FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**
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FILER

MORGAN J P & CO INC

CIK:**68100**| IRS No.: **132625764** | State of Incorp.:**DE** | Fiscal Year End: **1231**
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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark one)

/x/ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1996

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 1-5885

J.P. MORGAN & CO. INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware	13-2625764
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

60 Wall Street, New York, NY
(Address of principal executive offices)

10260-0060
(Zip Code)

(212) 483-2323
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes/ X /   No/   /

Number of shares outstanding of each of the registrant's classes of common stock at October 31, 1996:

Common Stock, $2.50 Par Value   185,205,628 Shares

PART I -- FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Financial statement information is set forth within this document on the pages indicated:

<TABLE>
<CAPTION>

</TABLE>

CONSOLIDATED STATEMENT OF INCOME
J.P. Morgan & Co. Incorporated

<TABLE>
<CAPTION>

In millions, except per share data	Three months ended				
	September 30 1996	September 30 1995	Increase/ (Decrease)	June 30 1996	Increase/ (Decrease)
<S>	<C>	<C>	<C>	<C>	<C>
NET INTEREST REVENUE					
Interest revenue	$ 2,675	$ 2,453	$ 222	$ 2,559	$ 116
Interest expense	2,250	1,946	304	2,162	88
Net interest revenue	425	507	(82)	397	28
NONINTEREST REVENUE					
Trading revenue	510	399	111	697	(187)
Investment banking revenue	233	195	38	210	23
Credit-related fees	39	38	1	38	1
Investment management fees	164	150	14	172	(8)
Operational service fees	98	137	(39)	104	(6)
Net investment securities gains (losses)	11	(22)	33	(51)	62
Other revenue	69	145	(76)	194	(125)
Total noninterest revenue	1,124	1,042	82	1,364	(240)
Total revenue	1,549	1,549	--	1,761	(212)
OPERATING EXPENSES					
Employee compensation and benefits	685	648	37	737	(52)
Net occupancy	74	87	(13)	76	(2)
Technology and communications	248	169	79	158	90
Other expenses	130	118	12	133	(3)
Total operating expenses	1,137	1,022	115	1,104	33
Income before income taxes	412	527	(115)	657	(245)
Income taxes	136	167	(31)	217	(81)
Net income	276	360	(84)	440	(164)
PER COMMON SHARE					
Net income (a)	$ 1.32	$ 1.78	($ 0.46)	$ 2.14	($ 0.82)
Dividends declared	0.81	0.75	0.06	0.81	--

</TABLE>

(a) Earnings per share amounts represent both primary and fully diluted earnings per share.

See notes to financial statements.

CONSOLIDATED STATEMENT OF INCOME
J.P. Morgan & Co. Incorporated

<TABLE>
<CAPTION>

In millions, except per share data	Nine months ended September 30 1996	September 30 1995	Increase/ (Decrease)
NET INTEREST REVENUE			
Interest revenue	$ 7,788	$ 7,328	$ 460
Interest expense	6,570	5,813	757
Net interest revenue	1,218	1,515	(297)
NONINTEREST REVENUE			
Trading revenue	1,965	1,007	958
Investment banking revenue	644	426	218
Credit-related fees	115	122	(7)
Investment management fees	493	418	75
Operational service fees	315	417	(102)
Net investment securities gains (losses)	(28)	20	(48)
Other revenue	328	461	(133)
Total noninterest revenue	3,832	2,871	961
Total revenue	5,050	4,386	664
OPERATING EXPENSES			
Employee compensation and benefits	2,152	1,890	262
Net occupancy	223	246	(23)
Technology and communications	564	506	58
Other expenses	387	366	21
Total operating expenses	3,326	3,008	318
Income before income taxes	1,724	1,378	346
Income taxes	569	448	121
Net income	1,155	930	225
PER COMMON SHARE			
Net income (a)	$ 5.60	$ 4.62	$ 0.98
Dividends declared	2.43	2.25	0.18

</TABLE>

(a) Earnings per share amounts represent primary earnings per share for the nine months ended September 30, 1996 and 1995. Fully diluted earnings per share were $5.57 and $4.57 for the nine months ended September 30, 1996 and 1995, respectively.

See notes to financial statements.

CONSOLIDATED BALANCE SHEET
J.P. Morgan & Co. Incorporated

<TABLE>
<CAPTION>

Dollars in millions	September 30 1996	June 30 1996	December 31 1995
ASSETS			
Cash and due from banks	$ 1,088	$ 651	$ 1,535
Interest-earning deposits with banks	2,193	1,427	1,986
Debt investment securities available for sale carried at fair value (Cost: $26,341 at September 1996, $22,486 at June 1996, and $24,154 at December 1995)	26,565	22,712	24,638
Trading account assets	80,784	69,375	69,408
Securities purchased under agreements to resell ($34,658 at September 1996, $36,488 at June 1996, and $32,157 at December 1995)and federal funds sold	34,686	36,544	32,157
Securities borrowed	25,430	25,620	19,830

Loans	30,002	29,588	23,453
Less: allowance for credit losses	1,113	1,125	1,130
Net loans	28,889	28,463	22,323
Customers' acceptance liability	287	236	237
Accrued interest and accounts receivable	3,585	3,738	3,539
Premises and equipment	3,068	3,387	3,339
Less: accumulated depreciation	1,236	1,492	1,412
Premises and equipment, net	1,832	1,895	1,927
Other assets	6,309	8,104	7,299
Total assets	211,648	198,765	184,879
LIABILITIES			
Noninterest-bearing deposits:			
In offices in the U.S.	2,115	1,906	3,287
In offices outside the U.S.	917	750	744
Interest-bearing deposits:			
In offices in the U.S.	6,016	2,498	2,003
In offices outside the U.S.	40,860	43,303	40,404
Total deposits	49,908	48,457	46,438
Trading account liabilities	45,601	44,267	45,289
Securities sold under agreements to repurchase ($58,318 at September 1996, $51,604 at June 1996, and $40,803 at December 1995) and federal funds purchased	61,094	55,114	45,099
Commercial paper	4,448	5,102	2,801
Other liabilities for borrowed money	19,966	16,510	15,129
Accounts payable and accrued expenses	6,255	6,159	5,643
Liability on acceptances	287	236	237
Long-term debt not qualifying as risk-based capital	8,176	6,109	5,737
Other liabilities	1,095	2,047	4,465
	196,830	184,001	170,838
Long-term debt qualifying as risk-based capital	3,740	3,733	3,590
Total liabilities	200,570	187,734	174,428
STOCKHOLDERS' EQUITY			
Preferred stock (authorized shares: 10,400,000 at September 1996 and June 1996, and 10,000,000 at December 1995):			
Adjustable rate cumulative preferred stock, $100 par value (issued and outstanding: 2,444,300)	244	244	244
Variable cumulative preferred stock, $1,000 par value (issued and outstanding: 250,000)	250	250	250
Fixed cumulative preferred stock, $500 par value (issued and outstanding: 400,000 at September 1996 and June 1996)	200	200	--
Common stock, $2.50 par value (authorized shares: 500,000,000; issued: 200,684,623 at September 1996, 200,683,373 at June 1996, and 200,678,373 at December 1995)	502	502	502
Capital surplus	1,442	1,435	1,430
Retained earnings	8,392	8,281	7,731
Net unrealized gains on investment securities, net of taxes	317	367	566
Other	754	686	552
	12,101	11,965	11,275
Less: treasury stock (14,767,312 shares at September 1996, 14,083,799 shares at June 1996, and 13,562,755 shares at December 1995) at cost	1,023	934	824
Total stockholders' equity	11,078	11,031	10,451
Total liabilities and stockholders' equity	211,648	198,765	184,879

</TABLE>

See notes to financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
J.P. Morgan & Co. Incorporated

<TABLE>
<CAPTION>

Dollars in millions	Nine months ended September 30 1996	Nine months ended September 30 1995
<S>	<C>	<C>
PREFERRED STOCK		
Adjustable rate cumulative preferred stock		
Balance, January 1 and September 30	$ 244	$ 244
Variable cumulative preferred stock		
Balance, January 1 and September 30	250	250
Fixed cumulative preferred stock		
Balance, January 1	--	--
Shares issued	200	--
Balance, September 30	200	--
Total preferred stock, September 30	694	494
COMMON STOCK		
Balance, January 1 and September 30	502	502
CAPITAL SURPLUS		
Balance, January 1	1,430	1,452
Shares issued or distributed under dividend reinvestment plan, various employee benefit plans, and conversion of debentures, and income tax benefits associated with stock options	12	(19)
Balance, September 30	1,442	1,433
RETAINED EARNINGS		
Balance, January 1	7,731	7,044
Net income	1,155	930
Dividends declared on adjustable rate cumulative preferred stock	(9)	(9)
Dividends declared on variable cumulative preferred stock	(7)	(9)
Dividends declared on fixed cumulative preferred stock	(8)	--
Dividends declared on common stock	(454)	(422)
Dividend equivalents on common stock issuable	(16)	(8)
Balance, September 30	8,392	7,526
NET UNREALIZED GAINS ON INVESTMENT SECURITIES, NET OF TAXES		
Balance, January 1	566	456
Net change in net unrealized gains, net of taxes	(249)	39
Balance, September 30	317	495
OTHER		
COMMON STOCK ISSUABLE UNDER STOCK AWARD PLANS		
Balance, January 1	556	369
Deferred stock awards, net	207	75
Balance, September 30	763	444
FOREIGN CURRENCY TRANSLATION		
Balance, January 1	(4)	(2)
Translation adjustments	(7)	(4)
Income tax benefit	2	1
Balance, September 30	(9)	(5)
Total other, September 30	754	439
LESS: TREASURY STOCK		
Balance, January 1	824	747
Purchases	445	194
Shares distributed under various employee benefit plans	(246)	(165)
Balance, September 30	1,023	776
Total stockholders' equity, September 30	11,078	10,113

</TABLE>

See notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
J.P. Morgan & Co. Incorporated

<TABLE>
<CAPTION>

Dollars in millions	Nine months ended September 30 1996	Nine months ended September 30 1995
<S>	<C>	<C>
NET INCOME	$1,155	$ 930
Adjustments to reconcile to cash provided by (used in)operating activities:		
Noncash items: depreciation, amortization, deferred income taxes, and stock award plans	597	290
(Increase) decrease in assets:		
Trading account assets	(11,372)	(7,654)
Securities purchased under agreements to resell	(2,500)	(9,384)
Securities borrowed	(5,600)	(5,713)
Accrued interest and accounts receivable	(46)	2,029
Increase (decrease) in liabilities:		
Trading account liabilities	314	8,582
Securities sold under agreements to repurchase	17,515	8,165
Accounts payable and accrued expenses	765	(692)
Other changes in operating assets and liabilities, net	(4,357)	711
Net investment securities (gains) losses included in cash flows from investing activities	28	(20)
CASH USED IN OPERATING ACTIVITIES	(3,501)	(2,756)
Decrease in interest-earning deposits with banks	(207)	(142)
Debt investment securities:		
Proceeds from sales	24,701	33,920
Proceeds from maturities, calls, and mandatory redemptions	5,813	1,988
Purchases	(32,963)	(33,669)
(Increase) decrease in federal funds sold	(28)	42
Increase in loans	(6,560)	(3,201)
Payments for premises and equipment	(83)	(160)
Other changes, net	1,251	(2,254)
CASH USED IN INVESTING ACTIVITIES	(8,076)	(3,476)
Decrease in noninterest-bearing deposits	(999)	(41)
Increase in interest-bearing deposits	4,471	3,621
Decrease in federal funds purchased	(1,520)	(2,057)
Increase (decrease) in commercial paper	1,647	(553)
Other liabilities for borrowed money:		
Proceeds	19,369	13,771
Payments	(16,342)	(10,022)
Long-term debt:		
Proceeds	3,840	3,320
Payments	(1,102)	(798)
Capital stock:		
Issued or distributed	200	--
Purchased	(446)	(194)
Dividends paid	(481)	(434)
Other changes, net	2,500	(1,095)
CASH PROVIDED BY FINANCING ACTIVITIES	11,137	5,518
Effect of exchange rate changes on cash and due from banks	(7)	23
DECREASE IN CASH AND DUE FROM BANKS	(447)	(691)
Cash and due from banks at December 31, 1995 and 1994	1,535	2,210
Cash and due from banks at September 30, 1996 and 1995	1,088	1,519
Cash disbursements made for:		
Interest	6,549	$ 5,578
Income taxes	536	422

</TABLE>

See notes to financial statements.

CONSOLIDATED STATEMENT OF CONDITION
Morgan Guaranty Trust Company of New York

<TABLE>
<CAPTION>

Dollars in millions	September 30 1996	December 31 1995
<S>	<C>	<C>
ASSETS		
Cash and due from banks	$ 1,044	$ 1,429
Interest-earning deposits with banks	2,196	1,995
Debt investment securities available for sale carried at fair value	21,899	23,767
Trading account assets	64,424	55,373
Securities purchased under agreements to resell and federal funds sold	26,262	20,996
Loans	29,837	23,319
Less: allowance for credit losses	1,112	1,129
Net loans	28,725	22,190
Customers' acceptance liability	287	237
Accrued interest and accounts receivable	3,230	3,420
Premises and equipment	2,737	2,967
Less: accumulated depreciation	1,082	1,232
Premises and equipment, net	1,655	1,735
Other assets	2,778	4,571
Total assets	152,500	135,713
LIABILITIES		
Noninterest-bearing deposits:		
In offices in the U.S.	2,114	3,275
In offices outside the U.S.	961	839
Interest-bearing deposits:		
In offices in the U.S.	6,029	1,975
In offices outside the U.S.	41,166	40,985
Total deposits	50,270	47,074
Trading account liabilities	38,650	39,197
Securities sold under agreements to repurchase and federal funds purchased	27,795	20,274
Other liabilities for borrowed money	13,417	8,509
Accounts payable and accrued expenses	4,464	4,187
Liability on acceptances	287	237
Long-term debt not qualifying as risk-based capital (includes $632 at 1996 and $418 at 1995 of notes payable to J.P. Morgan)	4,275	2,786
Other liabilities	1,315	3,324
	140,473	125,588
Long-term debt qualifying as risk-based capital (includes $2,318 at 1996 and $1,310 at 1995 of notes payable to J.P. Morgan)	2,517	1,659
Total liabilities	142,990	127,247
STOCKHOLDER'S EQUITY		
Preferred stock, $100 par value(authorized shares: 2,500,000)	--	--
Common stock, $25 par value (authorized shares: 11,000,000 at September 1996, and 10,000,000 at December 1995; outstanding: 10,599,027 at September 1996 and 10,000,000 at December 1995)	265	250
Surplus	3,140	2,820
Undivided profits	5,971	5,136
Net unrealized gains on investment securities, net of taxes	143	264
Foreign currency translation	(9)	(4)
Total stockholder's equity	9,510	8,466
Total liabilities and stockholder's equity	152,500	135,713

</TABLE>
Prior period balances were restated to reflect the merger of J.P. Morgan Delaware with Morgan Guaranty Trust Company effective June 1996.

Member of the Federal Reserve System and the Federal Deposit Insurance Corporation.

See notes to financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
OF J.P. MORGAN & CO. INCORPORATED

Supplementary to notes in the 1995 Annual report to stockholders

1. BASIS OF PRESENTATION

The interim financial information in this report has not been audited. In the opinion of management, all adjustments necessary for a fair presentation of the financial position and the results of operations for the interim periods have been made. All adjustments made were of a normal recurring nature. Management consults with its independent accountants on significant accounting and reporting matters that arise during the year.

2. INTEREST REVENUE AND EXPENSE

An analysis of interest revenue and expense derived from on-and off-balance-sheet financial instruments is presented in the table below. Interest revenue and expense associated with derivative financial instruments, such as swaps, forwards, spot, futures, options, and debt securities forwards, used as hedges or to modify the interest rate characteristics of assets and liabilities, are attributed to and included with the related balance sheet instrument. Net interest revenue associated with risk-adjusting swaps that are used to meet longer-term asset and liability management objectives, including the maximization of net interest revenue, is not attributed to a specific balance sheet instrument, but is included in the Other sources caption in the table below.

In millions	Third quarter 1996	Third quarter 1995	Nine months 1996	Nine months 1995
INTEREST REVENUE				
Deposits with banks	$ 30	$ 31	$ 81	$ 134
Debt investment securities (a)	393	377	1,183	1,148
Trading account assets	819	735	2,256	2,346
Securities purchased under agreements to resell and federal funds sold	569	500	1,739	1,355
Securities borrowed	338	203	919	604
Loans	435	407	1,315	1,258
Other sources, primarily risk-adjusting swaps	91	200	295	483
Total interest revenue	2,675	2,453	7,788	7,328
INTEREST EXPENSE				
Deposits	626	619	1,895	1,854
Trading account liabilities	358	305	957	1,066
Securities sold under agreements to repurchase and federal funds purchased	799	633	2,384	1,833
Other borrowed money	310	238	902	653
Long-term debt	157	151	432	407
Total interest expense	2,250	1,946	6,570	5,813
Net interest revenue	425	507	1,218	1,515

(a) Interest revenue from debt investment securities included taxable revenue of $362 million and $1,094 million and revenue exempt from U.S. income taxes of $31 million and $89 million for the three months and nine months ended September 30, 1996, respectively. Interest revenue from debt investment securities included taxable revenue of $342 million and $1,030 million and revenue exempt from U.S. income taxes of $35 million and $118 million for the three months and nine months ended September 30, 1995, respectively.

For the three months and nine months ended September 30, 1996, net interest revenue associated with asset and liability management derivatives was approximately $25 million and $90 million respectively, compared with approximately $90 million and $280 million for the respective 1995 periods. At September 30, 1996, approximately ($170) million of net deferred losses on closed derivative contracts used for asset and liability management purposes were recorded on the balance sheet. Such amount is primarily composed of net deferred losses on closed hedge contracts included in the amortized cost of the debt investment portfolio. As discussed in Note 4 to the financial statements, Investment securities, the net unrealized appreciation associated with the debt investment portfolio was $224 million at September 30, 1996. Net deferred losses on closed derivative contracts are expected to amortize into Net interest revenue as follows: ($20) million - remainder of 1996; ($55) million in 1997; ($40) million in 1998; ($25) million in 1999; ($20) million in 2000; ($9) million in 2001; and approximately ($1) million thereafter. The amount of net deferred gains or losses on closed derivative contracts will change from period to period, primarily due to amortization of such amounts to net interest revenue and the execution of our asset and liability management strategies, which may result in the sale of the underlying hedged instruments and/or termination of hedge contracts.

3. TRADING REVENUE

Trading revenue disaggregated by principal product groupings for the three months and nine months ended September 30, 1996 and 1995, is presented in the following table. Trading-related net interest revenue should be considered when evaluating trading results since the firm manages its trading activities based on combined revenues. For additional information refer to the Trading revenue discussion in Management's Discussion and Analysis of Financial Condition and Results of Operations.

<TABLE>
<CAPTION>

	Third quarter		Nine months	
In millions	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
Fixed Income	$ 403	$ 267	$1,267	$ 420
Equities	43	75	261	213
Foreign Exchange	59	26	236	190
Commodities	(15)	6	24	37
Proprietary Unit	20	25	177	147
Trading revenue	510	399	1,965	1,007

</TABLE>

4. INVESTMENT SECURITIES

Debt investment securities
A comparison of the cost and carrying values of debt investment securities available for sale and carried at fair value at September 30, 1996, follows.

<TABLE>
<CAPTION>

In millions	Cost	Fair and carrying value
<S>	<C>	<C>
U.S. Treasury	$ 4,379	$ 4,445
U.S. government agency, principally mortgage-backed	16,123	16,086
U.S. state and political subdivision	1,550	1,696
U.S. corporate and bank debt	249	251
Foreign government*	1,511	1,545
Foreign corporate and bank debt	2,431	2,443
Other	98	99
Total debt investment securities	26,341	26,565

</TABLE>

* Primarily includes debt of countries that are members of the Organization for Economic Cooperation and Development.

Net unrealized appreciation associated with debt investment securities available for sale carried at fair value at September 30, 1996, was $224 million, consisting of gross unrealized appreciation of $385 million and gross unrealized depreciation of $161 million. Such amounts represent the gross unrealized appreciation or depreciation on each debt security, including the effects of any related hedge. For additional detail of gross unrealized gains and losses associated with open derivative contracts used to hedge debt investment securities, see Note 6 to the financial statements, Off-balance-sheet financial instruments.

The following table presents the components of Net realized debt investment securities gains (losses).

<TABLE>
<CAPTION>

	Third quarter		Nine months	
In millions	1996	1995	1996	1995

<S>	<C>	<C>	<C>	<C>
Gross realized gains from sales	$ 23	$ 49	$ 140	$ 320
Gross realized losses from sales	(12)	(83)	(168)	(312)
Net gains on maturities, calls and mandatory redemptions	--	12	--	12
Net debt investment securities gains (losses)	11	(22)	(28)	20

</TABLE>

Equity investment securities
Net realized gains on the sale of equity investment securities of $56 million and $238 million included in Other revenue for the three months and nine months ended September 30, 1996, respectively, include $60 million and $263 million of gross realized gains. Gross unrealized gains and losses as well as a comparison of the cost, fair value, and carrying value of marketable equity investment securities at September 30, 1996, follows.

<TABLE>
<CAPTION>

In millions	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
<S>	<C>	<C>	<C>	<C>
September 30, 1996	$199	$271	--	$470

</TABLE>

Nonmarketable Securities:

Nonmarketable equity investment securities, carried at a cost of $709 million, had an estimated fair value of $821 million at September 30, 1996.

5. TRADING ACCOUNT ASSETS AND LIABILITIES

Trading account assets and liabilities, including derivative instruments used for trading purposes, are carried at fair value. The following table presents the carrying value of trading account assets and liabilities at September 30, 1996, and the average balance for the three-month and nine-month periods ended September 30, 1996.

<TABLE>
<CAPTION>

	Carrying value	Average balance	
In millions	September 30, 1996	Third quarter 1996	Nine months 1996
<S>	<C>	<C>	<C>
TRADING ACCOUNT ASSETS			
U.S. Treasury	$ 9,300	$ 9,023	$ 9,405
U.S. government agency	5,022	3,139	2,994
Foreign government	23,928	21,755	19,413
Corporate debt and equity	15,464	14,227	13,890
Other securities	4,006	5,725	6,254
Interest rate and currency swaps	10,399	9,420	10,330
Foreign exchange contracts	2,336	2,503	2,902
Interest rate futures and forwards	341	280	322
Commodity and equity contracts	3,706	3,677	2,848
Purchased option contracts	6,282	5,641	5,430
Total trading account assets	80,784	75,390	73,788
TRADING ACCOUNT LIABILITIES			
U.S. Treasury	6,245	9,643	8,672
Foreign government	9,571	9,399	9,130
Corporate debt and equity	3,642	3,975	4,462
Other securities	894	2,614	2,644
Interest rate and currency swaps	10,429	9,331	9,517
Foreign exchange contracts	3,941	5,464	4,483
Interest rate futures and forwards	616	540	540
Commodity and equity contracts	3,557	3,547	3,205
Written option contracts	6,706	5,495	5,560
Total trading account liabilities	45,601	50,008	48,213

</TABLE>

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6. OFF-BALANCE-SHEET FINANCIAL INSTRUMENTS

Derivatives

Derivatives may be used either for trading or asset and liability management purposes. Accordingly, the notional amounts presented in the table below have been identified as relating to either trading or asset and liability management activities based on management's intent and ongoing usage. A summary of the credit exposure, which is represented by the positive market value associated with derivatives, after considering the benefit of approximately $29.0 billion and $27.7 billion of master netting agreements in effect at September 30, 1996 and December 31, 1995, respectively, is also presented.

<TABLE>
<CAPTION>

	Notional amounts		Credit exposure	
In billions	SEPTEMBER 30 1996	DECEMBER 31 1995	SEPTEMBER 30 1996	DECEMBER 31 1995
<S>	<C>	<C>	<C>	<C>
Interest rate and currency swaps				
Trading	$1,737.5	$1,233.3		
Asset and liability management(a)(b)(c)	267.9	282.3		
Total interest rate and currency swaps	2,005.4	1,515.6	$ 10.4	$ 12.4
Foreign exchange spot, forward, and futures contracts				
Trading	584.8	443.7		
Asset and liability management(a)(b)	37.8	18.1		
Total foreign exchange spot, forward, and futures contracts	622.6	461.8	2.3	3.3
Interest rate futures, forward rate agreements, and debt securities forwards				
Trading	485.2	412.7		
Asset and liability management	17.8	2.7		
Total interest rate futures, forward rate agreements, and debt securities forwards	503.0	415.4	0.3	0.5
Commodity and equity swaps, forward, and futures contracts, all trading	89.7	65.1	3.7	1.4
Purchased options(d)				
Trading	551.1	462.2		
Asset and liability management(a)	2.1	2.6		
Total purchased options	553.2	464.8	6.3	5.2
Written options, all trading(e)	740.8	524.0	--	--
Total credit exposure recorded as assets on the balance sheet			23.0	22.8

</TABLE>

(a) The majority of J.P. Morgan's asset and liability management derivatives are transacted with independently managed J.P. Morgan derivatives dealers that function as intermediaries for credit and administrative purposes.

(b) The notional amounts of asset and liability management derivatives contracts conducted in the foreign exchange markets, primarily forward contracts, amounted to $41.6 billion at September 30, 1996, and were primarily denominated in the following currencies: Italian lire $8.1 billion, French franc $7.1 billion, deutsche mark $5.8 billion, Swiss franc $2.4 billion, Japanese yen $2.4 billion, European currency unit $2.3 billion, Belgian franc $1.7 billion, Spanish peseta $1.6 billion, Netherlands guilder $1.3 billion, Australian dollar $1.3 billion, Swedish krona $1.2 billion, and British pound $1.2 billion.

(c) The notional amount of risk-adjusting swaps was $236.2 billion at September 30, 1996.

(d) At September 30, 1996, purchased options used for trading purposes included $432.8 billion of interest rate options, $88.5 billion of foreign exchange options, and $29.8 billion of commodity and equity options. Only interest rate options are used for asset and liability management purposes. Purchased options executed on an exchange amounted to $114.8 billion and those negotiated over-the-counter amounted to $438.4 billion at September 30, 1996.

(e) At September 30, 1996, written options used for trading purposes included $607.2 billion of interest rate options, $99.3 billion of foreign exchange options, and $34.3 billion of commodity and equity options. Written option contracts executed on an exchange amounted to $268.3 billion and those negotiated over-the-counter amounted to $472.5 billion at September 30, 1996.

Asset and liability management derivatives

As an end user, J.P. Morgan utilizes derivative instruments in the execution of its asset and liability management strategies. Derivatives used for these purposes primarily include interest rate swaps, foreign exchange forward contracts, forward rate agreements, interest rate futures, and debt securities forwards. Derivatives are used to hedge or modify the interest rate characteristics of debt investment securities, loans, deposits, other liabilities for borrowed money, long-term debt, and other financial assets and liabilities. In addition, we utilize derivatives to adjust our overall interest rate risk profile through the use of risk-adjusting swaps.

Net unrealized gains associated with open derivative contracts used to hedge or modify the interest rate characteristics of related balance sheet instruments amounted to $72 million at September 30, 1996. Gross unrealized gains and gross unrealized losses associated with open derivative contracts used for these purposes at September 30, 1996, are presented below. Such amounts primarily relate to interest rate and currency swaps used to hedge or modify the interest rate characteristics of long-term debt, deposits, and debt investment securities, principally mortgage-backed securities. See Note 7 to the financial statements, Fair value of financial instruments.

<TABLE>
<CAPTION>

In millions	Gross unrealized gains	Gross unrealized (losses)	Net unrealized gains (losses)
<S>	<C>	<C>	<C>
Long-term debt	$ 181	($102)	$ 79
Debt investment securities	61	(113)	(52)
Deposits	49	(19)	30
Other financial instruments	39	(24)	15
Total	330	(258)	72

</TABLE>

Net unrealized gains associated with risk-adjusting swaps and their related hedges that are entered into to meet longer-term asset and liability management objectives approximated $0.2 billion at September 30, 1996. The net amount is composed of $2.6 billion of gross unrealized gains and $2.4 billion of gross unrealized losses. The unrealized gains and losses related to the derivative contracts used to hedge these risk-adjusting swaps, included above, were not material at September 30, 1996. There were no material terminations of risk-adjusting swaps during the three months and nine months ended September 30, 1996.

Credit-related financial instruments

Credit-related financial instruments include commitments to extend credit and standby letters of credit and guarantees. The contractual amounts of these instruments represent the amounts at risk should the contract be fully drawn upon, the client default, and the value of any existing collateral become worthless. The credit risk associated with these instruments varies depending on the creditworthiness of the client and the value of any collateral held. The maximum credit risk associated with credit-related financial instruments is measured by the contractual amounts of these instruments.

A summary of the contractual amount of credit-related financial instruments at September 30, 1996, is presented in the following table.

<TABLE>
<CAPTION>

In billions	September 30 1996
<S>	<C>
Commitments to extend credit	$62.3
Standby letters of credit and guarantees	14.1

</TABLE>

Other
Consistent with industry practice, amounts receivable and payable for securities that have not reached the contractual settlement dates are recorded net on the consolidated balance sheet. Amounts receivable for securities sold of $35.8 billion were netted against amounts payable for securities purchased of $35.2 billion to arrive at a net trade date receivable of $0.6 billion, which was classified as Other assets on the consolidated balance sheet at September 30, 1996.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS
In accordance with Statement of Financial Accounting Standards (SFAS) No. 107, Disclosures about Fair Value of Financial Instruments, J.P. Morgan estimates that the aggregate net fair value of all balance sheet and off-balance-sheet financial instruments exceeded associated net carrying values at September 30, 1996 and December 31,1995, by approximately $1.4 billion before considering income taxes. Such amounts were primarily attributable to net appreciation on net loans and risk-adjusting swaps of $1.2 billion and $0.2 billion, respectively, at September 30, 1996 and $1.2 billion and $0.4 billion, respectively, at December 31, 1995.

8. IMPAIRED LOANS AND ALLOWANCE FOR CREDIT LOSSES

Total impaired loans, net of charge-offs, at September 30, 1996, are presented in the following table. At September 30, 1996, more than half of the impaired loan balance is measured based upon the present value of expected future cash flows discounted at an individual loan's effective interest rate, and the remainder is based on the fair value of the collateral.

In millions	September 30 1996
Impaired loans:	
Commercial and industrial	125
Other	34
	159
Restructuring countries	2
Total impaired loans	161 (a)
Other nonperforming assets	--
Total nonperforming assets	161

An analysis of the effect of impaired loans, net of charge-offs, on interest revenue for the three months and nine months ended September 30, 1996 and 1995, is presented in the following table.

In millions	Third quarter 1996	Third quarter 1995	Nine months 1996	Nine months 1995
Interest revenue that would have been recorded if accruing	$ 2	$ 5	$ 9	$ 14
Less interest revenue recorded	3	4	4	23
(Negative)/ positive impact of impaired loans on interest revenue	1	(1)	(5)	9

An analysis of the allowance for credit losses at September 30, 1996, is presented in the following table.

In millions	Third quarter 1996	Nine months 1996
Beginning of period balance	$ 1,125	$ 1,130
Recoveries	4	18

Charge-offs:		
Commercial and industrial	(12)	(28)
Other	(4)	(7)
Net charge-offs	(12)	(17)
Balance, September 30, 1996 (b)(c)	1,113	1,113

</TABLE>

(a) As of September 30, 1996, no reserve is required under SFAS No. 114, Accounting by Creditors for Impairment of a Loan, for the $161 million recorded investment in impaired loans. Charge-offs and interest applied to principal have reduced the recorded investment values to amounts that are less than the SFAS No. 114 calculated values. For the three months and nine months ended September 30, 1996, the average recorded investment in impaired loans was $140.7 million and $139.6 million, respectively.

(b) In accordance with SFAS No. 5, Accounting for Contingencies, and SFAS No. 114, as amended by SFAS No. 118, an allowance is maintained that is considered adequate to absorb losses inherent in the existing portfolios of loans and other undertakings to extend credit, such as irrevocable unused loan commitments, or to make payments to others for which a client is ultimately liable, such as standby letters of credit and guarantees, commercial letters of credit and acceptances, and all other credit exposures, including derivatives. A judgment as to the adequacy of the allowance is made at the end of each quarterly reporting period.

(c) At September 30, 1996, the allocation of the allowance for credit losses was as follows: Specific allocation-borrowers in the U.S. $116 million, Specific allocation-borrowers outside the U.S. $73 million, Allocation to general risk $924 million.

9. INVESTMENT BANKING AND OTHER REVENUE

In the third quarter of 1996 and 1995, investment banking revenue of $233 million and $195 million includes $83 million and $71 million, respectively, of underwriting revenue. For the nine months ended September 30, 1996 and 1995, underwriting revenue was $259 million and $134 million, respectively.

Other revenue of $69 million in the 1996 third quarter includes $56 million of net equity investment securities gains. Other revenue of $145 million in the 1995 third quarter includes $91 million of net equity investment securities gains and $35 million of revenue associated with hedging anticipated foreign currency revenues and expenses. For the nine months ended September 30, 1996 and 1995, Other revenue of $328 million and $461 million, respectively, primarily includes net equity investment securities gains of $238 million and $386 million, respectively.

10. OPERATING EXPENSES

In July 1996, JP Morgan entered into an agreement with a consortium of firms to form a strategic alliance to manage parts of the firm's global technology infrastructure (the "Alliance"). The formation of the Alliance resulted in a technology-related special charge incurred in the third quarter of $71 million, which is reflected in technology and communication expenses. The charge related primarily to payments for training and other personnel costs incurred and to the sale at a loss of certain technology equipment to the Alliance.

11. INCOME TAXES

Income tax expense in the 1996 third quarter reflects a 33% effective tax rate, compared to a 32% effective tax rate in the 1995 third quarter. For the nine months ended September 30, 1996, the effective tax rate remained unchanged at 33% from the comparable 1995 period. Income tax expense (benefit) related to net investment securities gains (losses) was approximately $5 million and ($11) million for the three months and nine months ended September 30, 1996, respectively. Income tax expense (benefit) related to net investment securities gains (losses) was approximately ($9) million and $8 million for the three months and nine months ended September 30, 1995, respectively. The applicable tax rate used to compute the income tax expense (benefit) related to net investment securities gains (losses) was approximately 41% for the three months and nine months ended September 30, 1996 and 1995.

The valuation allowance to reduce deferred tax assets to the amount expected to be realized totaled approximately $125 million at September 30, 1996, compared with $140 million at December 31, 1995. The valuation allowance is primarily related to the ability to recognize tax benefits associated with foreign operations.

12. COMMITMENTS AND CONTINGENT LIABILITIES

Excluding mortgaged properties, assets carried at approximately $64.1 billion in the consolidated balance sheet at September 30, 1996, were pledged as collateral for borrowings, to qualify for fiduciary powers, to secure public monies as required by law, and for other purposes.

13. EARNINGS PER COMMON SHARE

In the calculation of primary and fully diluted earnings per common share, net income is adjusted by adding back to net income the interest expense on convertible debentures and the expense related to dividend equivalents on certain deferred incentive compensation awards, net of the related income tax effects, and deducting the preferred stock dividends.

Primary and fully diluted earnings per common share are computed by dividing income components by the weighted-average number of common and common equivalent shares outstanding during the period.

For the primary earnings per share calculation, the weighted-average number of common and common equivalent shares outstanding includes the average number of shares of common stock outstanding, the average number of shares issuable upon conversion of convertible debentures, and the average number of shares issuable under employee benefit plans, that have a dilutive effect.

The weighted-average number of common and common equivalent shares outstanding, assuming full dilution, includes the average number of shares of common stock outstanding, the average number of shares issuable upon conversion of convertible debentures, and the average number of shares issuable under various employee benefit plans. The maximum dilutive effect is computed using the period-end market price of J.P. Morgan common stock, if it is higher than the average market price used in calculating primary earnings per share.

<TABLE>
<CAPTION>

	Third quarter		Nine months	
Dollars in millions	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
Adjusted net income	$ 267	$ 356	$ 1,130	$ 915
Primary earnings per share:				
Weighted-average number of common and common equivalent shares outstanding during the period	201,755,770	199,300,749	202,029,375	198,179,495
Fully diluted earnings per share:				
Weighted-average number of common and common equivalent shares outstanding during the period	201,968,519	200,069,670	202,792,562	200,232,610

</TABLE>

PART I

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL HIGHLIGHTS

J.P. Morgan & Co. Incorporated reported net income of $276 million in the third quarter of 1996, 23% lower than in the third quarter of 1995. Earnings per share for the quarter were $1.32 compared with $1.78 a year ago. The 1996 third quarter earnings reflected a special charge of $71 million ($42 million after tax, or $0.21 per share),related to the previously announced formation of a strategic alliance to manage parts of the firm's global technology infrastructure. Excluding the charge, net income totaled $318 million in the third quarter of 1996, 12% lower than in the third quarter of 1995. Net income for the first nine months of 1996, including the third quarter special charge, totaled $1.155 billion, up 24% from $930 million a year earlier. Earnings per share in the first nine months were $5.60 compared with $4.62 a year ago. Nine-month earnings in 1995 included a first quarter charge of $55 million ($33 million after tax, or $0.17 per share), related primarily to severance.

THIRD QUARTER RESULTS AT A GLANCE

<TABLE>
<CAPTION>

In millions of dollars, except per share data	Third quarter 1996	Third quarter 1995	Second quarter 1996
<S>	<C>	<C>	<C>
Revenues	$ 1,549	$ 1,549	$ 1,761
Operating expenses	(1,137)	(1,022)	(1,104)
Income taxes	(136)	(167)	(217)
Net income	$ 276	$ 360	$ 440
Net income per share	$ 1.32	$ 1.78	$ 2.14
Dividends declared per share	$ 0.81	$ 0.75	$ 0.81

</TABLE>

REVENUES equaled the level in the third quarter of 1995:

- Trading revenue rose 28% to $510 million due to higher results in fixed income and foreign exchange. Combined trading and related net interest revenue was up 35% to $575 million.
- Investment banking revenue was up 19% to $233 million.
- Investment management fees grew 9%. Credit-related fees were flat, and operational service fees were lower as a result of the sale of the firm's custody business in late 1995.
- Net interest revenue declined 16% to $425 million.
- Other revenue decreased 52% to $69 million due to lower net equity investment securities gains.

OPERATING EXPENSES, excluding the special charge, rose 4% from a year ago.

IN OTHER DEVELOPMENTS, Morgan announced in August an agreement to sell its institutional U.S. cash-processing business. The sale is expected to close in the fourth quarter, subject to regulatory approvals, and is not expected to have any material effect on Morgan's ongoing financial results.

Morgan completed the agreement to form the Pinnacle Alliance in July. The firm expects to achieve aggregate savings of approximately 15% on projected technology costs over the seven-year life of the Alliance agreement after the special charge.

BUSINESS SECTOR RESULTS

The firm reports financial results for five business sectors. Three are oriented toward client services: Finance and Advisory, Sales and Trading, and Asset Management and Servicing. The Equity Investments sector comprises management of the firm's own portfolio of equity securities. The Asset and Liability Management sector covers the management of the firm's overall interest rate exposure. These five sectors generally reflect the way we operate but do not correspond exactly with the firm's organizational structure. Presented below are the summary results for each sector for the three months and nine months ended September 30, 1996 and 1995.

<TABLE>
<CAPTION>

In millions	Finance and Advisory	Sales and Trading	Asset Manage- ment and Servicing	Equity Invest- ments	Asset and Liability Manage- ment	Cor- porate Items	Consol- idated
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Third quarter 1996							
Total revenue	$ 425	$ 558	$ 336	$ 88	$ 176	$ (34)	$1,549
Total expenses	354	332	282	7	28	134	1,137
Pretax income	71	226	54	81	148	(168)	412
Third quarter 1995							
Total revenue	453	431	314	102	244	5	1,549
Total expenses	312	312	234	6	27	131	1,022

Pretax income	141	119	80	96	217	(126)	527
Nine months 1996							
Total revenue	1,383	1,962	1,040	333	463	(131)	5,050
Total expenses	1,056	1,022	827	23	90	308	3,326
Pretax income	327	940	213	310	373	(439)	1,724
Nine months 1995							
Total revenue	1,140	1,160	941	426	774	(55)	4,386
Total expenses	877	896	677	18	75	465	3,008
Pretax income	263	264	264	408	699	(520)	1,378

</TABLE>

Notes:

(1) The firm's management reporting system and policies were used to determine the revenues and expenses directly attributable to each sector on a taxable-equivalent basis. In addition, earnings on stockholders' equity and certain overhead expenses not allocated for management reporting purposes were allocated to each business sector. Earnings on stockholders' equity were allocated based on management's assessment of the inherent risk of each sector. Overhead expenses were allocated based primarily on staff levels and represent costs associated with various support functions that exist for the benefit of the firm as a whole.

(2) In the three months ended September 30, 1996 and 1995, $136 million and $167 million, respectively, related to income taxes were not allocated to the business sectors. In the nine months ended September 30, 1996 and 1995, $569 million and $448 million, respectively, related to income taxes were not allocated to the business sectors.

FINANCE AND ADVISORY

The Finance and Advisory sector recorded pretax income of $71 million in the third quarter of 1996 compared with $141 million a year ago. Total revenue in the 1996 third quarter decreased 6% to $425 million in the third quarter of 1995 reflecting a decline in equities trading revenue. The decline was partially offset by an increase in investment banking revenue principally due to higher levels of advisory, syndication, and underwriting activities.

Expenses in the third quarter of 1996 were $354 million compared with $312 million in the third quarter of 1995, an increase of 13%, primarily due to higher employee compensation and benefits expenses.

Revenues for the nine month period increased 21% to $1,383 million from the corresponding prior period. Expenses for the same period increased 20% to $1,056 million from the nine months ended September 30, 1995.

For the third quarter of 1996, J.P. Morgan ranked as the fourth largest underwriter of U.S. debt and equity issues, according to Securities Data Co. In advisory activities, Securities Data Co. ranked J.P. Morgan sixth in completed mergers and acquisitions worldwide and fourth in pending transactions in the first nine months of 1996. As an arranger of bank credit facilities, J.P. Morgan ranked second globally, according to Loan Pricing Corp., for the first nine months of 1996.

SALES AND TRADING

The Sales and Trading sector recorded pretax income of $226 million in the third quarter of 1996 compared with $119 million in the third quarter of 1995. Total revenue in the third quarter of 1996 increased 29% to $558 million in the third quarter of 1995 due primarily to higher results in fixed income markets driven by continued strong client demand for swaps and for government and corporate securities.

Total expenses of $332 million increased 6% from the third quarter of 1995 primarily due to higher employee compensation and benefits expense.

Total revenue of $1,962 million for the nine months ended September 30, 1996, increased 69% from 1995. Total expenses increased 14% to $1,022 million when compared to the same period last year.

ASSET MANAGEMENT AND SERVICING

The Asset Management and Servicing sector recorded pretax income of $54 million in the third quarter of 1996 compared with $80 million in the year-earlier period. Total revenue increased 7% to $336 million in the third quarter of 1996 compared with the third quarter of 1995. This increase was primarily driven by an increase in revenue from asset management, reflecting an increase in assets under management, primarily from net new business. Assets under management at September 30, 1996 were $197 billion.

Expenses associated with Asset Management and Servicing were $282 million in the third quarter of 1996 compared with $234 million in the third quarter of 1995. The 21% increase in expenses primarily relates to higher employee compensation and benefits, in part due to higher staff levels.

Revenues of $1,040 million for the nine month period ended September 30, 1996, increased 11% from 1995. Expenses of $827 million for the nine month period ended September 30, 1996, increased 22% from 1995.

In strategic dispositions, J.P. Morgan sold its custody business and discontinued certain of its cash services during 1995 and, as previously mentioned, has agreed to sell its U.S. institutional cash processing business. Revenues and expenses for 1996 and 1995 associated with these businesses are included in the Corporate Items section.

These actions do not affect the cash management and processing services Morgan offers for private clients or the firm's role as operator of the Euroclear System, the world's largest clearance and settlement system for internationally traded securities.

EQUITY INVESTMENTS

Equity Investments recorded pretax income of $81 million in the third quarter of 1996 compared with $96 million in the third quarter of 1995. Total revenue was $88 million in the third quarter of 1996 compared with $102 million in the third quarter of 1995. The 1996 third quarter reflected net equity investment securities gains of $56 million versus $91 million in the year-earlier quarter. Total revenue for the nine month period was $333 million compared with $426 million in 1995. Net unrealized appreciation on the combined portfolio of marketable and nonmarketable equity investment securities was $383 million at September 30, 1996, compared with $490 million at June 30, 1996.

The results of the Equity Investment portfolio are also evaluated on an economic basis using total return, which combines revenue and the change in net unrealized appreciation. Total return for the third quarter of 1996 was ($19) million compared with $65 million in the third quarter of 1995. Total return for the nine months ended September 30, 1996, was $191 million compared with $270 million for the nine months ended September 30, 1995. As our investment strategy covers a longer-term horizon, total return viewed over shorter periods will reflect the impact of short-term market movements, including industry specific events.

ASSET AND LIABILITY MANAGEMENT

Asset and Liability Management recorded pretax income of $148 million in the third quarter of 1996 compared with $217 million in the same period a year ago. Total revenue, which primarily includes net interest revenue and net investment securities gains (losses), was $176 million and $244 million for the third quarter of 1996 and 1995, respectively. The decline in total revenue, primarily due to the decrease in net interest revenue as a result of the maturity of higher-yielding instruments, was partially offset by net investment securities gains in the third quarter of 1996. Net investment securities gains in the third quarter of 1996 were $11 million compared with net losses of $22 million in the third quarter of 1995. Net unrealized appreciation on asset and liability management financial instruments, which included appreciation associated with risk-adjusting swaps and debt investment securities, was $279 million at September 30, 1996 and $317 million at June 30, 1996.

Total revenue was $463 million for the nine months ended September 30, 1996 compared with $774 million for the year-earlier period.

As our objective in Asset and Liability Management is to create longer-term value through the management of interest rate risk related to J.P. Morgan's nontrading assets, liabilities, and off-balance-sheet activities, the performance of the Asset and Liability Management sector, similar to that of the Equity Investments sector, is evaluated on an economic basis using total return. Total return, which combines reported revenue and the change in net unrealized appreciation, decreased to $138 million in the third quarter of 1996 from $187 million in the third quarter of 1995. Total return for the nine month period ended September 30, 1996 was $189 million compared with $346 million for the nine months ended September 30, 1995.

CORPORATE ITEMS

Corporate Items includes revenues and expenses that have not been allocated to the five business sectors, intercompany eliminations, and the taxable equivalent adjustment, which is calculated to gross-up tax exempt interest to a taxable basis.

Corporate Items for the third quarter and nine months of 1996 and 1995 also included the revenues and expenses of the custody and cash processing businesses. As mentioned in the discussion of Asset Management and Servicing, these businesses have been sold or discontinued during 1995 or are expected to be sold by year end. Corporate Items for the third quarter and the nine months of 1996 also included the previously announced special charge of $71 million related to the formation of the Pinnacle Alliance; and the taxable equivalent adjustment of $20 million and $27 million for the third quarter of 1996 and 1995 respectively. Corporate Items for the nine months of 1996 consisted primarily of intercompany eliminations, the taxable equivalent adjustment of $64 million, and other items not allocated to a sector.

RISK MANAGEMENT

The following presents the market risk profiles related to our trading activities and asset and liability management activities for the three months and twelve months ended September 30, 1996.

Trading activities

J.P. Morgan employs a value at risk methodology to estimate the potential losses that could arise from adverse changes in market conditions within a 95% confidence interval, referred to as "Daily Earnings at Risk" (DEaR). The DEaR estimate for our combined trading activities for the third quarter of 1996 averaged approximately $19 million and ranged from $13 million to $25 million. The DEaR estimate for our combined trading activities for the second quarter of 1996 averaged approximately $22 million and ranged from $17 million to $26 million.

For the twelve months ended September 30, 1996, the DEaR estimate for our combined trading activities averaged approximately $21 million and ranged from approximately $13 million to $28 million. Daily combined trading-related revenue averaged $11.6 million during the twelve-month period ended September 30, 1996. Consistent with statistical expectations, daily revenue fell short of expected results by amounts greater than related DEaR estimates within 5% of the trading days during the twelve months ended September 30, 1996.

Asset and liability management activities

During the twelve months ended September 30, 1996, value at risk measured over a weekly horizon averaged approximately $44 million and ranged from $21 million to $82 million. These amounts approximate average DEaR of $20 million and a range of $10 million to $37 million. Weekly total return related to asset and liability management activities fell short of expected weekly results by amounts greater than related weekly value at risk estimates within 5% of the time.

FINANCIAL STATEMENT ANALYSIS

REVENUES

Revenues totaled $1.549 billion in the third quarter of 1996, equal to the level of the year earlier quarter. Revenues in the third quarter trailed the levels in the first two quarters of 1996 primarily because of lower trading results and lower net equity investment securities gains. For the first nine months of 1996, revenues were up 15% to $5.050 billion from the corresponding 1995 period.

Net interest revenue, the aggregate of interest revenue and expense generated by the firm's asset and liability management, credit-related, and trading activities, declined 16% to $425 million from the third quarter of 1995. The principal factor in the decline was the maturing of higher yielding asset and liability management instruments. For the first nine months of 1996, net interest revenue decreased 20% to $1,218 million from the corresponding 1995 period.

The following table provides J.P. Morgan's interest-rate-sensitivity gap at September 30, 1996, including the asset and liability interest-rate-sensitivity gap and the effect of derivatives on the gap. The resulting interest-rate-sensitivity gap is presented by U.S. dollar and non-U.S. dollar currency components and reflects J.P. Morgan's market outlook at September 30, 1996. Significant variances in interest rate sensitivity may exist at other dates not presented in the table. Amounts in parentheses reflect liability sensitive positions.

By repricing or maturity dates

In millions	Within six months	After six months but within one year	After one year but within five	After five years
SEPTEMBER 30, 1996				
Asset and liability interest-rate-sensitivity gap	(410)	(4,155)	2,795	10,661
Derivatives affecting interest rate sensitivity	1,842	1,317	(5,885)	2,726
Interest-rate-sensitivity gap (a)	1,432	(2,838)	(3,090)	13,387
(a) Components of interest-rate-sensitivity gap:				
U.S. dollar	12,911	(2,767)	(7,450)	12,935
Non-U.S. dollar*	(11,479)	(71)	4,360	452
Total	1,432	(2,838)	(3,090)	13,387

* Primarily Japanese yen, deutsche mark, French franc, Italian lira and British pound positions.

Trading revenue rose 28% to $510 million in the third quarter from $399 million a year earlier. Trading revenue for the first nine months of 1996 totaled $1.965 billion, up from $1.007 billion in the corresponding 1995 period. Year-to-date trading revenues in both developed and emerging markets were strong and diversified across the firm's products.

Reported trading revenue does not include net interest revenue associated with trading activities, which was $65 million in the third quarter of 1996 and $26 million a year ago.

The following table presents trading revenue and net interest revenue associated with the firm's trading activities, in both developed and emerging markets, disaggregated by principal product groupings. The table does not represent total revenues generated by business activities as discussed in Business sector results. For example, underwriting revenues and equities commissions, which are reported in Investment banking revenue and Operational service fees respectively on the Consolidated Statement of Income, are not included below.

In millions	Fixed Income	Equities	Foreign Exchange	Commod-ities	Proprietary Unit	Total
Third Quarter 1996						
Trading revenue	$ 403	$ 43	$ 59	($ 15)	$ 20	$ 510
Net interest revenue	45	(4)	5	4	15	65
Combined total	448	39	64	(11)	35	575
Third Quarter 1995						
Trading revenue	267	75	26	6	25	399
Net interest revenue	41	(23)	3	--	5	26
Combined total	308	52	29	6	30	425
Second Quarter 1996						
Trading revenue	331	124	109	5	128	697
Net interest revenue	54	(9)	5	(5)	(3)	42
Combined total	385	115	114	--	125	739
Nine Months 1996						
Trading revenue	1,267	261	236	24	177	1,965
Net interest revenue	168	(56)	15	(3)	13	137

Combined total	1,435	205	251	21	190	2,102
Nine Months 1995						
Trading revenue	420	213	190	37	147	1,007
Net interest revenue	163	(80)	10	2	20	115
Combined total	583	133	200	39	167	1,122

</TABLE>

Combined trading and related net interest revenue rose to $575 million in the third quarter from $425 million a year earlier. Combined revenue from fixed income rose to $448 million in the third quarter from $308 million in the year-earlier quarter, driven by continued strong client demand for swaps and for government and corporate securities. Combined revenue from equities was $39 million compared with $52 million a year earlier. Foreign exchange combined revenue increased to $64 million from $29 million in the third quarter of 1995, largely in emerging markets. Combined revenue for the first nine months of 1996 was $2,102, compared with $1,122 in the same 1995 period.

Investment banking revenue increased 19% to $233 million in the third quarter. Underwriting revenue grew to $83 million from $71 million a year ago. Advisory and syndication fees in the third quarter rose to $150 million from $124 million a year earlier. Investment banking revenue for the first nine months of 1996 was $644 million, compared with $426 million for the first nine months of 1995. Underwriting revenue for the first nine months of 1996 was $259 million, versus $134 million in the comparable 1995 period.

Credit-related fees of $39 million in the third quarter were flat compared with the third quarter of 1995. Excluding revenues from the custody business, which was sold in 1995, and from the discontinued cash-processing businesses, credit related fees rose 13% from a year earlier. In the first nine months of this year, credit-related fees excluding revenues from the custody and cash-processing businesses, rose 7% from the same period of 1995.

Investment management fees advanced 9% to $164 million from a year ago, as assets under management rose, primarily from net new business. Investment management fees for the first nine months of 1996 were $493 million, versus $418 million in the same 1995 period. Assets under management at September 30, 1996, were $197 billion.

Operational service fees in the third quarter totaled $98 million, 28% lower than in the third quarter of 1995. Excluding revenues associated with the custody and cash-processing businesses, operational service fees were unchanged. For the first nine months of 1996, operational service fees excluding revenues from the custody and cash-processing businesses, increased 6% from the corresponding 1995 period.

Net investment securities gains were $11 million in the third quarter, compared with net losses of $22 million in the third quarter of 1995. For the nine-month period, net investment securities losses were $28 million, versus net gains of $20 million in the first nine months of 1995.

Other revenue was $69 million in the third quarter, compared with $145 million a year earlier. The 1996 third quarter reflected net equity investment securities gains of $56 million, compared with $91 million in the year-earlier quarter. For the first nine months of 1996, other revenue was $328 million, versus $461 million in the comparable 1995 period. Net equity investment securities gains in the first nine months were $238 million, compared with $386 million for the first nine months of 1995.

OPERATING EXPENSES

Operating expenses were $1.137 billion in the third quarter, compared with $1.022 billion in the third quarter of 1995. Excluding the technology-related special charge and expenses associated with the custody and cash-processing businesses, 1996 third quarter operating expenses grew 10% from a year earlier. Employee compensation and benefits rose primarily due to higher incentive compensation accruals, reflecting the increasing proportion of revenue from our client-based businesses and more competitive market conditions. Other expenses increased due to higher levels of business activity.

The firm incurred a $71 million special charge in the third quarter, which is reflected in technology & communications expenses, in conjunction with the formation of the Pinnacle Alliance. Approximately 700 employees in areas covered by the agreement were transferred to Alliance firms. Costs associated with the transferred employees, previously reflected in employee compensation & benefits, are now reflected in payments to the Alliance and included in technology & communications expenses.

At September 30, 1996, staff totaled 15,188 employees compared with 16,394 employees at September 30, 1995.

Operating expenses in the first nine months of 1996 increased 11% to $3.326 billion. Excluding the 1995 first quarter charge related primarily to severance, the 1996 technology-related special charge and expenses associated with the custody and cash-processing businesses, operating expenses rose 16%.

Income tax expense of $136 million in the third quarter was based on an effective tax rate of 33% versus 32% in the third quarter of 1995. For the nine months ended September 30, 1996 and 1995, the effective tax rate was 33%.

ASSETS

Total assets were $212 billion at September 30, 1996, compared with $199 billion at June 30, 1996. Nonperforming assets increased by $27 million to $161 million during the third quarter as repayments and charge-offs were more than offset by assets newly classified as nonperforming. No provision for credit losses was deemed necessary in the 1996 third quarter. The allowance for credit losses was $1.113 billion at September 30, 1996.

FOREIGN-COUNTRY-RELATED OUTSTANDINGS

Foreign-country-related outstandings represent outstandings to foreign borrowers that are denominated in U.S. dollars or currencies other than the borrower's local currency or, in the case of a guarantee, other than the guarantor's local currency. Countries in which J.P. Morgan's outstandings exceeded 1.0% of total assets at September 30, 1996, are listed in the following table. Outstandings include loans, interest-earning deposits with banks, investment securities, customers' acceptance liability, securities purchased under agreements to resell, trading account securities, accrued interest, and other monetary assets. Outstandings generally are distributed according to the location of the borrower. In the case of guaranteed outstandings or when tangible, liquid collateral is held and realizable outside the obligor's country, distribution is generally made according to the location of the guarantor or the location where the collateral is held and realizable.

In millions	Cross-border outstandings
United Kingdom	$4,404
France	4,924
Switzerland	3,082

CAPITAL

Dollars in billions	September 30 1996	June 30 1996	December 31 1995	September 30 1995
Total stockholders' equity	$ 11.1	$ 11.0	$ 10.5	$ 10.1
Annualized rate of return on average common stockholders' equity (a) (b)	10.3%	17.1%	14.7%	14.9%
As percent of period-end total assets:				
Common equity	4.9	5.2	5.4	5.4
Total equity	5.2	5.5	5.7	5.7
Book value per common share (c)	$ 52.62	$ 52.40	$ 50.71	$ 49.36
Risk-based capital:				
Tier 1 risk-based capital	$ 9.9	$ 9.8	$ 9.0	$ 8.8

Total risk-based capital	14.2	14.1	13.4	13.0
Risk adjusted assets	122.1	120.3	103.1	103.8
Capital ratios:				
J.P. Morgan				
Tier 1 ratio	8.1%	8.2%	8.8%	8.5%
Total ratio	11.7	11.7	13.0	12.5
Leverage ratio	6.2	6.3	6.1	6.3
Morgan Guaranty Trust Company of New York				
Tier 1 ratio	7.7%	7.7%	8.5%	8.2%
Total ratio	10.5	10.7	11.0	10.6
Leverage ratio	5.9	5.7	5.5	5.7

</TABLE>

(a) Represents the annualized rate of return on average common stockholders' equity for the three months ended September 30, 1996, June 30, 1996, December 31, 1995, and September 30, 1995. Excluding the impact of SFAS No. 115, the annualized rate of return on average common stockholders' equity would have been 10.6%, 17.8%, 15.5%, and 15.6% for the three months ended September 30, 1996, June 30, 1996, December 31, 1995, and September 30, 1995, respectively.

(b) The annualized rate of return on average common stockholders' equity for the nine months ended September 30, 1996 and 1995 was 14.8% and 13.2%, respectively. Excluding the impact of SFAS No. 115, the annualized rate of return on average common stockholders' equity would have been 15.5% and 13.8% for the nine months ended September 30, 1996 and 1995, respectively.

(c) Excluding the impact of SFAS No. 115, the book value per common share would have been $51.01, $50.54, $47.83, and $46.82 for the three months ended September 30, 1996, June 30, 1996, December 31, 1995, and September 30, 1995, respectively.

J.P. Morgan's risk-based capital and leverage ratios remain well above the minimum standards set by the Federal Reserve Board. In accordance with the Federal Reserve Board guidelines, the risk-based capital and leverage ratios exclude the equity, assets and off-balance-sheet exposures of J.P. Morgan Securities, Inc. and the effect of SFAS No. 115.

At September 30, 1996, stockholders' equity included approximately $317 million of net unrealized appreciation on debt investment and marketable equity investment securities, net the related deferred tax liability of $178 million. Net unrealized appreciation was $367 million at June 30, 1996. The net unrealized appreciation on debt investment securities was $224 million and $226 million at September 30, 1996 and June 30, 1996, respectively. The net unrealized appreciation on marketable equity investment securities was $271 million and $343 million at September 30, 1996 and June 30, 1996, respectively.

CONSOLIDATED AVERAGE BALANCES AND NET INTEREST EARNINGS
J.P. Morgan & Co. Incorporated

<TABLE>
<CAPTION>

Dollars in millions, interest and average rates on a taxable-equivalent basis	Three months ended					
	September 30, 1996			September 30, 1995		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS						
Interest-earning deposits with banks, mainly in offices outside the U.S.	$ 2,406	$ 30	4.96%	$ 1,316	$ 31	9.35%
Debt investment securities in offices in the U.S. (a):						
U.S. Treasury	1,367	25	7.28	2,179	36	6.55
U.S. state and political subdivision	1,523	44	11.49	1,916	56	11.60
Other	16,541	273	6.57	14,042	245	6.92
Debt investment securities in offices outside the U.S. (a)	3,740	66	7.02	3,405	62	7.22

Trading account assets:						
In offices in the U.S.	15,596	240	6.12	12,231	196	6.36
In offices outside the U.S.	30,369	579	7.58	24,779	540	8.65
Securities purchased under agreements to resell and federal funds sold, mainly in offices in the U.S.	44,649	569	5.07	31,721	500	6.25
Securities borrowed in offices in the U.S.	26,485	338	5.08	14,350	203	5.61
Loans:						
In offices in the U.S.	5,633	100	7.06	6,364	109	6.80
In offices outside the U.S.	21,343	340	6.34	17,413	302	6.88
Other interest-earning assets (b):						
In offices in the U.S.	824	29	*	739	53	*
In offices outside the U.S.	933	62	*	1,968	147	*
Total interest-earning assets	171,409	2,695	6.25	132,423	2,480	7.43
Allowance for credit losses	(1,114)			(1,132)		
Cash and due from banks	622			1,809		
Other noninterest-earning assets	40,535			40,914		
Total assets	211,452			174,014		

</TABLE>

Interest and average rates applying to the following asset categories have been adjusted to a taxable-equivalent basis: Debt investment securities in offices in the U.S., Trading account assets in offices in the U.S., and Loans in offices in the U.S. The applicable tax rate used to determine these adjustments was approximately 41% for the three months ended September 30, 1996 and 1995.

(a) For the three months ended September 30, 1996 and 1995, average debt investment securities are computed based on historical amortized cost, excluding the effects of SFAS No. 115 adjustments.

(b) Interest revenue includes the effect of certain off-balance-sheet transactions.

* Not meaningful

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CONSOLIDATED AVERAGE BALANCES AND NET INTEREST EARNINGS
J.P. Morgan & Co. Incorporated

<TABLE>
<CAPTION>

Dollars in millions, interest and average rates on a taxable-equivalent basis	Three months ended September 30, 1996			September 30, 1995		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>
LIABILITIES AND STOCKHOLDERS' EQUITY						
Interest-bearing deposits:						
In offices in the U.S.	$ 3,754	$ 48	5.09%	$ 2,056	$ 24	4.63%
In offices outside the U.S.	44,029	578	5.22	38,763	595	6.09
Trading account liabilities:						
In offices in the U.S.	9,199	154	6.66	5,329	90	6.70
In offices outside the U.S.	11,094	204	7.32	11,550	215	7.39
Securities sold under agreements to repurchase and federal funds purchased, mainly in offices in the U.S.	62,522	799	5.08	42,623	633	5.89
Commercial paper, mainly in offices in the U.S.	4,489	61	5.41	2,583	40	6.14
Other interest-bearing liabilities:						
In offices in the U.S.	13,900	196	5.61	10,193	158	6.15
In offices outside the U.S.	2,322	53	9.08	1,702	40	9.32
Long-term debt, mainly in offices in the U.S.	10,866	157	5.75	9,643	151	6.18
Total interest-bearing liabilities	162,175	2,250	5.52	124,442	1,946	6.20
Noninterest-bearing deposits:						
In offices in the U.S.	1,981			3,355		
In offices outside the U.S.	437			1,597		
Other noninterest-bearing liabilities	35,838			34,661		
Total liabilities	200,431			164,055		

Stockholders' equity	11,021			9,959		
Total liabilities and stockholders' equity	211,452			174,014		
Net yield on interest-earning assets			1.03			1.60
Net interest earnings		445			534	

</TABLE>

CONSOLIDATED AVERAGE BALANCES AND NET INTEREST EARNINGS
J.P. Morgan & Co. Incorporated

<TABLE>
<CAPTION>

Dollars in millions, interest and average rates on a taxable-equivalent basis	Nine months ended September 30, 1996			Nine months ended September 30, 1995		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS						
Interest-earning deposits with banks, mainly in offices outside the U.S.	$ 2,006	$ 81	5.39%	$ 1,743	$ 134	10.28%
Debt investment securities in offices in the U.S. (a):						
U.S. Treasury	1,103	62	7.51	2,228	107	6.42
U.S. state and political subdivision	1,622	140	11.53	2,043	185	12.11
Other	17,632	834	6.32	12,887	690	7.16
Debt investment securities in offices outside the U.S. (a)	4,093	197	6.43	4,478	233	6.96
Trading account assets:						
In offices in the U.S.	15,748	714	6.06	12,652	640	6.76
In offices outside the U.S.	26,745	1,545	7.72	25,425	1,710	8.99
Securities purchased under agreements to resell and federal funds sold, mainly in offices in the U.S.	43,937	1,739	5.29	30,069	1,355	6.02
Securities borrowed in offices in the U.S.	24,441	919	5.02	14,186	604	5.69
Loans:						
In offices in the U.S.	6,441	326	6.76	6,684	355	7.10
In offices outside the U.S.	21,162	1,000	6.31	17,345	915	7.05
Other interest-earning assets (b):						
In offices in the U.S.	1,030	88	*	1,295	211	*
In offices outside the U.S.	1,095	207	*	1,220	272	*
Total interest-earning assets	167,055	7,852	6.28	132,255	7,411	7.49
Allowance for credit losses	(1,122)			(1,132)		
Cash and due from banks	886			1,827		
Other noninterest-earning assets	41,864			41,781		
Total assets	208,683			174,731		

</TABLE>

Interest and average rates applying to the following asset categories have been adjusted to a taxable-equivalent basis: Debt investment securities in offices in the U.S., Trading account assets in offices in the U.S., and Loans in offices in the U.S. The applicable tax rate used to determine these adjustments was approximately 41% for the nine months ended September 30, 1996 and 1995.

(a) For the nine months ended September 30, 1996 and 1995, average debt investment securities are computed based on historical amortized cost, excluding the effects of SFAS No. 115 adjustments.

(b) Interest revenue includes the effect of certain off-balance-sheet transactions.

* Not meaningful

CONSOLIDATED AVERAGE BALANCES AND NET INTEREST EARNINGS

Dollars in millions, interest and average rates on a taxable-equivalent basis	Nine months ended September 30, 1996			September 30, 1995		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
LIABILITIES AND STOCKHOLDERS' EQUITY						
Interest-bearing deposits:						
In offices in the U.S.	$ 2,625	$ 95	4.83%	$ 2,104	$ 76	4.83%
In offices outside the U.S.	45,181	1,800	5.32	41,009	1,778	5.80
Trading account liabilities:						
In offices in the U.S.	8,351	395	6.32	6,527	339	6.94
In offices outside the U.S.	10,802	562	6.95	11,691	727	8.31
Securities sold under agreements to repurchase and federal funds purchased, mainly in offices in the U.S.	61,381	2,384	5.19	41,836	1,833	5.86
Commercial paper, mainly in offices in the U.S.	4,151	169	5.44	2,598	119	6.12
Other interest-bearing liabilities:						
In offices in the U.S.	13,847	588	5.67	9,664	449	6.21
In offices outside the U.S.	2,057	145	9.42	1,974	85	5.76
Long-term debt, mainly in offices in the U.S.	9,976	432	5.78	8,545	407	6.36
Total interest-bearing liabilities	158,371	6,570	5.54	125,948	5,813	6.17
Noninterest-bearing deposits:						
In offices in the U.S.	2,441			3,346		
In offices outside the U.S.	823			1,366		
Other noninterest-bearing liabilities	36,187			34,312		
Total liabilities	197,822			164,972		
Stockholders' equity	10,861			9,759		
Total liabilities and stockholders' equity	208,683			174,731		
Net yield on interest-earning assets			1.03			1.62
Net interest earnings		1,282			1,598	

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ASSET AND LIABILITY MANAGEMENT DERIVATIVES

The objective of asset and liability management is to create longer-term value through the management of interest rate risk related to J.P. Morgan's nontrading assets, liabilities, and off-balance-sheet activities. J.P. Morgan utilizes a variety of financial instruments, including derivatives, in an integrated manner to achieve these objectives. Additional information on asset and liability management derivatives, primarily interest rate swaps, is provided below. For more information about asset and liability management activities, see Note 6 to the financial statements, Off-balance-sheet financial instruments.

The table below summarizes maturities and weighted-average interest rates to be received and paid on U.S. dollar and non-U.S. dollar asset and liability management interest rate swaps at September 30, 1996. The majority of asset and liability management interest rate swaps, as presented below, are risk-adjusting swaps. Also included in the table are swaps designated as hedges or used to modify the interest rate characteristics of assets and liabilities. Variable rates presented are generally based on the London Interbank Offered Rate (LIBOR) in effect on the swaps at September 30, 1996, and reset at predetermined dates. The table was prepared under the assumption that these variable interest rates remain constant. The variable interest rates to be received or paid will change to the extent that rates fluctuate. Such changes may be substantial.

Not included in the table below are other derivatives used for asset and liability management purposes, such as currency swaps, basis swaps, foreign exchange contracts, interest rate futures, forward rate agreements, debt securities forwards, and purchased options, totaling $64.2 billion at September 30, 1996. The contractual maturities of these derivative contracts are primarily less than one year.

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<TABLE>
<CAPTION>
By expected maturities

Dollars in billions	Within one year	After one year but within two	After two years but within three	After three years but within four	After four but within five	After five years	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
INTEREST RATE SWAPS - U.S. DOLLAR							
Receive fixed swaps							
Notional amount	$ 18.6	$ 14.8	$ 4.0	$ 3.8	$ 1.7	$ 11.5	$ 54.4
Weighted average:							
Receive rate	6.6%	6.0%	6.9%	6.8%	6.5%	6.6%	6.5%
Pay rate	5.4	5.6	5.6	5.6	5.6	5.6	5.5
Pay fixed swaps							
Notional amount	$ 20.3	$ 18.6	$ 2.9	$ 8.9	$ 5.3	$ 9.9	$ 65.9
Weighted average:							
Receive rate	5.6%	5.6%	5.6%	5.4%	5.6%	5.6%	5.6%
Pay rate	6.3	5.7	6.4	6.3	5.5	7.1	6.2
INTEREST RATE SWAPS - NON-U.S. DOLLAR							
Receive fixed swaps							
Notional amount	$ 30.5	$ 19.0	$ 8.8	$ 6.2	$ 3.8	$ 6.8	$ 75.1
Weighted average:							
Receive rate	6.1%	5.1%	6.1%	6.5%	6.7%	7.1%	6.1%
Pay rate	3.5	3.4	3.3	4.0	4.3	3.5	3.5
Pay fixed swaps							
Notional amount	$ 26.3	$ 14.8	$ 9.3	$ 6.2	$ 3.3	$ 6.1	$ 66.0
Weighted average:							
Receive rate	3.8%	2.8%	3.3%	3.9%	4.2%	3.4%	3.5%
Pay rate	6.1	5.5	5.8	6.5	7.4	7.2	6.3
Total notional amount	$ 95.7	$ 67.2	$ 25.0	$ 25.1	$ 14.1	$ 34.3	$261.4

</TABLE>

Not included in the table above are $3.8 billion and $2.7 billion of notional amounts related to currency swaps and basis swaps, respectively.

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Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

12. Statement re computation of ratios

27. Financial data schedule

(b) Reports on Form 8-K

The following reports on Form 8-K were filed with the Securities and Exchange Commission during the quarter ended September 30, 1996:

July 11, 1996 (Items 5 and 7)
Reported the issuance by J.P. Morgan of a press release announcing its earnings for the three-month period ended June 30, 1996.

August 13, 1996 (Items 5 and 7)
Reported the issuance by J.P. Morgan of a press release announcing an agreement to sell its institutional cash processing business to HSBC Financial Institutions, a division of Marine Midland Bank.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

(REGISTRANT) J.P. MORGAN & CO. INCORPORATED

BY (SIGNATURE)

/s/ DAVID H. SIDWELL

(NAME AND TITLE) DAVID H. SIDWELL
MANAGING DIRECTOR AND CONTROLLER
(PRINCIPAL ACCOUNTING OFFICER)

DATE: November 14, 1996

LIST OF EXHIBITS

EXHIBIT	
12.	Statement re computation of ratios
27.	Financial data schedule

1
2

Exhibit 12

Computation of Ratio of Earnings to Fixed Charges
J.P. Morgan & Co. Incorporated
Consolidated

<TABLE>
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Dollars in millions	Nine months 1996
<S>	<C>
Earnings:	
Net income	$1,155
Add: income taxes	569
Less: equity in undistributed income of all affiliates accounted for by the equity method	19
Add: fixed charges, excluding interest on deposits	4,700
Earnings available for fixed charges, excluding interest on deposits	6,405
Add: interest on deposits	1,895
Earnings available for fixed charges, including interest on deposits	8,300
Fixed charges:	
Interest expense, excluding interest on deposits	4,675
Interest factor in net rental expense	25
Total fixed charges, excluding interest on deposits	4,700
Add: interest on deposits	1,895
Total fixed charges, including interest on deposits	6,595
Ratio of earnings to fixed charges:	
Excluding interest on deposits	1.36
Including interest on deposits	1.26

</TABLE>

2

3

Exhibit 12

Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends
J.P. Morgan & Co. Incorporated
Consolidated

<TABLE>
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Dollars in millions	Nine months 1996
<S>	<C>
Earnings:	
Net income	$1,155
Add: income taxes	569
Less: equity in undistributed income of all affiliates accounted for by the equity method	19
Add: fixed charges, excluding interest on deposits and preferred stock dividends	4,700
Earnings available for fixed charges, excluding interest on deposits	6,405
Add: interest on deposits	1,895
Earnings available for fixed charges, including interest on deposits	8,300
Fixed charges:	
Interest expense, excluding interest on deposits	4,675
Interest factor in net rental expense	25
Preferred stock dividends	36
Total fixed charges, excluding interest on deposits	4,736
Add: interest on deposits	1,895
Total fixed charges, including interest on deposits	6,631
Ratio of earnings to fixed charges and preferred stock dividends:	
Excluding interest on deposits	1.35
Including interest on deposits	1.25

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This schedule contains summary financial information extracted from the consolidated financial statements as of and for the nine months ended September 30, 1996 included in the form 10-Q for the quarter ended September 30, 1996.
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