not therefore be prepared.

The consolidated annual financial statements for the smallest and largest group of companies is compiled by JPMorgan Chase & Co., New York, whose shares are traded on the New York Stock Exchange and on some European and Asian exchanges. The consolidated annual financial statements can be obtained on request from J.P. Morgan AG, Frankfurt am Main.

The Bank is a member of the Deposit Security Fund of Bundesverband deutscher Banken e.V.

4.2. NUMBER OF EMPLOYEES

On average for the year there were 258 employees, the composition was as follows:

Number of employees	2009	2008
Annual average	**258**	**285**
Spread of employees		
Holding full power of attorney	20	21
Holding commercial power of attorney	127	108
Commercial staff	111	156

Staff postings have as of 2009 no longer been included in the figures.

4.3. TOTAL REMUNERATION OF ACTIVE BOARD MEMBERS

Total remuneration for Management Board members was € 1,223 thousand, of which € 185 thousand is attributable to restricted stock units.

Supervisory Board member remuneration came to € 5 thousand.

No loans were granted to Board members during the business year.

4.4. TOTAL EMOLUMENTS FOR FORMER BOARD MEMBERS AND THEIR DEPENDENTS

Pension accruals for these persons totaled € 24,963 thousand as at Dec. 31, 2009. Total emoluments for former Board members and their dependents came to € 1,008 thousand.

4.5. FEES EXPENSE

in € thousands	Jan. – Dec. 2009	Jan. – Dec. 2008
Fees expense		
Entered for the business year for		
the audit of the financial statements	386	342

4.6. EXPLANATORY NOTES ON OTHER FINANCIAL COMMITMENTS

The company avails itself of services from various group member companies as part of outsourcing functions. The business procurement contracts have a period of notice of three months.

The rental contract for the business premises runs until Dec. 31, 2014.

Management Board:		
Thomas Meyer, Banking professional		Chairman
Oliver Berger, Banking professional		
Martin Schütz, Banking professional	(until June 30, 2009)	
Burkhard Kübel-Sorger, Banking professional	(since April 1, 2010)	
Supervisory Board:		
Mark S. Garvin, Managing Director Chairman of Treasury & Securities Services International, JPMorgan Chase Bank, National Association		Chairman
Alexander Caviezel, Managing Director Treasury Services EMEA, JPMorgan Chase Bank, National Association		Deputy Chairman
Peter T. Schwicht, Managing Director Asset Management, JPMorgan Asset Management (Europe) S.à r.l.		
Karl-Georg Altenburg, Banking professional	(as of Jan. 1, 2009)	
Rudolf Wissel, Banking professional		(staff representative)
Thomas Freise, Commercial professional		(staff representative)

Frankfurt am Main, April 19, 2010

J.P. Morgan AG
Frankfurt am Main
Management Board

THOMAS MEYER OLIVER BERGER BURKHARD KÜBEL-SORGER

CASH FLOW STATEMENT 2009

in € thousands	2009	2008
Consolidated surplus	**16,011**	**25,937**
Non-cash positions in net profit an adjustments to reconcile net profit with net cash provided by operating activities:		
Write-downs, depreciation, adjustments, write-ups to fixed and other assets, changes in provisions and net changes due to hedge accounting	−1,947	23,045
Change in other non-cash positions, Profit/loss from the sale of assets	−2,518	
Profit from the sale of fixed assets	5	169
Other adjustments (net interest income)	−16,761	−39,497
Subtotal	**−5,210**	**9,654**
Change in assets and liabilities from operating activities after correction for non-cash components:		
Claims on banks	6,822,160	−6,480,843
Claims on customers	98,904	−1,666,929
Securities held for trading purposes		
Other assets from operating activities	−3,963	301,373
Liabilities to banks	−6,658,445	5,734,975
Liabilities to customers	−503,793	2,085,296
Securitized liabilities	−77,129	19,748
Other liabilities from operating activities	−29,427	−8,924
Interest and dividends received	81,447	361,860
Interest paid	−64,686	−322,363
Income tax paid		
Net cash provided by operating activities	**−340,142**	**33,847**
Proceeds from the sale of:		
Financial investments	6,700	
Fixed assets		
Payments for the acquisition of:		
Financial investments	−6,238	−6,444
Fixed assets	−15	−1,053
Effects of changes in the group of companies included in the consolidation		
Payments from the acquisition of subsidiaries		5,498
Net cash used by investing activities	**447**	**−1,999**
Proceeds from capital increases	100,000	
Dividends paid		
Other financing activities (subordinated capital)	202,981	
Net cash provided by financing activities	**302,981**	**–**
Cash and cash equivalents at the end of the previous period	37,038	–
Net cash provided by operating activities	−340,142	33,847
Net cash used by investing activities	447	−1,999
Net cash provided by financing activities	302,981	–
Effects of exchange-rate changes on cash and cash equivalents	60	5,190
Cash and cash equivalents at the end of the period	**384**	**37,038**
of which:		
Balances with central banks	384	37,038
Debt issued by public-sector borrowers and bills of exchange rediscountable at central banks		

auditor's report

(Translation of the auditor's report issued in German language on the annual financial statements prepared in German language by the management of J.P. Morgan AG, Frankfurt am Main.)

We have audited the annual financial statements, comprising the balance sheet, the income statement, the notes to the financial statements, the cash flow statement and the statement of changes in Equity, together with the bookkeeping system, and the management report of the J.P. Morgan AG, Frankfurt am Main, for the business year from January 1 to December 31, 2009. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § (Article) 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development

Frankfurt am Main, April 19, 2010

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

	ppa. Atton
(CHRISTIAN F. RABELING)	(PPA. MURIEL ATTON)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

SUPERVISORY BOARD REPORT

SUPERVISORY AND CONTROL

The Supervisory Board supervised the Management Board throughout the financial year 2009 in accordance with applicable laws. The oversight was based on written and oral reports of the Management Board to the Supervisory Board. Material business matters were examined by the Supervisory Board and reviewed together with the Management Board. The Supervisory Board met twice to discuss the Bank's economic situation, its business strategy, the liquidity and capital as well as the risk management. In particular, the Supervisory Board was informed about default risks in the lending business and operational risks in all business areas as well as the capital increase resolved in 2009.

PERSONNEL CHANGES TO THE MANAGEMENT BOARD

As per June 30, 2009 Martin Schütz resigned form the Management Board. Effective April 1, 2010 Burkhard Kübel-Sorger was appointed member of the Management Board.

For the current business year 2010 the Management Board consists of Thomas Meyer (Chairman), Oliver Berger and Burkhard Kübel-Sorger.

PERSONNEL CHANGES TO THE SUPERVISORY BOARD

Effective January 1, 2009 Karl-Georg Altenburg was appointed member of the Supervisory Board. During the financial year members of the Supervisory Board were: Mark S. Garvin (Chairman), Alexander Caviezel (Deputy Chairman), Karl-Georg Altenburg, Peter Schwicht, as well as Rudolf Wissel and Thomas Freise (both employee representatives).

"PRÜFUNGSAUSSCHUSS"

At the Supervisory Board meeting of December 17, 2009 a "Prüfungsausschuss" was appointed pursuant to section 107 para. 3 sentence 2 AktG, consisting of three members of the Supervisory Board. The first meeting of the "Prüfungsausschuss" was held April 23, 2010. The "Prüfungsausschuss" is responsible for the supervision of the accounting process, the effectiveness of the internal control system, the effectiveness of the risk management system and the effectiveness of the internal audit system as well as the statutory audit, in particular, the independence of the auditor and any additionally performed services of the auditor.

On the basis of the recommendation of the "Prüfungsausschuss" (section 124 para. 3 sentence 2 AktG) the Supervisory Board proposes to elect PricewaterhouseCoopers AG, Frankfurt am Main, as statutory auditor for the year-end Financial Statements and the Management Report for the 2010 fiscal year.

ANNUAL STATEMENT OF ACCOUNTS

The year-end Financial Statements and the Management Report for the fiscal year 2009 as well as all relevant accounting records have been examined by the duly appointed auditing firm PricewaterhouseCoopers AG, Frankfurt am Main. The auditing firm issued an unqualified audit opinion.

The “Prüfungsausschuss” has discussed the year-end Financial Statements and the Management Report in its meeting of April 23, 2010 with the auditor and reviewed it. The Supervisory Board does not raise any objections against the result of the review of the “Prüfungsausschuss”. The Financial Statements as of December 31, 2009 and the Management Report have today been approved by the Supervisory Board. The annual statement of accounts is herewith established.

PROPOSAL FOR USE OF PROFITS

The Supervisory Board concurs with the proposal of the Management Board to carry forward the balance sheet profit of € 16,010,914.83.

The Supervisory Board would like to express its thanks to the Board of Management and to all employees for their performance and commitment.

April 28, 2010

The Supervisory Board

MARK S. GARVIN
Chairman

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