Good morning, ladies and gentlemen. Welcome to the JPMorgan Chase's fourth quarter 2010 earnings call. This call is being recorded. Your lines will be muted for the duration of the call. We will now go live to the presentation. Please standby.

At this time, I would like to turn the call over to JPMorgan Chase's Chairman and CEO, Jamie Dimon; and Chief Financial Officer, Doug Braunstein. Mr. Braunstein, please go ahead.

Doug Braunstein

Thanks, operator. I am going to take everybody through the earnings presentation. It's available on the website as you know and we'll take questions after the presentation, and kindly take a note of the slide in the back of the presentation regarding forward-looking statements.

With that, let me start on page one. We generated $4.8 billion of net income in the quarter, $1.12 per share. That’s on revenues of $26.7 billion. For the full year, you see we generated $17.4 billion in net income. That’s up 48% over last year; $3.96 per share, and revenues slightly under $105 billion. Our full year return on tangible common equity was 15%.

We are highlighting a number of significant items in the quarter. It has not had reaction in the quarter, but I just want to walk through these quickly and make sure we have clarity around them.

The first is we added a net increase in RFS to loan loss allowances of what equates to $0.14 a share reduction in earnings, and just quickly that $930 million pretax does not include a one-time adjustment, I'll talk about when we get to home lending of $632 million release of reserves that correspond to an increase in net charge-offs, which is basically awash [ph], but I'll get into more detail later on that.

Card, we reduced our loan loss allowances by what equates to $0.30 a share increase in earnings. We also took an increase in litigation reserve predominantly mortgage related that reduced earnings $0.22 a share. And additionally, at the end we recognized the $1.2 billion pretax or $0.18 a share after-tax gain in corporate, and that's largely related to the repositioning of our securities portfolio, and in addition that's going to have a negative impact on NII in successive quarters.

Broadly speaking very solid performance across most of the businesses, but I will talk about each of those in turn, and then finally just a note on our common ratios. Tier 1 common ended the year at $115 billion. We had very strong Basel I Tier 1 common ratio of 9.8%, and you see here our estimated

Basel III ratio of 7%, which as you know is the minimum requirement for Jan 1, 2019.

Jamie Dimon

This is Jamie for one second. So Doug, I just want to reiterate a lot of you raised the question that reserves came down by $2 billion. On this page, you see them coming down by approximately $1 billion, and the difference is $600 million, which we have accelerated charge-offs, which are already recognized in reserves, and reserves are taken down, and then there's other $400 million, which is all various – obviously all related type stuff. There is a little confusion out there about where that came from, but the $600 million, obviously is a timing difference. It didn't affect income. Charge-offs were accelerated, reserves were taken down.

Doug Braunstein

So, with that I think we've covered much of page two and three, so let me dive into the Investment Bank on page four. You see circled net income of $1.5 billion, that's on revenues of $6.2 billion in the quarter. IB fees of $1.8 billion. We continue to be ranked number one in fees, but it is an increasingly competitive market, and you see that in the results. The results also reflect the record in debt underwriting for the quarter, as well as for full year 2010, and also record investment banking fees in Asia for 2010.

The league table results you'll see on page 20 in the back, revenue of $4 billion in fixed income and equities. That's up 8% year-over-year, it's down modestly quarter-on-quarter, and that's largely based on continued solid client flows and normalized trading spreads.

One quick note on DVA [ph], which was effectively flat for the quarter; fixed income markets excluding DVA would have been down $377 million quarter-on-quarter, essentially flat year-over-year. Equity markets excluding DVA would have been down $141 million quarter-on-quarter, flat year-over-year, and that really reflects the negative impact of DVA to revenues in the third quarter.

Credit cost here a benefit of $271 million, so that's part of that $2 billion allowance that you saw in total. That largely reflects a reduction in loan loss allowance related to net repayments and loan sales.

Expenses in the quarter of $4.2 billion, that's up significantly year-over-year, that's primarily due to higher performance-based compensation year-over-year. The comp to revenue ratio for the quarter is 30%, and there is also an increase in our non-comp expense and that includes litigation reserves taken in the quarter. Full year, if you look at comp to revenue ratio, it's 35%

excluding the U.K. bonus tax, and that's largely consistent with our prior guidance of 35% to 40%. It's up from 33% in full year 2009, in part because of higher headcount, and going forward, we really expect full year comp to revenue ratios to continue to be in that range of 35% to 40%.

Final number circled here on the bottom of the page, end-of-period loans of $56.9 billion. That's up 6% quarter-on-quarter and we're beginning to see that new business activity build, and as a result of that, some increasing demand in loans as the market for credit and the economy generally pick up.

Page five, Retail Banking. This is the consolidated results for the fourth quarter; $708 million of net income on $8.5 billion of revenue, and I'm going to review each of the segments in detail on the following pages.

So, if you turn to page six, you see Retail Banking net income of $954 million. That's on revenues of $4.4 billion. Revenues were down 2% year-over-year and that largely reflects lower deposit related fees, full year impact of NSF/OD fee changes, and that's offset by our continuing build out of the retail branch footprint. Deposit growth was 3% year-over-year. Checking accounts were up 6% year-over-year, investment sales up 4% year-over-year, and as you know, we built 154 new branches, 70% of those branches are in California and Florida.

You'll note here by the way credit costs here include a loan loss allowance reserve release of a $100 million in Business Banking, again, part of that $2 billion number.

Mortgage Banking & Other Consumer Lending, you see circled, net income of $577 million. That’s on $2.8 billion of total revenue. Revenue here reflects strong Mortgage Banking origination revenues, higher production volumes, almost $51 billion in the quarter. $56 billion in total originations and you also had improved margins year-over-year.

We’re separating out now repurchase expense. You see that number of $349 million, and remember that’s a contra-revenue item. That number is down $300 million year-over-year. It’s down a $1 billion quarter-on-quarter, and that’s largely the absence of reserve builds, but we end the year in RFS with a total repurchase reserve of $3 billion.

Expenses in the quarter of $1.7 billion. That’s up almost $400 million quarter-on-quarter, $600 million year-on-year, and that largely reflects higher default related costs, but it includes an impact of the estimated cost over time associated with the foreclosure delays from the affidavit issues. We took that cost in the fourth quarter.

Credit costs in this segment also benefited from an allowance release in Auto Finance of $150 million as the trends there improved. The Real Estate Portfolio on page seven. This is the consolidated result. Lower revenues here of $1.3 billion. That's largely based on continued loan run-off. Our balances declined year-over-year $29 billion as we continued to run-off the Washington Mutual portfolio. Losses in the portfolio for the quarter of $823 million, and a total credit cost number of $2.3 billion; I think it's helpful if we cover that in detail on page eight, so I'll turn to that now.

So, there is a lot going on here. I'm going to take a little time on this page. Home lending net charge-offs as reported is $1.750 billion, and you see that on the left. Now, that includes that $632 million adjustment that I referenced at the beginning, Jamie talked about. That's related to the timing of when we take charge-offs on delinquent loans. So what we've effectively done is accelerate our net charge-offs around when – for delinquent loans. We have correspondingly released $632 million number in our reserves. So, it's essentially a shift in geography from reserves to charge-offs, but this doesn't have an impact on our results for the quarter, but that $632 million is picked as part of our total company allowance release.

If you really look at the underlying fundamental picture, absent the changes in accounting for the fourth quarter, you see the circled number of $1.15 billion, which is basically flat to modestly improved over the third quarter, and it's largely in line with the delinquencies – trends we've seen over the second and the third quarter.

You see in the specifics, home equity losses are flat and the mortgage portfolios are showing some modest improvement, and you can see more detail of those trends on page 18 in the appendix. So, given the reductions quarter-on-quarter in the losses, and the fact that delinquencies are basically flat to slightly improved, we've taken a reserve release in the home lending portfolios of $950 million in the quarter, and you see that as the last bullet on the right. We are also as a result of the last three quarters changing our outlook. You see our outlook quarterly net charge-offs of $1.2 billion plus or minus, and that's really based on current delinquencies and the severity outlook that we see today.

The last change on this page, if you look at the PCI performance on the bottom right, and remember for PCI we're using lifetime loss estimates for the portfolio, and as we'd previously told you in our third quarter call, the estimates assume an improvement in delinquencies, and I think given our last several quarters of actual experience, as a result of that, we've increased our estimates on remaining lifetime losses for the portfolios, and the result is, we are taking a $2.1 billion incremental impairment in PCI, and that is predominantly related to home equity.

So, with all those actions, we thought it will be helpful to just summarize the reserve positions around mortgages in general, and so we are doing that on page nine, and maybe I can try and give you the key takeaways from our perspectives going into 2011.

The first is on the agency side. Between the $5.6 billion that we've taken in both expense and reserves, and the $1.2 billion plus or minus guidance that we have for 2011, we believe we've got a pretty good chance here of being done on the agency repurchase side, and this is certainly consistent with the analysis that Charlie presented to you all in the fall, and it is certainly consistent. In fact, a number of you think we're more than well reserved on that topic.

On the private label side, based on our current circumstances, we have significant reserves, and you have to remember, private label exposure, there are very significant differences in the nature of the reps, the warranties, the quorum rules than for the GSEs. So, to give you some perspective on what we think that means, if you are in the range of the private label repurchase exposure that have been recently published by a number of analysts on this call, and you follow what we've taken in mortgage related litigation reserves during the past year, you should feel pretty comfortable with where we are going forward into 2011.

On the Real Estate Portfolios side, $9.7 billion in reserves in Real Estate Portfolios, excluding PCI. Basically we have more than 2 years of coverage based on our annualized fourth quarter net charge-off rate, and through the year we've also added $3.2 billion to our purchased credit-impaired reserves. So based on those current conditions, we believe we're really well reserved going into 2011.

Page 10 is just an update on the foreclosure process, so I'll give you three key takeaways. First to remember, we are really – we continue to work very hard on avoiding foreclosure. It is not good for us or the borrower or the economy. There is a number of facts here, and I'd just highlight, we've prevented more than 2 times the number of foreclosed assets during the course of the last 24 months. When we do foreclosures, obviously those mortgages are very often delinquent for many months. At the time of foreclosure, the homes are often vacant. They are non-owner occupied, and oftentimes owners there don't qualify for modification. But having settled that as you know, we suspended our foreclosures in September and October, and since then we've really enhanced our process. We've retrained personnel. We've revised our processes and added additional quality controls, and as a result of that, we have been resuming our foreclosure proceedings across the country.

Page 11, we'll turn to Card Services for the quarter, net income of $1.3 billion on revenues of $4.2 billion. This is really the first quarter since 2000 – first quarter of 2009 that we're breakeven. We made $61 million on a pretax, pre-loan loss reserve income basis. Credit costs are again the big story in this quarter. They're down significantly to $671 million. If you see the two circled numbers at the bottom of the page, our charge-off rate was 7.08% for the Chase portfolios excluding WaMu. That's an improvement of 100 basis points quarter-on-quarter. It's also lower than our prior guidance of $750 million plus or minus, and that’s largely due to continued important on credit, as well as the improvement in the economic environment. 30-day delinquencies declined to 3.66%. That’s down almost 50 basis points quarter-on-quarter, and based on that decline in delinquencies, we're taking a $2 billion pre-tax reduction on our loan loss reserves because of the lower estimate for future losses.

Just a quick moment on outlook for charge-offs, Chase and WaMu, both those portfolios we expect to see charge-offs improve in the first quarter, and losses for the Chase portfolio we expect to see below 7% in Q1 '11.

$4.2 billion worth of revenue, quickly, that’s flat quarter-on-quarter down year-on-year. That’s largely down on lower outstandings; a 100% impact this quarter in the run rate for the CARD Act, and that’s been offset by positive sales volume, excluding WaMu, up 10% year-over-year, 8% quarter-on-quarter. And note here; we really believe we’ve outpaced the industry growth, and as a function to that are really improving our market share as more people take their Chase cards out of their wallets at the store.

On the balance side, we’re reiterating the balance guidance I gave you in the third quarter. That’s a $120 billion plus or minus by year end for the Chase portfolio.

Page 12, the Commercial Bank, just a quick moment on full year comments for this business not on the page. We had record revenue of $6 billion for this business this year and record net income of $2.1 billion. On the page you see circled net income of $530 million. That’s on record revenues for the quarter of $1.6 billion. That’s largely better spreads, higher Investment Banking fees, actually, record Investment Banking fees for this quarter for this client set, and that’s been offset by lower average balances quarter-on-quarter, year-over-year.

Credit cost of $152 million. That reflects a trend of continued charge-offs in our Commercial Real Estate segment and that's been offset by improving strength in our C&I portfolio. 60% of the net charge-offs in the quarter are real estate related, and if you look down at the bottom of the page, one other credit statistic to highlight, NPLs are down significantly to $2 billion, down almost $900 million quarter-on-quarter.

Last numbers circled here, loan balances of $98.9 billion, that's up modestly again in this quarter after last quarter's improvement as well. We do continue to see some positive signs of activity in the middle market, it's up. Balances are up 11% year-on-year and some of that is driven by demand, some by new client growth. For the year, we added 1600 clients approximately in the middle market, 400 new clients in the quarter, but a word of caution, utilization rates across the commercial bank continue to remain flat through the last quarter of the year in the low 30s.

Page 13, Treasury and Securities Services; you see circled net income $257 million in the quarter, that's up year-on-year slightly and quarter-on-quarter. Revenues were $1.9 billion. Same story on revenues, we're continuing to see pressure from a lower rate environment and that's been offset by growth in our assets under custody. They ended the year at $6.1 trillion, that's up like almost $1 trillion year-over-year, as well as we saw an increase in our trade loan balances as we continue to build out our international footprint.

Expenses in the quarter were up $79 million or 6%, and that's largely reflecting the same theme of that ongoing investment primarily related to the international expansion.

Asset Management on page 14; again a little full year commentary; it was record revenues for the year of $9 billion. That was based on record long-term flows of $69 billion, and that was really a function of very solid investment performance across the complex.

For the fourth quarter, you see circled net income of $507 million in the quarter, that's up year-on-year, or up quarter-on-quarter, and net income is actually at its highest level since the fourth quarter of 2007.

Asset Management had record revenues in the quarter, 2.6 billion, that's up almost 20% year-on-year and quarter-on-quarter. That's based on strong net inflows into those products with higher margins. We did have outflows in liquidity products of $25 billion in the quarter, but that was offset by $23 billion in long-term product inflows that by the way is the seventh consecutive positive quarter of long-term inflows in AM.

We also had positive effects obviously for higher market as well as strong fourth quarter performance fees.

We also had a significant increase in our mortgage production business. We did $7.8 billion in mortgage production in Asset Management this year; $3.4

billion in production in the fourth quarter. You see expense growth higher. That reflects higher headcount, performance-based comp, and some continuing investments in technology across the platform.

One last comment on the headcount side, we've added 500 people to our front office across the globe in Asset Management, a little under 40% of that internationally during the course of the year.

On page 15, you see Corporate/Private Equities. Private Equity gains of $178 million in net income. Remember that's going to vary quarter-on-quarter, realizations and market value for the portfolio, but it was a solid quarter for Private Equity.

Corporate loss of $149 million in net income, that's really three factors at work. The first is NII is down quarter-on-quarter. It's down year-on-year, and that's largely been the repositioning the portfolio that we've been talking about through the course of the year. Second is we did have security gains as a function of that repositioning of $1.2 billion pretax, but again that's going to pressure NII going forward.

Then the third is we took that $1.5 billion pretax increase to litigation reserves predominantly related to mortgage matters in this quarter.

One quick note on guidance here is excluding private equity and excluding non-recurring items, we still believe the net income for corporate should be $300 million plus or minus on a go forward basis each quarter.

Page 16, Fortress balance sheet, I really covered the top of the page. The one comment that I would add is that given the expected growth in our capital positions both through 2010 and forward, we remain hopeful that we're going to be able to return capital to our shareholders both through an increase in the dividend, as well as share repurchases when appropriate, and we obviously weigh it on the results of the FCCP [ph] process to get back to you on that.

We've addressed all of the guidance issues in each of the lines of business. So, with that operator why don't you open up for questions for Jamie and I. Thanks.

Question-and-Answer Session

Operator

(Operator instructions) Your first question comes from the line of John McDonald with Sanford Bernstein.

John McDonald – Sanford Bernstein

Yes. Hi, good morning. Well, so I've a question on net interest income. The run rate looks like about $12 billion this quarter, $48 million annually, $1 billion, what are the puts and takes for 2011, and when we think about the net interest margin and NII at the top of the house?

Doug Braunstein

So, NIM is down about 13 basis points quarter-on-quarter. That’s been a function of the repositioning we talked about, a little less positive effect from dollar-roll financing. We'd expect NIM to be flat to minus 5 basis points in the first quarter of this year. The broader question on NII in general, you’re going to have offsets between, what we’ve shared with you is run-off in our portfolios in RFS and Card, and those are things that we’ve been – that’s WaMu related in large part and we planned to do that, and that’s offset by what we see as beginning trends in growth in our loan portfolio across wholesale.

Jamie Dimon

Corporate NIM will be down quite a bit dollar amount, but we'll give you the guidance in that, and Card will be down $500 million or $600 million as it runs off. The home equity; the run-off for mortgage is about $700 million. Those will be disappearing in the next year.

John McDonald – Sanford Bernstein

So, is it your hope that new growth will offset the run-off and you can have the balance sheet or earnings assets be flattish or even up this year?

Jamie Dimon

We don’t really know yet because it's hard to tell. But, Card, what we said is, it will start to grow but maybe late in the year because most of run-off will be done, but the mortgage stuff will be running off for years. We may or may not replace it, and corporate is completely discretionary, and we’ve decided to reduce the exposures in some of the portfolios there reducing the corporate net interest income.

Doug Braunstein

John, the one other comment I’d make is, as we run-off these portfolios, it’s also going to liberating capital for us, right? So, that’s the other thing to keep in mind.

John McDonald – Sanford Bernstein

Yes, you’ve been pretty clear about that. I guess, on the put backs, Doug, when you say, that you have good shot at being down on the GSE side. Does that mean that you'll likely use the reserve to absorb future realized losses or do you just mean that you probably won't do anymore reserve building?

Doug Braunstein

I think, early in the year, we'll probably be charging that – expensing that stuff, but you all – a lot of you have done your own numbers, showing that we're probably fully reserved, so once it's really determined, we're fully reserved, we'd probably be hitting that against the reserve.

John McDonald – Sanford Bernstein

Okay. And then just one quickie on the private label, the litigation reserve.

Jamie Dimon

What he means is, we're fairly done give or take a little bit. We don't know – obviously, it's a little bit to play out here, so…

John McDonald – Sanford Bernstein

Okay. That is fair. A quick question on the private label, are you able to add to the reserves for private label even if the claims haven't come in yet based on your own estimates or you only have to add litigation expense based on what you currently see as claims coming in?

Doug Braunstein

It's got nothing to do with claims in per se. We can make our own judgments about how we're going to go about handling most of the securities litigation. You all again have done your own estimates in that, and those range for us from $3 billion to $10 billion or $12 billion or something like that. I think the way to look at it is, we've – and maybe uniquely, we've put up litigation reserves forward. We don't know what the ultimate number could be, we can be higher or lower. We're not saying we're done, but it's going be years before this plays out. This litigation is going to be fought almost securitization by securitization. There is almost no other way to do it. Very high, you got to prove causality, their reps and warranties are low; you got to do it loan by loan. This could be a long ugly mess. The important thing is, it's not going to be life threatening to JPMorgan, and it will be years before we know the ultimate outcome.

John McDonald – Sanford Bernstein

Okay. Thank you.

Operator

Your next question comes from the line of Betsy Graseck with Morgan Stanley.

Betsy Graseck – Morgan Stanley

Thanks. Good morning.

Doug Braunstein

Betsy, good morning.

Betsy Graseck – Morgan Stanley

Hi, good morning. A couple of quickies, and then a couple of just strategic questions. So, on the mortgage originations, you obviously had a nice pickup Q-on-Q as the applications closed this past quarter. Could you give us a sense of how far through that pipeline you are and what the outlook is for mortgage originations over the next quarter or two?

Jamie Dimon

I really – Betsy, I did not check, they have to come down, because the originations have come down, and I just didn't look at the pipeline. I'd be surprised if they were $50 billion of closed loans this quarter.

Betsy Graseck – Morgan Stanley

Okay. So you think you've got through most of what the spike in apps you had?

Jamie Dimon

I would think so, yes.

Betsy Graseck – Morgan Stanley

Okay.

Jamie Dimon

(inaudible) is like 60 days, and the last month was pretty low.

Betsy Graseck – Morgan Stanley

Okay. On loan demand, I know it's hard predict what's going to happen over the course of the next year, but could you give us a sense as to how loans came in relative to expectations in 4Q, and was there any incremental change throughout the quarter? One of the reasons I'm asking the question is because obviously you had the long end of the curve move up, because that incents people to get into C&I in any material way?

Jamie Dimon

Are you referring to any particular segment here or just…?

Betsy Graseck – Morgan Stanley

Card and Commercial.

Jamie Dimon

Okay. So, the commercial bank loans have been up – middle market, other loan – remember, you also brought a portfolio, but the middle market is up – has been up every quarter the last three or four quarters, not because utilization, just more loans. And we think that's a very good thing. It could be a little bit of market share, but I anecdotally hear from other people that there is loan growth there too. So, our early indicators are that we'll continue to see loan growth this year, and early indicators are people requesting it in industrial production and inventory numbers, and all the things which could drive kind of loan demand.

In credit card, yes, there is going to be a seasonal drop in the first quarter, and so you – and I've got the numbers, that's always in the 4%, 5%, plus for us, you've got $3 billion run-off. So, the drop could be something like $10 billion in the first quarter. By the third quarter – so, the run-off is a couple of billion dollars a quarter after that, but underlying that, we're actually seeing some growth now. So, you might actually see net growth by the fourth quarter.

Betsy Graseck – Morgan Stanley

Okay. And then separately on regulation, rule writing is obviously in process and I just wanted to see how you're thinking about protecting your revenue and profit in the derivatives business?

Jamie Dimon

Well, the rules have not been finished yet, but we are obviously preparing. We will be equal to house [ph], okay? So, if you want to go through us and go to a clearing house, we will be prepared, and it is possible volumes will go up. So, we gave you guys a number like the $1 billion loss of potential revenue, but we don't really know. We've seen a lot of things and they go to clearing houses, volumes go up, spreads can change a little bit, but it might be a net plus. But you could assume that we are building rapidly to make sure we are the best out there in the new world.

Betsy Graseck – Morgan Stanley

Just because one of the questions on your business is that you're benefiting from a credit spread, relative credit spread benefit because your rating is higher. So, how do you project for that in an environment where you go to an exchange and the rating isn't worth as much?

Jamie Dimon

That's a very good point but it's one more reason there are issues about exchanges where you in effect socialize the credit. If you socialize both credit, if you socialize the credit of the company that might have been providing credit and the credit of the company getting credit, so – so, that is why we look at that – that piece of it will be a possible small negative. But we don't know how it's all going to sort out, like, we're not quite sure what the margin rules will be for end user exemptions and we'll see. Remember, a lot the end user exemptions, the reason they want to do business with JPMorgan is, we will give them the benefit of their credit, and they get the benefit of our credit as opposed through to an exchange, we're neither happy, right?

Betsy Graseck – Morgan Stanley

Okay. All right, and then last on the Durbin piece. Durbin obviously came in the last quarter. Does it change how you're thinking about your deposit pricing, changes that are underway and anywhere else do you think you can make it up?

Doug Braunstein

So, let me make just a statement about Durbin that part of what happened in Durbin was this notion that retailers pay zero for cash and zero for checks, and they were paying 70 or 80 basis points per debit card. Well, the fact is, cash cost retailers, and a lot of study is done on this; 30 to 70 basis points. They've got to process it, handle it, move it, ensure it; bank it. They need registers and there's lot of defalcation, what's that called? Checks cost also 70 basis points, so, for the same basic reasons. Okay, so debit was just – so, massively, guarantee check, which is the equivalent to a debit, like you get your money right away and it is guaranteed, you're not taking the fraud or credit risk is $1.20, 1.2% if you want to go guarantee a check. So, that was a false premise.

The other false premise is that somehow, in a fixed cost business, you could price at variable cost and survive. No business in the world comprises products you go over cost and survive. So, this debit thing had enormous benefit for consumers, even for retailers. It was faster. How this happened is completely beyond us and we have to figure it out. You can't price your products at variable cost and survive as a business. So, we're going to have to figure out a way and we want to do it that's consumer friendly and fair, but of course, the consumer has got to pay, and they weren't paying for debit before. So, we don't exactly know. We're going to test a whole bunch of things. Remember, it might be – not just – we might just charge for checking.

You might charge for debit. You might just have higher deposit balances, and you're right, you might keep a little bit more spread, so, that's all going to sort out both in a competitive sense and a legal sense is, as we figure how to deal with it, but our biggest concern right now is to do it in a way that's consumer friendly as possible. We also think they'll have the adverse consequences of making a portion of current bank clients unbanked. You will not be able to profitably serve them. And my current estimate will be about 5%. I'm not sure that was a good public policy issue either.

Betsy Graseck – Morgan Stanley

5% of what, of your customer base?

Doug Braunstein

Yes, I think, the general banking customer base may be pushed out of the banking system.

Betsy Graseck – Morgan Stanley

Okay. Thank you.

Doug Braunstein

You are welcome.

Operator

Your next question comes from the line of Guy Moszkowski with Bank of America -Merrill Lynch.

Guy Moszkowski – Banc of America -Merrill Lynch

Good morning.

Doug Braunstein

Hi Guy.

Jamie Dimon

Good morning Guy.

Guy Moszkowski – Banc of America -Merrill Lynch

First of all just a comment, that outlook page that you used to do was actually pretty useful, even though yes you do go through the different units, so I'd be a fan of putting it back in.

Jamie Dimon

Okay.

Guy Moszkowski – Banc of America -Merrill Lynch

Question first of all on the litigation reserve, is it fair for us to assume that that $1.5 billion that went through corporate is largely for private label mortgage or is there some expectation of foreclosure settlement in there?

Jamie Dimon

It's largely for private label mortgage and mortgage related type of stuff. Foreclosure settlement, we don't have any foreclosure settlement, but there was – it is hundreds of millions of dollars of higher costs that we kind of either expensed or accrued for the delay in foreclosure for the affidavit issue.

Doug Braunstein

That's in a mortgage business.

Guy Moszkowski – Banc of America -Merrill Lynch

That's within RFS.

Doug Braunstein

Yes, correct.

Guy Moszkowski – Banc of America -Merrill Lynch

Okay. And separately within the Investment Bank, there was about $700 million or so swing in the non-personnel expense from the third quarter to the fourth. Reading the press release, it sounds like maybe a lot of that is litigation reserve building as well or do I misinterpret that?

Doug Braunstein

No, you read it right. That number obviously will normalize if you go back to – the non-comp number would go back to more normalized 1.6 or 1.7 a quarter.

Guy Moszkowski – Banc of America -Merrill Lynch

Okay, and should we assume that a fair amount of that is from mortgage stuff as well?

Doug Braunstein

No, the whole bunch of stuff, the detritus of the storm.

Guy Moszkowski – Banc of America -Merrill Lynch

Okay. Also speaking of swings in the Investment Bank, there was about an $800 million swing in credit portfolio revenue versus the third quarter. That probably doesn't have any provision impacts, right, because it's just a revenue number. So I was just wondering if you could help us understand that swing.

Doug Braunstein

Yes. So remember, the credit portfolio, it's the hard one, but it on a normalized basis should earn about $200 million or $300 million a quarter, think of it as NII. But in addition to that, there is hedging and hedges and up or down. So, it swings all over the place. We try to manage that economically, not for steady GAAP revenues.

Guy Moszkowski – Banc of America -Merrill Lynch

Okay. That is fair. The fixed income VAR had a notable decline in the quarter, and again and that really continued to trend, so it's down quite a bit for the year. Is that just a decline in volatility of some instruments, is it that you've actually reduced risk, and is that reduction mostly in rates or credit or where?

Doug Braunstein

You’re right, most of that – I think the large part of that is just from dropping more volatile quarters from last year.

Jamie Dimon

That is right.

Doug Braunstein

So that number is coming down for no reason, other than you’re changing the date set that goes into calculation, which is one of the reasons I personally never paid that much attention to it. These credit changes are without any good reason. It is not and there was no conscious effort to take down risk, et cetera, and that’s done by desk, and I don’t think there was any particular area where it was dramatically different than others. There are a couple there coming down, but it's usually the traders making decisions on that particular book.

Guy Moszkowski – Banc of America -Merrill Lynch

Okay, and the final question I have for you is just looking at the AOCI, it had a negative $2 billion swing in the quarter. I wouldn’t make a big deal out of it I guess because it's still more that it was a year ago, but is that mostly due to what happened in the treasury market in the quarter?

Doug Braunstein

Yes, but we also realized a $1 billion of gains, really gains that reduces the AOCI because that would have been there, and remember, we did that early and we're doing that to protect, not just protect the AOCI, but if you look at our interest rate exposures, we're positively, if loan rates go up, it will help us, and if short rates go up, it will help us a teeny bit. So, we've positioned the company for raising rates and I think we did a little bit early…

Guy Moszkowski – Banc of America -Merrill Lynch

Yes, you were talking about it a year ago or more.

Doug Braunstein

Right.

Guy Moszkowski – Banc of America -Merrill Lynch

Okay. Thanks very much.

Operator

Your next question comes from the line of Glenn Schorr with Nomura.

Glenn Schorr – Nomura

Hi there. So, I think we all are now in agreement that you're pretty well reserved on the agency side. I'm curious, it might be a moot point, but I'm curious, is the waiting on the WaMu decision in the way of a potential settlement and just putting it behind you on Fannie, Freddie?

Jamie Dimon

No, we had settled most of the GSE stuff; the GSE put back rep and warranty issue which had already been settled regarding WaMu. That have been done in some time a year ago something.

Glenn Schorr – Nomura

Okay, then I'll rephrase, is it of any interest to pursue the settlement route or kind of a moot point given your reserve position?

Jamie Dimon

It's kind of the moot point, but if they wanted to settle it all at once, it'd be fine with us. It's getting more and more developed. The loss curves are getting more developed. They know their own numbers. Both Fannie and Freddie are working with us, giving us files. We look at the files. We turn them back. We're just trying to all get it behind.

Glenn Schorr – Nomura

And are we in a – should here any day now on who's on the hope for WaMu?

Jamie Dimon

The bankruptcy settlement. Who is on the WaMu for what?

Glenn Schorr – Nomura

On the private label, potential liability going forward?

Jamie Dimon

We think they are.

Glenn Schorr – Nomura

So do I, but we're waiting on a judge, right?

Jamie Dimon

Well, it's a different issue. There is whole bunch of stuff going, WaMu to settle and finalize all this stuff. Then there is the private label. WaMu is about a third of the private label. We think that their response with that piece – again, the analysts, you all have done estimates in this and between our reserves and even some of your estimates, I guess, it's going to take a long time to resolve. So, my attitude is, it's going to be resolved. It maybe more, maybe last, but it's not going to be terrible for us whether or not WaMu pick their one-third.

Glenn Schorr – Nomura

Great. Okay. Jamie, I wanted to ask you this…

Jamie Dimon

It is behind us, but the big piece is – and now, it's going to go on for years. I don't think this stuff will be – we'll be talking about this every quarter for next three years.

Glenn Schorr – Nomura

I hope we have better things to talk about, but I hear you.

Jamie Dimon

My hope is that people get more and more comfortable that while we're talking about it is, like, something is going to change the future of JPMorgan. It's just going to be a few adjustments in a few quarters, up or down when this is all resolved.

Glenn Schorr – Nomura

The second question is related to the stress tests and the capital plan that you just put forward. I'm curious, on the stress test that both you just performed and the one that's being performed now versus the last stress tests, if you can articulate what the major differences might be. In other words, last time, I think they took a very harsh look on trading. It didn't pan out that way. How do you see the adjustments in this stress test versus last?

Jamie Dimon

I would say it's similar; and higher unemployment, home prices going down, and we do this ourselves anyway by the way, and stress testing, market results and stuff like that, but a lot more detail. I mean, a tremendous amount more detail, and in any event, I – even under highly stressed environments JPMorgan has been retaining an awful lot of capital. We are looking for ways to use that capital, and (inaudible).

Glenn Schorr – Nomura

Thank you for your comments, where it's over the next three years $40 billion to $50 billion versus $30 billion under the highly, highly stressed.

Jamie Dimon

Yes, and whether they come up with similar numbers or not, I don’t know, but the fact is we're going to have plenty of capital. And we also think that 7% Basel III is plenty of capital. In fact, I think this stress test will confirm that. That's just us and all the banks. That’s what capital is for to deal with stress, and then for the most part, I think, banks will be able to feel a lot of stress at 7% Basel III. We don’t add capital on top of capital at this point.

Glenn Schorr – Nomura

I hear. All right. Thanks very much.

Jamie Dimon

I'll remind you of the Basel, 7% Basel III is more akin to 11% Basel I. The first stress test in Basel I was 4%.

Glenn Schorr – Nomura

By the way before I let you go, do you feel like you're making progress with Washington on that front specifically, because I feel like initially other companies might have said well, it's 7%, and then it might be above front top [ph] and you then add a little bit on the edge on this one, and I think, a lot of people agree with you, but I'm just curious on if you've made some progress?

Jamie Dimon

Look, I – no, I think, the regulators are looking at the issues, and this is a world – global issue, because all the regulators overseas think it should be a lot more, and some think it's sufficient, and I hope America takes a rational position and a leadership position, that's what I hope. We don’t have to do what everyone overseas think should be done. We should take a leadership position in the United States of what we think is appropriate. Personally, I think 7% is plenty. I think, you can many arguments why some of the big companies were stabilizers in the storm, as opposed to systemic risks in the storm.

Glenn Schorr – Nomura

Yes, all right. Thank you both.

Operator

Your next question comes from the line of Mike Mayo with CLSA.

Mike Mayo – CLSA

Good morning.

Doug Braunstein

Good morning Mike.

Mike Mayo – CLSA

What are you doing to manage your exposures in Europe in light of what's taking place there? What impact did Europe had on your current quarter results? I see that EMEA revenues were down 7% in the investment bank linked quarter, but just more generally, what's the impact and what are you doing to protect yourself or maybe to potentially capitalize?

Doug Braunstein

So, we had disclosed at one point that our net exposures were $20 billion in the GIPSY [ph] countries. That number is down substantially now, but the important part is that we also continue to do business there with sovereigns, with corporates, with governments, with institutions because we have a lot of clients, and so we're letting the client side do that. Obviously, those exposures come back and hold us at one point, but we're not going to stop doing business in those countries. So, yet the businesses are down a little bit, I don't think there is any mystery to it and are there opportunities to get from it. Yes, I think the opportunities come from continuing to service our clients, not running. That's the real opportunity that people know you're there for the client in good times and bad times.

Mike Mayo – CLSA

What about acquisitions? What's your general appetite and what would be your appetite in Europe if there is a Bear Stearns or a WaMu type situation there?

Doug Braunstein

I wouldn't count on something like that. We believe the highest use that we would ever do is organic growth. If something came up that really made a tremendous amount of sense, it is our obligation to look about and think about it, but I'm not sure that will happen.

Mike Mayo – CLSA

So, you seem kind of sanguine about Europe. You don't seem too alarmed by what's taking place there?

Doug Braunstein

Well, you're talking about for us or for the system?

Mike Mayo – CLSA

Well, talk about both of them. I mean it seems like what could happen is system could impact you, right?

Doug Braunstein

We are going to continue to do business in all those countries. We have clients in those countries. They rely on us. We want to be there for them, but not a fair-weather friend, and could we lose money from that? Absolutely. We could be making a mistake but that will be okay. We're supposed to be there for them in good times and bad times. I personally think that Europe will muddle [ph] through this situation. They've demonstrated and I think the regulators and the leaders have demonstrated that they are going to fix this. It's a little bit of stop and start. Obviously, there is some disagreements, but you have seen a lot of very strong statements that they are going to get through this and I would bet on that. That's the likely outcome. Now we have bet in the company, but I do think that's the likely outcome. I do think over time, they've got some serious structural issues they have to fix.

Mike Mayo – CLSA

Then lastly what was the impact of Europe on TSS this quarter and can you just elaborate on why TSS had such good linked quarter growth?

Doug Braunstein

I don’t think Europe had any effect on TSS at all. I know that we did much better in trade finance. We did better in trade finance we had linked quarter, we get a little bit of an impact from the ADR business which is up quarter-on-quarter and a little better impact from assets under custody, but I'm not sure if we can get back to you on the specifics for Europe, but in general that's a quarter-over-quarter change.

Mike Mayo – CLSA

All right. Thank you.

Operator

(Operator instructions) Your next question comes from the line of Moshe Orenbuch with Credit Suisse.

Moshe Orenbuch – Credit Suisse

Great. Thanks. I guess as you mentioned, Jamie, the litigation on private labels years away and you pretty much, you had that $1.5 billion was kind of a plus or minus a level that you had every quarter this year. Is that something that we should be looking forward to into 2011? Do you feel pretty good about where that is right now?

Jamie Dimon

I feel pretty comfortable with where it is right now.

Moshe Orenbuch – Credit Suisse

I think – the other question is...

Jamie Dimon

We got to react to circumstances but more likely now you'll see nothing next year for that category.

Moshe Orenbuch – Credit Suisse

Got it.

Jamie Dimon

We like to keep our balance sheet clean and just move on. So, we've moved on.

Moshe Orenbuch – Credit Suisse

Great, and secondly, I mean you're probably going to be the only one that can truly say that they're at the 2019 capital levels…

Jamie Dimon

I'd like to make a comment about litigation. So, I did mention before about the detritus of the storm. I think it's also reasonable that after you've had a storm like this, like the litigation follows years later. So I'm not saying there won't be other litigation. For instance, things will and you've seen tons of it, some of it's completely frivolous, but some may not be. So, I can't say there won't be any litigation expense in next year of size.

Moshe Orenbuch – Credit Suisse

All right, but not in the $1.5 billion quarterly level?

Jamie Dimon

No.

Moshe Orenbuch – Credit Suisse

Secondly, saying that you're at this – the 2019 kind of Basel III requirements already, and you still got run-off portfolios there, and yet you talked about pulling down the discretionary part – some discretionary parts of your balance sheet, what could cause you particularly now with somewhat steeper yield curve to start rebuilding that. How should we think about that in 2011?

Jamie Dimon

I guess we have normal business growth in 2011, which will use some of the balance sheet, and we're still waiting for final guidance from the regulators on what the capital requirement is going to be etcetera. But listen, we can build the balance sheet much quicker, if and when we feel it's appropriate.

Doug Braunstein

But I will add, Moshe, there are some things, there are components of our balance sheet that we plan on running off, that were part and parcel of some of the mitigating actions as the impact to Basel III takes place. So there are going to be some assets that we will change over time because they're very high utilizers of our WA [ph] on a Basel III basis. Those will come off balance sheet regardless of whether we're building other components in the balance sheet.

Moshe Orenbuch – Credit Suisse

Right. No, I wasn't referring to those. I was referring more to like WaMu run-off portfolios and other pieces of your mortgage business that are still in the rundown mode?

Jamie Dimon

We always have – we can always make a portfolio decision to put assets on the balance sheet to create more NII, that's why I would talk about excess capitals earnings in store, you can use it whenever you want. You can use it wisely and use at the right time. We don't want to do that and have huge unrealized losses. We are actually trying to protect ourselves from that.

Moshe Orenbuch – Credit Suisse

As a follow-up to that. Obviously, a few things have to happen even after the Fed makes pronouncements on dividends but probably with respect to stock buyback. Could you just talk about your thoughts as to the regulators and stock buyback at this stage?

Jamie Dimon

They've said that when they finish all this work, which will be on late March.

Moshe Orenbuch – Credit Suisse

Late March. March 21.

Jamie Dimon

Late March that they will be giving companies guidance on capital. So that capital to me is dividends and stock buyback and at that point in time and if we have a little more guidance on the ultimate outcome of what the capital needs to be, like it's going to be more than 7% our Board will take the appropriate action. I hope we'll institute a dividend right away.

Moshe Orenbuch – Credit Suisse

Great. Thanks very much.

Operator

Your next question comes from the line of Jason Goldberg with Barclays Capital.

Jason Goldberg – Barclays Capital

Thank you. In the investment bank it looks like non-performing assets were up about a little over $1 billion linked quarter, anything in terms of color in terms of what's driving that?

Jamie Dimon

It's just two large assets that were moved to non-performing and remember non-performing has specific reserves against it. So, we're not worried about that at all.

Jason Goldberg – Barclays Capital

Then, I guess, secondly, it's sort of tough to call but in the last several years we've seen a drop off in trading in the fourth quarter and then a nice rebound into the first quarter.

Jamie Dimon

We noticed that.

Jason Goldberg – Barclays Capital

Obviously, we're only two weeks into the first quarter of this year, but can you just give us any sense in terms of how you are thinking about the thick line near term just given the volatility in that type of earnings?

Jamie Dimon

How trading is doing so far this month is that what you are saying?

Jason Goldberg – Barclays Capital

That and just your near term expectations.

Jamie Dimon

I don't know either you guys can guess to as much as we can. So far the year start up was pretty good and your outlook you can have a very good year in trading and investment banking this year. But your guess is as good as my guess, so use your own.

Jason Goldberg – Barclays Capital

Got it. Thank you.

Operator

Your next question comes from the line of Paul Miller with FBR Capital Markets.

Paul Miller – FBR Capital Markets

Thank you very much. Hi, Jamie, on the dividend, a lot of people expect you to even talking about raising a dividend, but how aggressive do you think you can be? I know, the Fed has talked about a 30% payout ratio, do you think you can get to that quickly, or would that take a couple of quarters?

Jamie Dimon

Why don't we just wait and get the guidance from the Fed about what it's going to be. When we spoke about it, it's like we would like to get to eventually back to 35% of normalized earnings. If the Fed gives guidance that they want it to be at 30% of normalized earnings, then we'll have to limit it to 30% of normalized earnings. They are our regulators and remember me – we don't pay any dividends at all, so you can use it for some other purpose down the road.

Paul Miller – FBR Capital Markets

The other issue is, there is a lot of discussion, there is a couple of articles out there about dropping servicing fees to zero, and to restructure the mortgage industry along with it. What is your thoughts on that, and if you have any?

Jamie Dimon

Again, I would defer to that. These could be the treasuries putting out some guidance on the GSEs. If you change servicing, that changes how you price mortgages and how you account for mortgages. So, it's not going to change the mortgage business per se, you're still going to originate and service mortgages. It will just change the asset in the balance sheet and accounting. So, I'm not worried about it, I would just prefer to wait to see all the guidance that comes out from the government and how it all sorts out.

Paul Miller – FBR Capital Markets

Wouldn't that help you guys out though on your Basel capital rules, because if something like that went down the road that MSR be a lot lower than it is today?

Jamie Dimon

Yes, but it's still under the…

Doug Braunstein

It doesn't have a big impact on our Basel III capital.

Jamie Dimon

It could account up to 10%.

Doug Braunstein

10% and 15% in total for a number of items, and we’re not very far of that.

Jamie Dimon

Basically, we'd probably restrict them at sort of 10% of the balance sheet if that were the case, unless it was really, really profitable, in which case, we’ll take the capital charge and put it back on.

Paul Miller – FBR Capital Markets

Okay, and then just one other specific question on the HELOCs. Well, on the $600 million acceleration, was that mainly referring to WaMu, was that across the board?

Jamie Dimon

That was across the board.

Paul Miller – FBR Capital Markets

Across the board. Okay, thank you very much gentlemen.

Operator

Your next question comes from the line of Matt O'Connor with Deutsche Bank.

Matthew O'Connor – Deutsche Bank

Hi guys.

Jamie Dimon

Hi, good morning.

Matthew O'Connor – Deutsche Bank

If I could just look at the expenses at the top of the company, if I back out the $1.5 billion litigation in corporate and then several hundred million of mortgage foreclosure, all that stuff in RFS, and I think several hundred million also in the Investment Bank. You basically get a run rate of expenses in the $55 billion range. How are you thinking about that level going forward outside the Investment Bank? And I'm asking because you've been investing heavily in a lot of your businesses and was trying to get a sense of how much more investment spend is needed and how that might track going forward?

Jamie Dimon

I don't think it was investment spend. I think it's just – the way you show that these expenses will grow with our businesses over time, we are not – it's not like we have a massive additional expense waiting in addition to that. There are lot of expenses which will eventually go away. There was a little over $300 million from the affidavit in this quarter. There is $300 million of foreclosure expense. There is obviously a lot of the mortgage charge-offs will reduce dramatically over time, but it's not to expense, and there was obviously the litigation stuff which hopefully won't be reoccurring. I look at it by business. It's very hard for me to look at the aggregate.

Matthew O'Connor – Deutsche Bank

Okay, and then just separately, you went into some detail on the balance sheet repositioning, the securities book. I guess one thing that's interesting is, if I look at the size of your securities portfolio and guess what the yields going to be, it's a fairly low yield, and if I compare it to your long-term debt, you're not really making any money on it. I know that's not a perfect way of looking at it, but it's probably the only bank I cover that would stay like that. So I guess the question is, are all these securities that you have on the balance sheet, are they needed for liquidity or over time can we start seeing more efficiency in the balance sheet, which it might be smaller but higher NIM and free up some capital?

Doug Braunstein

Actually some of that was moved to what I would call spread product, which has the exact effect of what you are saying, but it protects you in a rising rate environment, and so which we thought was a wise thing to do. That portfolio is used to, both to reinvest excess deposits and to balance all the asset liability management of the company, and right now we're asset sensitive. We just think that's the right place to be. Can we change it or reduce the size of that portfolio? Absolutely. Those are big portfolio decisions which we try to make at the appropriate time. We really can't look at it relating to long term debt. I mean the long term debt is a lot of it swapped and a lot of the assets are also swapped.

Matthew O'Connor – Deutsche Bank

If I am looking at the debt and you are growing a lot of your core funding quite nicely. The balance sheet is not growing all that much and there is still pretty big chunks of long-term debt that over time I would assume run off and I don't know what the plans are on reissuance there would be.

Jamie Dimon

We have almost $20 billion to $30 billion return this year.

Doug Braunstein

We'll be in that zip code of plus or minus $30 billion.

Jamie Dimon

Depending – right now we're planning for good organic growth and we don't know what the capital rules. It is possible all that comes out. We don't need additional debt [ph], that is possible that they'll do other things with balance sheet and figure how to – but all of that we've done to protect the company and to make good money for the shareholder.

Matthew O'Connor – Deutsche Bank

Okay. Thanks.

Operator

Your next question comes from the line of Matt Burnell with Wells Fargo Securities.

Matthew Burnell – Wells Fargo Securities

Good morning. Two quick questions for you. First a bigger picture question, I am just curious if you have any thoughts about the implications for the industry from last week's decision in the Massachusetts Supreme Court in the Ibanez ruling and how quickly that whole foreclosure issue might get decided in Washington if there is any momentum in D.C. to mitigate that risk going forward?

Doug Braunstein

Yes, I'm not going to give you a specific legal term, let's say, every state is different and the stacks to see things are different. We said right at the beginning, you are going to see a lot of state differences, local differences, court differences and we've got to build it into our thinking.

Matthew Burnell – Wells Fargo Securities

Okay, but you don't think that there is a push in D.C. to have a more broad, more comprehensive way of thinking about that going forward?

Doug Braunstein

There might be, but I hope – but it would be the same kind of finish. How you'd finish and properly process foreclosures. I don't think this one thing changes the mess. It's a big mess. It costs us lot of money. I personally think we're all along the way, half way more to this whole thing, and unfortunately, the only way to do it right is name by name by name. There is almost no other way to do it properly. Person by person, home by home, are they occupied, did they lie in their forms, are they entitled to an amp [ph], are they entitled to a modification, do as many as we can. There is a lot of paperwork. The paperwork is different in every single state. There are mistakes made. I'd remind people, the affidavit process was not the foreclosure process. There are multiple checks and balances and there may be mistakes made in the foreclosure process, but they are very few and boy, we find them, we try to make up from right away. Obviously, this issue has been heavily politicized and in some cases, mistakes were made and they are being pointed out and they should be fixed.

Matthew Burnell – Wells Fargo Securities

Okay. Thanks, and then a quick administrative question. I noticed that U.S. non interest-bearing deposits were up about 10% quarter-over-quarter, is that largely just corporate deposits coming in, or is that also consumers?

Jamie Dimon

I missed it, sorry. Can you answer that, Doug?

Doug Braunstein

Can you just go through one more time, what was up?

Matthew Burnell – Wells Fargo Securities

I am looking in terms of the – on page 39 of the supplement, you have U.S. offices non-interest-bearing deposits up about 10% from September 30 at $242 billion?

Jamie Dimon

We'll get back to you on that one.

Matthew Burnell – Wells Fargo Securities

Okay. Thank you.

Operator

Your next question comes from the line of Ed Najarian with ISI Group.

Edward Najarian – ISI Group

Good morning.

Jamie Dimon

Good morning.

Edward Najarian – ISI Group

Could you give us any kind of quick update on what your opt-in success has been so far and how much the percentage you think you might recover of lost overdraft charges related to Reg E? And then quickly any other comments on what you might be doing in 2011 from a mitigation standpoint around the deposit side? And then I know you said you wanted to sort of test a lot of things related to Durbin. Is there any in your mind just sort of right now I know there is a lot to learn, but is there any real way to make up much of that Durbin – lost Durbin revenue or do you expect that most of that will just be lost? Thanks.

Doug Braunstein

I don't know the opt-in percentage, but remember well I'll just give an approximate.

Jamie Dimon

Approximate for those who used it before approximately more than 50% opted Edward.

Doug Braunstein

And the full run rate affected as early on the numbers and that's 700 – we told you that's $700 million in net income, and that was full run rate in 3Q and now 4Q.

Jamie Dimon

On the Durbin, you have to – you can't run your business where you are charging things at durable cost. So, in some ways, you're going to have to look at ways of repricing the business and that may not come from a price you see, and they just come from higher – you have to keep higher deposits on balance to have reduced fees. It may come from checking account fees, where we've seen a lot of people around the country eliminate free checking. But I think ultimately, most of that will get reprised into the business. It's very hard to run a business where you can't charge for your products.

Edward Najarian – ISI Group

So you do think that you've got a good shot of getting a big chunk of that revenue back?

Jamie Dimon

Yes, but it will take time. We're very confident of doing it right. Like design the right products for right people. As I said before, it may drive some clients out of the business into the non-banks because there may be no way to reprice those clients since you can't collect other fees or may be the accounts are too small. Remember, for a whole bunch of clients, it may not matter that much at all. They already have high balances. They're already quite profitable. So we'll have to figure it out and we're doing a lot of thinking and a lot of testing. Remember, it's effective July. So we have still lot of time to figure it all out.

Edward Najarian – ISI Group

Okay. Then in terms of overdrafts, should we think about 3Q and 4Q at the trough and may be a reasonable growth rate off of 4Q number as you get more impact from customers opting them?

Doug Braunstein

Yes, I would think of it more as just a run rate going forward.

Jamie Dimon

Just as run rate normal, and customers are going to get – care for how to do things. So we're not looking for it as a growth item, it's just another item in the income statement.

Edward Najarian – ISI Group

Okay, great. Thank you very much.

Doug Braunstein

I just want to back on that. Our first two quarters next year because of the phase-in was over time will be down quarter-over-quarter because of the impact, the full year impact of the overdraft.

Operator

Your next question comes from the line of David Konrad with KBW.

David Konrad – KBW

Hi, good morning. All my questions have really been asked, but just a follow-up on the material decline in NPLs in Commercial Banking, just any color there regarding, is it CRE, multi-family or more business lending?

Jamie Dimon

Some of it was, some that we sold and get rid off and reduced, but I don't know if there was any particular – it wasn't real estate particularly.

Doug Braunstein

You know the balance for the NPLs is more balanced towards real estate. So, as we brought it down, it was predominantly real estate, but it was across the board.

David Konrad – KBW

And how much was due to selling NPLs?

Doug Braunstein

We do that to keep it clean and move on. I would say when we've been doing it it's been economic to do so. So, in large part, the reduction in NPLs, we were either reserved for or actually got some recoveries as a result of that.

David Konrad – KBW

Okay, great. Thank you.

Jamie Dimon

That's a good one. We are economic analysts. We don't do that to show lower numbers. We do that because we think it's the right thing to do to manage our credit portfolio economically.

David Konrad – KBW

Great. Thanks.

Operator

Your next question comes from the line of David Hilder with Susquehanna.

Jamie Dimon

David.

David Hilder - Susquehanna

Thanks very much. Sorry, my questions have all been asked and answered. Thanks.

Jamie Dimon

Thanks.

Operator

(Operator instructions) Your next question comes from the line of Chris Kotowski with Oppenheimer.

Chris Kotowski – Oppenheimer

Yes, just if we could go back to the trading environment a bit. This is sort of the third quarter in a row of sluggish trading revenues industry-wide, and I wonder, do you think is it just the lingering impact of concern about Europe and so on or is there something structurally different in the world, I mean, that is things like less mortgage backed, less non-agency mortgage securities out there, so less trading opportunity there, and less CDS riders, and therefore less opportunity there. So is it something structural or is it just an overhang of Euro concerns?

Jamie Dimon

I don't think it's structural, and I don't think it's an overhang of Euro concerns either, I think, it's the ebbs and flow of trading. Rates were very strong early in the year, and I know it came down a little bit. The last couple of weeks in December are almost always low. Credit has been very strong all year, and I think, it was a little slower this quarter. So all – just trading changes, that's the way it is. But I don't think either structural or Europe. I think, so far this year it's started off pretty good.

Chris Kotowski – Oppenheimer

Okay, thanks. That is all from me.

Operator

Your next question comes from the line of Richard Bove with Rochdale Securities.

Richard Bove – Rochdale Securities

Hi, I apologize on my voice. On page 20 of the handout, you show a pretty sizable decline in market share and rank in each one of quite a number of your investment banking positions, and I'm just wondering what happened there.

Jamie Dimon

I think the first answer is that I think, we had a – I'm not going to call artificial, but we had a bump up in '09, which I think we've told our shareholders we expected to come down a little bit in 2010 because the competitions come back full force, which I think is a good thing, Dick, so I'm not – we knew it's going to happen, but it happened, and so I think that's part of it. Over time, we've kind of gained share, and then in some other areas, equity, a lot more done in China, Asia which we can do, though we haven't just got license to do it. M&A, we – a couple of the first thing we had, didn't happen, so we're comfortable with our franchise. We think we have a fabulous investment banking franchise and we will defend it.

Richard Bove – Rochdale Securities

The other question is on the balance sheet. If you take a look at Citigroup or Bank of America's cash position, and their net fed funds position, they seem to be overloaded with cash, whereas on your balance sheet if I net out the fed fund position against your cash position, you don’t seem to have as a whole driving up the liquidity on the balance sheet. So I’m wondering, what is the difference in philosophy between the two companies, two groups of companies.

Jamie Dimon

First of all, we feel like we have a lot of liquidity. I know, everyone is showing their liquidity ratios, the new liquidity numbers, but I'm not sure they're all equally done, nor all business is the same. So if you had a big retail business you may not feel the need for that, if you’re a big wholesale funded business you might feel a need for a lot more of that. So we feel fine where we are. If we wanted to drive that number up, we can easily do that at no cost to the company. But I’m not sure whether it will help us, and the only thing I look at which is important is, if you look at our balance sheet, there’s a $300 billion portfolio, mostly very high quality stuff. So there are lot of short-term assets, repo, and we have $1 trillion of deposits and $700 billion of loans. We look at that as a very stable funding source. That’s true in almost every single business, but deposits are far in excess of loans as you can see in middle market.

Richard Bove – Rochdale Securities

I hope you are convinced these people in the regulatory area that the industry now does have an excessive amount of capital relative then to any time in its history, and it’s just a ridiculous position, but thank you very much.

Jamie Dimon

Yes, and we just – I just saw your report that came out, between capital and these LCR ratios, the LCR hasn’t all been issued – isn't all finished either, but there are some serious issues about how we look at certain types of deposits and certain types of revolvers.

Richard Bove – Rochdale Securities

Okay. Thank you.

Operator

Your next question comes from the line of Jeff Harte with Sandler O'Neill.

Jeffery Harte – Sandler O'Neill

Good morning guys. A couple of follow-up questions. One, on the fixed income trading side, it's easy to talk about fixed income trading has been soft the last couple of quarters, but if we compare your fixed income trading revenues the last couple of quarters to pre-2009 did that really, really good. How do you think – but more of a secular outlook as far as fixed income trading where it was for JPMorgan and kind of where it is going for JPMorgan?

Jamie Dimon

I think we have built a world class trading business, and I think if you go back several years ago, that wasn’t completely true. We had extremely volatile results. We weren’t strong in a lot of areas. Now, we are strong in a lot of different – we've always had some historical strengths. We are still building the commodity side, which we are going to continue to build. And yes, so if you look at shares, like, if you look at Greenwich Reports and other people who report shares, our shares have gone up dramatically in trading, and I am talking about over years now, I am not talking over quarters.

Doug Braunstein

The last thing I would remind everybody too is, in ’09, which was record revenues, that’s in part because spreads blew out quite significantly. So, we are looking at aggregate numbers here where volumes are up, spreads have normalized and revenues are on a historical basis are pretty solid.

Jamie Dimon

Does it answer your question?

Jeffery Harte – Sandler O'Neill

Yes, and then, secondly, you mentioned that the selling of non-performing loans is, maybe an acceleration of that activity or more sales, more a function of finding better bids or deciding to sell at lower prices?

Jamie Dimon

Again, we are purely economic. So, we are not going to sell something just to sell it and sell at a low cost, but sometimes, you think it's worth X, the buyer thinks it's worth a little bit more than X. Sometimes, we are better able to handle it. They are more local, the more capable etcetera, so I wouldn't read anything into that other than it's the normal pruning of what we do and how we look at our exposures, and I don't think had any material effect in the numbers this quarter.

Doug Braunstein

No, in fact, it was net positive.

Jamie Dimon

Right, but not materially.

Doug Braunstein

But not material.

Jamie Dimon

Right.

Jeffery Harte – Sandler O'Neill

Okay. I'm going to need to think as much of an environmental standpoint if there's – risk appetites are up and there is more aggressive bids out here?

Jamie Dimon

Yes, I think there was a little bit more risk appetite or as the year progressed, there was more risk appetite for people to take on things like that.

Jeffery Harte – Sandler O'Neill

Okay. Thank you.

Operator

Your final question comes from the line of Carole Berger with Soleil.

Jamie Dimon

Carol.

Carole Berger – Soleil

Yes. Just one technical as Glenn asked my questions of course, but why the change in the timing for the net charge-offs, I mean, did you move towards industry standards, are you leading the industry towards a faster charge-off?

Jamie Dimon

(inaudible) It's 632. Yes. I think it was largely just based on our own observations and experience relative to the delinquent loan portfolio in our home lending. There is nothing more than that.

Carole Berger – Soleil

Okay, and then would you like to give us a preview or a plug for your Analyst Day in February?

Jamie Dimon

Yes. Well, our folks are working hard. I mean, if you have questions that simply weren't answered just send them in to Lauren, but you are going to hear from every business and we'd talk about the future, the growth opportunities. We'll have obviously balance sheet returns, targets. We are going to try to cover the whole bank for you and we feel great about the company, and when you look at the underlying results here, we are growing; we've got a lot of businesses. They are all doing quite well. They have done well through this crisis.

We never stopped making money. We never stopped investing. We never stopped marketing. We never stopped helping clients around the world. So, this company's got – I think the future is extremely bright and in spite of all the headwinds. I think if you are a owner of bank stocks, you could make a long, long list of all kinds of things hanging over banks, regulatory, Basel, and I think there is some truth to that but also during the course either some of those things will be resolved and will go on. They may have negative effect, positive effect. There are always unintended consequences but there's a chance some of those will be positive too.