PUNK ZIEGEL & COMPANY

FINANCIAL INSTITUTIONS RESEARCH

J.P. Morgan Chase (NYSE: JPM)

Update Report - Price $44.96

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Company description: J.P. Morgan is headquartered in New York City. It is one if the world's largest financial institutions providing a full array of banking, investment and related financial services.

Investment Rating	Market Perform	
	Current	Prior
Target Price	$44.00	
Price (April 16, 2008)		$44.96
52 Week Range		$36.01 - $53.25
Shares Outstanding		3,495 MM
Market Capitalization		$157,135 MM
Assets		$1,642,862 MM

Rev/Share

	Current	Prior	P/R
2010E	$22.60	$25.47	1.99x
2009E	$20.54	$23.35	2.19x
2008E	$19.22	$21.47	2.34x
2007	$20.35	$20.35	2.21x

EPS

	Current	Prior	P/E
2010E	$3.95	$4.50	11.4x
2009E	$3.31	$3.88	13.6x
2008E	$2.95	$3.30	15.2x
2007	$4.37	$4.37	10.3x

Book Value

	Current	P/B
Reported	$35.95	1.25x
Tangible	$21.17	2.12x

Dividend

	Current	Yield
Annualized	$1.52	3.4%

Ratios
March, 2008

Income	
Trading/Rev	(4.8%)
Inv Banking/Rev	7.2%
Net Int. Inc/Rev	45.3%
Operating Cost Ratio	52.9%
Provision/Loans	3.30%
Equity	
Reserves/Loans	2.19%
Common Equity/Assets	7.65%
Tangible CE/Assets	4.50%
Annual	
Past 3-Year RPS Growth	10.2%
Past 3-Year EPS Growth	13.3%
P.E./Past EPS Growth	1.14x
Proj. 3-Year EPS Growth	N.M.
Returns	
ROE	7.6%
ROA	0.58%

Relief Rally?

- J.P. Morgan reported first quarter earnings of $0.68 per share. This was $0.07 per share below my estimate and $0.18 per share below fourth quarter results. The earnings estimates have been adjusted as follows: a) the 2008 estimate has been reduced to $2.95 per share from $3.30 per share; b) the 2009 estimate has been cut to $3.31 per share from $3.88 per share; and c) the 2010 estimate has been reduced to $3.95 per share from $4.50 per share.
- The earnings report of the company was greeted with a great deal of enthusiasm by investors. They pushed the stock up by 14.8% on the day. I am having a great deal of difficulty understanding why this happened. One explanation might be because the company's earnings came in above street estimates. However, one might argue that this is not true because if one time benefits were removed earnings were less then street estimates.
- A second reason might be that the company did not suffer the same fate as Wachovia (WB/$25.41/Market Perform). In essence, the company did not take a massive write-off which led to a reduction in its dividend and the raising of new funds. This is true.
- A third reason is the expected merger with Bear Stearns (BBSC/$10.16/Market Perform). There seems to be a belief that J.P. Morgan got this company at a discount and it could at some point add $1 billion to J.P. Morgan's profits. I have trouble with this theory believing that this merger will be very dilutive for some time and that Bear Stearns has very little to add to J.P. Morgan's array of businesses. The company does not need another building in New York City.
- The actual operating numbers were very discouraging. The company's investment bank showed a loss for the quarter. Principle transactions were negative. While there should be a recovery from this point. It is not likely to be dramatic unless the market swings favorably.
- The company lost money in its retail financial services businesses. The problem is a deteriorating environment for retail loans. The worst, of course, is sub prime mortgages but there is deterioration everywhere. Management is very candid in explaining that there is no likelihood of any improvement near term. The loss may continue.
- The card services division delivered a flat performance sequentially. However, it was indicated that loan losses are rising and are likely to continue to rise in this sector. Additionally, consumer spending could be slowing.
- Commercial banking is the only division that turned in an improvement in net income, sequentially. The gain was less than 1% but it was up and the trend higher should continue. The reason is that there is a shift away from the capital markets to bank borrowing by many companies.
- Stalwart divisions for the company like Treasury Services and Asset Management also had setbacks in earnings. Market conditions may have been the culprit here. However, no quick turnaround is likely.
- I am a fan of Jamie Dimon like many others. I believe that he has done his country a major service by buying Bear Stearns. Moreover, I believe that J.P. Morgan is a great company with a very attractive long term future. However, my analysis at the moment is that this company is having a great deal of difficulty dealing with the current economic downturn. Be cautious.

Estimated Earnings Per Share

	March	June	September	December	Year
2010	$0.90	$0.96	$1.00	$1.09	**$3.95**
2009	$0.78	$0.81	$0.83	$0.89	**$3.31**
2008	$0.68	$0.74	$0.74	$0.79	**$2.95**
2007	$1.34	$1.20	$0.97	$0.86	**$4.37**

Notes: Reported/Operating Profits

Analyst Certification and important disclosures can be found on the last page of this report.

Important Disclosures

Risk Factors

Companies in the financial industry do not control the macro economic factors that have the greatest impact on their earnings performances and their stock prices. These include changes in the level of interest rates and the shape of the yield curve, as well as changes in economic direction which may slow or accelerate unit growth and loan losses

These companies do not provide adequate data concerning their holdings of loans and securities. In this sense they are blind pools and investors only become aware of problems after they have occurred. Managements are also prone to errors in decision making in positioning their balance sheets and in the general operation of their businesses which may impact the profits of the company.

The analyst preparing this report may also make incorrect judgments concerning interest rates and economic direction and this could cause his estimates to deviate meaningfully from actual results. Further, his assumptions concerning PE multiples may be faulty leading to faulty price targets.

Rating Definitions and Coverage Percentages

Rating	**Definition**	**% of companies under coverage with this rating**	**% within rating category for which investment banking services have been provided in the last 12 months**
Buy	Common stock is expected to outperform the market by 15 or more percentage points	60.32%	13.16%
Accumulate	Common stock is expected to outperform the market by five to 15 percentage points	3.17%	0.00%
Market Perform	Common stock is expected to perform with the market plus or minus five percentage points	34.92%	4.55%
Sell	Common stock is expected to under perform the market by 15 or more percentage points	1.59%	0.00%

The rating system is a guide to expected total return (price plus dividend) relative to the total return of the market on which the stock trades over the next 12 months.

Analyst Certification:

I, Richard Bove, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company and its securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation related to my views expressed or any specific recommendations that are contained in this report.

Investors should assume that Punk, Ziegel & Company is seeking or will seek investment banking or other business relationships with the companies in this report.

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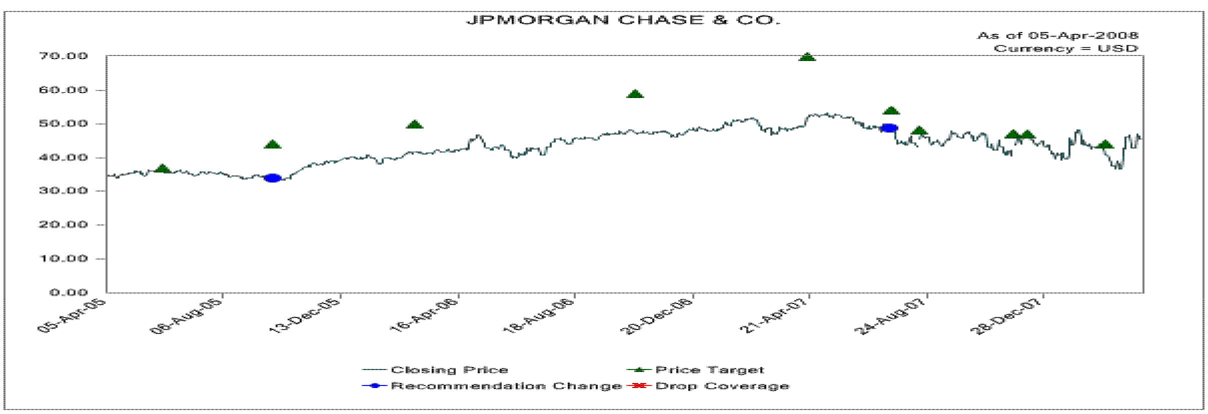
A member of the analyst's family owns a position in the common stocks of BAC, C, and JPM.



JPMORGAN CHASE & CO.

Currency = USD

Date	Closing Price	Recommendation Change
18-Jul-2007	48.88	MARKET PERFORM
27-Sep-2005	33.88	BUY

Date	Closing Price	Price Target
29-Feb-2008	40.65	44.00
11-Dec-2007	45.94	47.00
27-Nov-2007	42.35	46.82
27-Nov-2007	42.35	47.00
15-Aug-2007	43.00	48.00
19-Jul-2007	48.62	54.00
18-Apr-2007	52.07	70.00
18-Oct-2006	47.21	59.00
01-Mar-2006	41.63	50.00
27-Sep-2005	33.88	44.00
01-Jun-2005	35.76	37.00