

# TARP impact

## TARP overview

- Received \$25B for issuance of 5% preferred shares to Department of Treasury (after 5 years, dividend rate increases to 9%)
- Issued to Treasury warrants to purchase 88.4mm shares of common stock; exercise price of \$42.42 (50% of warrants expire if Firm raises \$25B of preferred and/or common equity by 12/31/09)
- Future dividend increases or share repurchases subject to Treasury approval for 3 years
- Firm executive compensation and tax deductibility subject to certain limitations
  - No golden parachute. No change in control
- FDIC guarantee on unsecured senior debt

## Use of TARP capital

- Did not need or ask for capital
- Asymmetric benefits to recipients
- Do not believe JPM should stand in the way of what is good for the system
- Represents excess capital which we hope to proactively put to good use for shareholders and customers (which is good for our country)
  - Must maintain safe and sound lending
- Will work to be creative around uses for capital and will continue lending
- Must maintain a healthy and vibrant company

## Pro forma capital ratios

- Tier 1 ratio estimated at 10.8% as of 9/30/08
- Continued focus on fortress balance sheet as strategic imperative