On January 14, 2004, we shared with you our plan to unite Bank One

and JPMorgan Chase with the goal of creating the best financial services

company in the world. Throughout the year, we have worked hard to

execute one of the largest mergers in financial services history. As expected,

the process has been challenging and rewarding. On a *pro forma combined*

basis for the full year, net operating income was $10.3 billion with a 10%

return on equity (ROE) or a 17% ROE less goodwill. While these results

are not yet what we want them to be, we believe the progress we have made

during the past year will ultimately be reflected in our performance.

In this, our first letter to you as a combined company, we will review our 2004

merger milestones, our business performance and our priorities going forward.

After reading this letter, we hope you will believe, as we do, that we are doing

all of the right things to win in the long run. Today, we are more confident

than ever in our ability to build a great company.

1. **2004** **MERGER MILESTONES**

We have made substantial progress in merging our businesses. Since combining the holding companies

on July 1, 2004, we have:

• Achieved merger-related cost saves of $400 million and decreased headcount by 6,500, or 4%, thereby staying on target to achieve a total expense reduction of $3 billion by 2007.

• Merged the lead banks, broker/dealers and credit card banks.

• Made all the key technology decisions, including the selection of our national deposit platform,

general ledger, customer identification system and credit card processing system.

• Created a disciplined operating structure consisting of common reporting, risk management,

talent management, monthly business reviews and performance-based compensation.

• Identified our top 1,000 leaders and brought them together with our senior management team

to learn about the new firm’s potential and plan for its future.

**II. REVIEW OF** 2004 **BUSINESS PERFORMANCE**

Most of our businesses performed adequately in 2004. However, the full advantages that will come

from an increased number of distribution channels, coordinated branding and marketing efforts, and

the efficiencies of scale are yet to be realized. For our customers, the added value of broader, more

complete and higher-quality products and services will be substantial.

Below is a brief review by line of business. For more detail, please refer to management’s discussion

and analysis later in this report. To make meaningful comparisons in this letter, we will be discussing

our results on a *pro forma combined* basis.

*The Investment Bank* reported net operating earnings of $3.7 billion with an ROE of 18%. A significant

highlight for the year was the performance of our underwriting and advisory businesses.

Already the leader in many league categories, including syndicated loans and interest rate and credit

derivatives, we moved from 16th place to 4th in initial public offerings and ranked 2nd in global

announced M&A, having advised on seven of the 10 largest global M&A deals. Our fixed income

business, however, experienced a 13% drop in revenues. Overall, we should have done considerably

better in an economic cycle that produced healthier credit results than anticipated. Over time, we

are aiming for a 20% ROE through economic cycles. That means striving for a 30% return in the

good times and, we hope, no less than a 10% return in the bad. In 2005, we will seek to maintain

our global leadership positions by investing in infrastructure and business growth.

*Retail Financial Services* reported operating earnings of $3.3 billion with an ROE of 25%. These

earnings reflect a 33% increase in consumer and small business banking that helped offset weak

performance in home finance. In home finance, we were challenged by an industry downturn in

mortgage originations driven largely by a dramatic drop-off of refinancing activity due to rising

interest rates. Now that the era of historically low interest rates appears to be over, we are focused

on running this business far more efficiently. Goals for 2005 include transitioning the Bank One

branded business to the Chase brand, investing in our distribution network and creating a culture

focused on productivity and sales.

*Card Services* reported operating earnings of $1.7 billion and an ROE of 14%. Card Services made

outstanding progress toward meeting its merger targets, reducing headcount by 1,400, or 7%, and is

on track to meet its target of $650 million in expense saves. In addition to completing the conversion

of the heritage Chase card portfolio to our new processing platform in 2005, our drive toward market

leadership will come from organic growth, economies of scale, superior customer service and an

increased focus on innovation.

*Commercial Banking* reported operating earnings of $992 million and an ROE of 29%. The merger

between Bank One and JPMorgan Chase presents a tremendous opportunity for us to meet the

growing treasury, asset and wealth management, and investment banking needs of our more than

25,000 middle market, corporate banking and real estate clients. In 2005, we will take significant

steps toward realizing that opportunity.

*Asset &Wealth Management* reported operating earnings of $879 million and an ROE of 37%.

Improved equity markets and an emphasis on operating efficiencies helped us grow ROE from 25% in

2003. In 2005, we will focus on improving investment performance and add new bankers and officers

to gather additional assets and grow our base of ultra high net worth and high net worth clients.

*Treasury &Securities Services* reported operating earnings of $437 million and an ROE of 37%.

These earnings understate the business’ importance, however, because much of our treasury services

revenue is included in other business segment results. In 2004, Treasury & Securities Services delivered

double-digit revenue growth while also completing the first phase of integrating international

operations in 36 countries. In 2005, our goal will be to merge technology systems and leverage the

broader set of product capabilities achieved through the merger.

**III. OUR PRIORITIES**

**DEVELOP AND MAINTAIN STRONG FINANCIAL DISCIPLINE.** Financial discipline is the bedrock

upon which great companies are built. Great companies prevail through both good and bad economic

times and consistently deliver solid performance relative to competitors. Our goal is to become one

of those companies. Financial discipline requires:

*Superior financial reporting and management information systems.* In 2004, we created a new internal

and external financial reporting architecture with high-quality and transparent accounting policies

that cover capital allocation, revenue sharing, expense allocation and funds-transfer pricing. We then

worked with our line of business leaders and their respective chief financial officers to develop

comprehensive financial and operating metrics to use in building their businesses. Today, thousands

of profit-and-loss statements – including one for each of our 2,500 branches, for example – help us

allocate capital appropriately and drive performance. We strive to use one set of numbers inside and

outside the company to bring consistency and clarity to how we view and measure performance.

While we are satisfied with the progress we have made to date, the real benefit will come over time

as our management teams increasingly use these tools.

*A fortress balance sheet.* A fortress balance sheet requires a thorough understanding and management

of our assets and liabilities; the use of conservative, appropriate accounting; tight financial controls;

strong loan loss reserves; and a commitment to solid credit ratings. We want a balance sheet of

unquestioned strength.

With a fortress balance sheet, we can withstand – perhaps even benefit from – difficult times and be

deliberate in our capital allocation decisions. Last year, we paid dividends of $1.36 per share and

spent $738 million to repurchase stock while making key investments in our business and ended the

year with a strong Tier 1 capital ratio of 8.7%.

*Accountability for performance.* Financial reports alone won’t suffice. They are simply tools. Financial

discipline also requires those in charge to have a deep understanding of their businesses and of what

drives profitability and growth. Each month, the management team from each line of business meets

with us to discuss financial performance, revenue growth, risk management, competitive threats,

productivity, innovation, key initiatives and talent management.

In the beginning, these meetings were somewhat painful for most of us. Too often, they ended with

more questions than answers. Many managers were asked to dive more deeply into the numbers and

be more tough-minded about the reasons why certain initiatives were not on target. Although they

aren’t yet where they should be, our meetings are becoming more open, candid and focused. In addition to placing more accountability for performance within each line of business, each business

needs to increasingly give its field managers the clear and appropriate authority they need to be

more accountable and responsive to customers and local market conditions.

*Identifying, pricing and managing risk.* All of our businesses must be properly paid for assuming

risk. All forms of risk – interest, credit, market, liquidity, operational, technology and business –

must be categorized, valued, measured and dynamically managed in the constantly changing economic

and business environment. While we continue to set risk policy and manage overall risk centrally,

we have established line of business risk committees that are accountable for risk performance within

the business. By working directly with the businesses, we are creating an informed risk culture

that responds more quickly to business and economic changes and strives to avoid surprises.

**CUT WASTE AND IMPROVE EFFICIENCY THROUGH OUTSTANDING SYSTEMS AND OPERATIONS.**

A financial services company cannot win unless it is a low-cost provider. This requires eliminating

waste and creating the most effective systems and most efficient operations in the business. We are well

on our way. For example:

• We have completed the credit card industry’s largest-ever systems conversion, moving 60% of

our Visa and MasterCard cardmember base to a faster, more flexible and cost-effective processing

system; the remaining 40% will be converted in 2005, at which point all 94 million credit cards

will be serviced through a single technology platform.

• Already the leader in U.S. dollar funds transfers, we will finish our clearing systems integration

in the second quarter of 2005. When we are done, our team will have invested 59,000 development

hours on the project designed to ensure that the 285,000 transactions that move an average

of $1.8 trillion every day are executed flawlessly.

• Within the Investment Bank, we are creating a global technology platform for institutional

credit risk management as well as credit trading and derivatives processing.

• We will move the Texas banking franchise onto our common deposit platform in 2005. In 2006,

we will complete our bank franchise integration with the conversion of New York, New Jersey

and Connecticut, providing all customers with full access to banking services across state lines.

• We are consolidating operations centers, refreshing the networks of our 11 major processing

centers and 22 large business hubs, expanding strategic data centers, significantly reducing the

number of required software applications and centralizing our global help desks to provide

consistent infrastructure.

• We believe that to assume more control of our destiny we must assume more control of our technology.

On January 1, 2005, we welcomed 4,000 previously outsourced technologists to the firm.

Together, we will strive to build the best, most efficient systems and operations in our industry.

By year-end 2006, we hope to have completed nearly 500 conversions and reduced our total

number of systems by approximately 35%. It is an undertaking that will require more than 8.5 million

“people hours” and at least 1.5 million hours of systems testing. When the process is complete, most

of our systems will be on single and upgraded platforms. This will give us a distinct edge in providing

our customers with products and services that are competitively superior in quality,

innovation and price. During the next two years, our systems conversions will be one of our most

difficult challenges, but we will do whatever it takes to get them right.

**INVEST FOR GROWTH.** Business cannot grow simply by improving efficiency. Growth requires a

laser-like focus on execution, a consistent management of risk, a competitive product set and outstanding

customer service. We are not interested in growth simply for the sake of growth. We are looking for “good growth”; i.e., good products that meet customer needs and can be profitable over

a sustained period of time.

Although we currently hold leadership positions in virtually every business we are in, there is room

to grow in all of them. We intend to build these businesses by investing in organic growth and filling

strategic gaps through acquisitions and partnerships.

*Investing in organic growth.* We will not grow short-term revenue at the expense of long-term success.

For us, smart growth means doing a lot of little things right. Some key examples for 2005 include:

• Extending our reach in consumer banking by adding more than 1,000 sales people, 150 branches,

and 1,000 ATMs to our 17-state retail bank network;

• Aggressively funding new business development in the Investment Bank, with a special focus on

the energy sector and mortgage-backed securities business, as well as investing in fixed income

and foreign exchange prime brokerage;

• Intensifying our marketing of Card Services by bringing the Chase brand to a broader customer

base; maximizing our partnerships with many of the nation’s best-known brands; innovating

continuously; and expanding product breadth;

• Increasing our Private Bank’s ultra high net worth client base by entering eight new markets

globally and building our Private Client Services’ client base by expanding our presence in the

large and rapidly growing high net worth market in the northeast United States.

*Filling the gaps through acquisitions and partnerships.* In addition to fueling organic growth, we will

pursue strategic acquisitions and partnerships to fill gaps in capabilities, geographies, product offerings

and services. Although we are not prepared to make any large moves at this time, we will not pass up

smaller acquisitions of strategic value. For example, we entered into two important partnerships and

made one acquisition:

• In February 2005, JPMorgan and Cazenove Group formed JPMorgan Cazenove, a joint venture

that will be one of the United Kingdom’s foremost investment banks. This venture is a major step

toward strengthening our global position.

• In December 2004, we formed a strategic partnership with and acquired a majority interest in

Highbridge Capital Management, a hedge fund with $7 billion of assets under management and

an extraordinary consistency of returns. Highbridge’s talent, longevity and track record will be a

tremendous addition to our investment offerings for institutional and high net worth clients.

• In January 2004, JPMorgan Chase acquired Electronic Financial Services, a leading provider of

government-issued benefits payments and pre paid stored value cards used by state and federal

government agencies and private institutions. This acquisition further advanced our leadership

position in wholesale electronic payment services and immediately positioned us as a leader in the

public sector segment.

**BUILD GREAT BRANDS.** Shortly after the merger was announced, we began formulating our brand

strategy. At first, we thought we simply needed to decide whether to market our consumer products

under the name of Bank One or Chase. Our research, however, produced intriguing results. Both

Chase and Bank One tested well, but the research revealed that each has very different strengths.

The Chase brand is associated with “a tradition of trust” that could extend to a broader array of

products and services, such as insurance, retirement products and investments. The Bank One

brand, however, is viewed as having “momentum.”

Beginning in March 2005, you will see the emergence of a new Chase brand that combines the best

of both: the trustworthiness of Chase with the energy of Bank One. Chase will be used to market

products and services offered by Commercial Banking, Card Services and Retail Financial Services.

The re-energized brand will be introduced with a nationwide marketing campaign focusing initially

on the Chase family of credit cards.

By the end of 2006, our consumer business will be spending more than $1 billion annually in support

of one brand: Chase. We intend to make Chase the best brand in the consumer financial services

industry. We are on track to have all of our more than 2,500 bank branches operating under the

Chase brand by the end of the third quarter 2006.

Our research also reaffirmed the power of the JPMorgan brand, which is associated with a long

history of unsurpassed client service, high performance standards, integrity and commitment to

relationships. The Investment Bank, our international services and Asset & Wealth Management

businesses – which include investment management, the Private Bank and Private Client Services –

will now be marketed solely under the JPMorgan brand.

**CREATE A WINNING CULTURE.** Over the course of our careers, we have completed many major

mergers. They are always difficult. Mergers are about change, and change is hard. Our past experiences,

however, have made us appreciate the enormous progress that the people of Bank One and JPMorgan

Chase have achieved this year.

Since we announced the merger, a lot has been written about how the cultures of Bank One and

JPMorgan Chase would interact and which one would survive. Today, a new culture is emerging

that reflects the best of both firms. Every day, we are getting better, and the effects are taking hold.

We are becoming more candid and open in the way we communicate and more disciplined in the

way we run the firm. People are working together to tackle issues, and managers are leading their

teams with a deeper understanding of the underlying dynamics of their businesses. There is greater

buy-in for the vision, more passion about growing the business and a heightened sense of urgency.

A winning culture requires great leaders. In 2004, we identified our top 1,000 leaders from throughout

the businesses and around the world. But that is just the beginning. In 2005, we will conduct

in-depth talent reviews in all lines of business to identify our high-potential individuals and create

development plans for all of them. Our LeadershipMorganChase program provides a unique

forum for our senior managers to come together to learn more about our vision and plan for the

firm and to develop the skills they need to become great managers and leaders. Our goal is to

provide our people with everything they need to play an instrumental role in the future growth

and success of this firm.

We are also working to create a more inclusive work environment by requiring our managers to

be accountable for building diverse teams. As part of our effort to improve diversity at the executive

level, we are now devoting much more attention to career planning and development for high-potential

employees from under-represented groups.

**BUILD A GREAT COMPANY.** Our firm has been built on a reputation of trust that spans more than

two centuries and represents the coming together of more than 300 companies. Today, we stand on

the shoulders of those who came before us. We honor this legacy by committing ourselves to the

integrity and customer service that have long distinguished our firm. We intend to earn this reputation

every day by doing the right thing, not necessarily the most expedient thing.

Our Board of Directors shares this commitment and is helping us accomplish it. We expect a lot

from our Board, and they expect a lot from us. We appreciate their support and value their guidance. We also would like to express special appreciation to the Directors who have retired since the merger

was announced: Riley P. Bechtel; Frank A. Bennack, Jr.; John H. Bryan; M. Anthony Burns; Dr.

Maureen A. Fay; John R. Hall; Helene L. Kaplan; John W. Rogers, Jr.; and Frederick P. Stratton, Jr.

A great company gives its employees the opportunity to share in the success they have helped create.

Two-thirds of our employees own our stock. They think like owners because they are. To help ensure

that our senior management team always acts in the long-term best interests of the firm, we are

required to hold 75% of the stock awarded.

A great company gives back to the community it serves. Our predecessor firms have long and distinguished

traditions of active community involvement. Lending to build and rebuild communities,

philanthropic giving and employee volunteerism are traditions that are very much alive today at

JPMorgan Chase. In 2004, more than 18,000 JPMorgan Chase employees around the world dedicated

145,000 hours to 1,900 volunteer community service projects.

In 2004, we made an $800 billion, 10-year public commitment to provide loans and investments that

will benefit the credit and capital needs of minority and lower-income households and communities.

In 2004, we achieved the first $68 billion of that commitment.

Additionally, we contributed more than $140 million to thousands of not-for-profit organizations

around the world. To help ensure we are meeting the specific needs of these communities, most of

our philanthropic decisions are made locally. One of these community projects – our ON\_DEC

program in Brooklyn – received the 2004 “Ron Brown Award for Corporate Leadership,” the only

presidential award honoring companies for achievement in employee and community relations.

**IN CLOSING,** the past few years were transformative for both Bank One and JPMorgan Chase. In

facing tough challenges we each have emerged better, stronger and healthier. Together, we are now

equipped and determined to become the best financial institution in the world.

We asked a great deal of our employees during the past year, and they delivered. But we still have an

enormous amount of work ahead. The coming year will be a crucial one for us. The potential is

tremendous. We promise to do everything in our power to seize the opportunity and deliver on it

for our customers, for our shareholders, for our employees and for all of the communities we serve

throughout the United States and around the world.

Sincerely,

James Dimon

President and Chief Operating Officer

William B. Harrison, Jr.

Chairman and Chief Executive Officer