Good morning, ladies and gentlemen. Welcome to the JPMorgan Chase's Second Quarter 2011 Earnings Conference Call. This call is being recorded. [Operator Instructions] 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.

Douglas Braunstein

Thanks, operator. I'm going to walk you through the earnings presentation. It's available on the website. We'll take questions after walking through the presentation, and please refer to the disclaimer regarding forward-looking statements at the back of the presentation. So with that, let's turn to Page 1.

For the quarter, we generated net income of $5.4 billion, $1.27 a share on $27.4 billion in revenues. We're highlighting several significant items in the quarter. They're included in the numbers for the lines of business throughout the presentation. And I'll walk through them quickly. First, as we've done in previous quarters, we're noting significant loan loss reserve releases. This quarter, we have a $0.15 per share increase in earnings from a reduction in Card Services, allowance for loan losses. We're identifying $0.12 per share increase in earnings from securities gains in the investment portfolio, in Corporate. Third, you'll see a $0.15 per share decrease in earnings related to incremental expected costs of foreclosure-related matters. And I'll talk about that later. And then finally, $0.19 per share decrease in earnings from additional litigation reserves predominantly for mortgage-related matters and that runs through Corporate.

We ended the quarter with significant Tier 1 Common, $121 billion. We continue to maintain strong Basel I and B3 ratios of 10.1% and 7.6% pro forma, respectively. And these capital ratios also incorporate the impact of the repurchase of $3.5 billion worth of JPMorgan shares in the quarter. You'll also see ROE in the quarter was 12%, our return on tangible common equity of 17%. And those 2 numbers are circled on the next page. And then broadly speaking, we did have solid performance across the lines of business, but there were 2 positive trends for credit. First, we are reporting positive loan growth across each of our wholesale businesses. Total loan growth in wholesale, $32 billion year-over-year or 15% and $12.5 billion or 5% increase on the quarter. And then second, we're continuing to show improvement in our consumer credit trends, but I'll talk about all those in specific.

So with that, let me turn to Page 3, which is the Investment Bank. You see circled net income of $2.1 billion, that's on revenues of $7.3 billion. With strong IB fees in the quarter of $1.9 billion, that's up 37% year-on-year. We continue to be ranked #1 in fees, but it still remains a highly competitive marketplace. We demonstrate a particularly strong results in our advisory and equities revenues this quarter. And for those who like to look at the league tables they're in the back on Page 19. With solid market revenues of $5.5 billion, up 20% year-on-year, down 17% quarter-on-quarter from the first quarter, which is seasonally strong. $4.3 billion in revenues in Fixed Income. And this generally represented consistent client growth across all of our businesses in Fixed Income, despite the difficult macroeconomic environment. $1.2 billion in revenues in equities. Very good results, particularly given the volume declines in the cash market and the overall volatility. Prime Services continue to grow this quarter and we launched our international equity prime brokerage platform in Europe. We expect to do the same in Asia in the first quarter of 2012.

Credit costs, you see $180 million reduction in the allowance for loan losses. That's largely related to net repayments. And you see nonaccrual loans declined to $1.7 billion this quarter. And just remember, we do expect credit cost to normalize going forward. Expenses in the quarter of $4.3 billion in the Investment Bank, down 4% year-on-year. And you see comp-to-revenue ratio of 35%. We continue to expect to maintain a 35% to 40% comp-to-revenue range for the full year. And the final note is, you did see modest loan growth in the IB balances, up 3% quarter-on-quarter. Some of that growth is driven by the build-out in our loan book associated with the Global Corporate Bank. And on the international side, revenues grew for the first 6 months of this year, 11% from the first 6 months or first half of last year.

Page 4, Retail Financial Services. This is, as you remember, the consolidated view. I'll just spend a moment here, a little over $580 million in net income in the quarter on $8 billion worth of revenue.

Let's jump into the details on Page 5. So if you go to the top of the page on Page 5, Retail Banking. We have solid performance net income of $1.1 billion. That's on revenues of a little over $4.6 billion, a little under $4.6 billion. Revenues were up 5% year-on-year. That's a function of higher debit card revenue, deposit-related fees, investment sales and offset slightly by lower deposit spreads. Key drivers from the prior page, we had 6% deposit growth. Investment sales revenues were up 10% year-on-year. Business Banking origination is up 31% year-on-year. We built 52 new branches this quarter. And then just a quick note to the right, you see on Durbin. We do anticipate the annualized gross revenue impact for the Retail Banking segment to be $1 billion plus or minus. As you know, the final rules won't be implemented until the 1st of October, so we won't see that impact until the fourth quarter. And we would expect mitigating actions to close a significant amount of that gross impact over time. Bottom of the page, Mortgage Banking, Auto and Other Consumer. Net loss of $450 million on revenues of

$2.2 million. Revenues, excluding MSR, of $2.1 billion reflect $34 billion of mortgage loan originations this quarter, wider margins year-over-year, solid performance in Chase Auto in the quarter and then you see lower repurchase losses, $223 million for the quarter. Remember, that's contra-revenue. And I'll just comment on repurchase losses. They are lower than trend line this quarter just for timing-related matters, and we do expect the next 2 quarters to be more in line with our guidance of $1.2 billion for full rate -- for 2011 run rate. You see expenses in this segment of $2.6 billion, and that includes the $1 billion incremental I discussed on Page 1 related to foreclosure-related matters. Other expenses continue to remain elevated as well, and that largely reflects the ongoing high cost associated with the default-related expenses.

With that, why don't we turn to Page 6. And the Real Estate Portfolio, you see net income loss of $66 million. That's on revenues of $1.2 billion, down about $150 million year-on-year. And that is a function of lower NII associated with portfolio runoff. Balances declined year-on-year, a little under $30 billion, a little under $7 billion quarter-on-quarter, but the NII impact is consistent with the guidance we'd previously given you related to a $700 million run rate for 2011.

Details of credit on Page 7. You see the circled number here. Net charge-offs of $944 million, modest improvement versus the prior quarter. If you take a look at Page 17 in the appendix, you'll see delinquency rates have also declined modestly across all the portfolios, and all other things being equal, that would have a positive impact on future charge-offs. I would remind folks that the second quarter tends to be positively impacted by seasonality, so you might see modest increases in the back half of the year, all other things being equal.

So if you step back here, given some of the uncertainty in the economic environment, the impact of severities related to potential declines in HPI and future delinquencies, as well as some of the industry discussions with regulators, we've made no changes to reserves this quarter in either a noncredit impaired or a purchase credit impaired. You'll also see we've maintained our guidance of $1.2 billion plus or minus per quarter. Obviously, if these trends that we just reported continue, well, we adjust that guidance.

Page 8. We've updated a slide here that we used in Q4. It really lays out all our thoughts related to the mortgage-related reserve positions, and I'd say there are 2 pieces to this slide. On the top, you've got Real Estate Portfolio reserves and agency repurchase reserves. So let's start with real estate. NCI reserves, $9.7 billion at the end of this quarter. They're more than 2x our second quarter net charge-off annualized rate of $3.8 billion. On the PCI side, we believe we're appropriately reserved based on our best estimates of life of loan losses for this category. You should know that includes HPI deterioration of approximately 5% from current levels. And in order to give you some sensitivity, an additional 5% decline in HPI, which will be a total of 10% from today, would add about $1.5 billion to our reserves for that category. On the agency repurchase reserves side, $3.6 billion of reserves. And remember, our guidance is $1.2 billion plus or minus for 2011 for RFS. So if you stop and think about these 2 items, if credit trends do improve and repurchase demands diminish over time, which inevitably, they will, this may lead to a further reduction in those 2 reserve levels.

Now the last 2 items talk about incremental exposure. So first, foreclosure-related matters. We added $1 billion to previously existing reserves for this category. We believe our current reserves or our best estimate is for the various costs for a whole multitude of complex foreclosure-related matters, but that includes fees and assessments related to foreclosure delays, as well as payments for other settlements, including the DOJ, state attorney generals and others. For private label, we continue to build litigation reserves for this issue. We added to that in the quarter, as I told you. And so if you step back for these 2 items, we believe these reserves are best current estimates, but we do have a long way to go until these items fully play out and we could incur additional expenses for both of them. But ultimately, in time, we expect the cost for all of these items on the page to normalize.

So with that, let me move on to Page 9, Card Services. Circled net income of a little over $900 million. Revenues of $3.9 billion. Credit continues to be the story here. If you focus on the circled numbers at the bottom of the page, a 5.28% charge-off rate for the Chase portfolio. That's an improvement of a little over 90 basis points from the last quarter. 30-plus day delinquencies declined to 2.73% this quarter. That's an improvement of a little over 50 basis points from the last quarter and is a very low rate on an absolute basis. As a result of these improvements in our delinquencies, we did reduce our estimated future losses. And as a result, released $1 billion of loan loss reserves pretax. And then just a quick moment on guidance for Q3. Because of the continued signs of improvement we're seeing, we do expect 3Q charge-off rate to be 4.5% plus or minus. And that was our estimate, as you may recall, that we would reach that level mid-2012, so rapid improvement in this portfolio.

Revenue picture similar to last quarter, but down year-over-year. In the lower revenues, year-over-year, driven by an average reduction in balances outstanding of $21 billion year-over-year. That's been offset similar to the prior quarter in very positive sales volume. Chase volume is up 10% year-over-year, 11% quarter-on-quarter. We continue to believe that sales volume is outpacing industry sales growth. And as a result, we think we're improving our market share. I'd also highlight net revenue rate at the bottom, 11.95%, excluding WaMu and Commercial Card. That's up almost 50 basis points quarter-on-quarter and it's in line with the steady-state target of 12% that Gordon shared with you all at Investor Day. And then a final comment on balances. We do -- we are experiencing very high repayment rates. And if those persist, outstanding balances could be between $115 billion and $120 billion at year end.

Page 10, the Commercial Bank. Circled net income of $600 million. That's on record revenues this quarter of $1.6 billion. Revenues up 9% year-on-year. That's growth in liability and loan balances, record gross IB revenues this quarter for the customer base. You see a circled end-of-period balance of loans of a little under $103 billion. That's up $2.5 billion quarter-on-quarter, $7 billion year-on-year. And that balance has increased for each of the last 4 consecutive quarters. The middle market end-of-period balances are up 17% year-on-year, and they've actually increased 5 consecutive quarters. And again, we think loan growth is a mix of demand, market share gains, as well as the effects of the build-out of the WaMu expansion states. The utilization rates for loans continues to remain low, but we did actually see this quarter a modest uptick in middle market utilization rates. And then just a final note, you see the liability balances grew almost 20% year-on-year to $163 billion. That continues to be driven by clients generating free cash flow and their own balance sheet to continue to improve.

Page 11, Treasury & Securities Services. Net income for the quarter $330 million, up 14% year-on-year, 5% quarter-on-quarter. TSS revenues and margin continue to be negatively impacted by the low rate environment we have. Revenue growth in the quarter, up 3% year-on-year. 6% year-on-year, if you excluded the transfer of Commercial Card to Card Services. Record assets under custody here, $16.9 trillion in WSS. Record trade loan balances, $27.5 billion, up 68% year-on-year, 8% quarter-on-quarter. And just remember as well, the second quarter gets seasonal benefit from the dividend season in ADR activity. Expenses continued to be up as we continue to invest in our international footprint and we're starting to see some benefits to that. International revenue this quarter represented 55% of total revenue for TSS. That's up from 49% a year ago, and revenue internationally is up 16% year-on-year and 9% in the quarter.

Page 12, Asset Management. You see circled revenue of $2.5 billion. Solid revenue growth 23% year-on-year was driven by higher performance fees, positive markets relative to last year and positive flows into our long-term products, up $19 billion quarter-on-quarter. This is now the ninth consecutive quarter of positive long-term flows in Asset Management. Circled net income of $440 million in the quarter. That's up 12% year-on-year, modestly down quarter-on-quarter. And that's on higher expenses from investment spend and higher performance-based compensation. Here, again, international revenue is up for this business 27% year-on-year.

13 is Corporate/Private Equity. $444 million in net income for Private Equity in the quarter, a strong quarter, gains reflect a number of specific realizations, improvements in the market value of positions we held in the quarter. You see Corporate recorded net income a little under $60 million. And 2 items run through this, so we already noted the securities gains, as well as the litigation expense and we continue to have guidance absent these significant items and absent Private Equity, Corporate to generate $300 million plus or minus per quarter.

Page 14, fortress balance sheet. I've covered most of the items. We've added some additional items, a chart at the bottom and some bullet points I want to highlight. Remember, as it relates to Basel III, the countercyclical buffer and the G-SIFI surcharge are going to come in over time and you see that in the chart to the bottom left. The minimum in January of 2017 will be 7%. And you see our current estimated Basel III of 7.6% today. Second observation is, we continue to believe we're going to generate significant excess capital over this period. And I would say after investing for organic growth and consistent with meeting those guidelines over time, we expect to be able to return excess capital to our shareholders. And we don't intend to accelerate the compliance as it relates the G-SIFI surcharge, but we'll get there over time.

I think, Page 15, I've covered. Operator, so with that, why don't we open the line up for questions for Jamie and myself?

Question-and-Answer Session

Operator

[Operator Instructions] Your first question will come from the line of Glenn Schorr with Nomura.

Glenn Schorr - Nomura Securities Co. Ltd.

A quick follow-up on your comments on the fortress balance sheet. If you don't plan on accelerating and you're obviously generating a lot of excess each quarter, do you have buy-in from the regulators to deploy as you see fit? And I'm not implying that you're going to have 100% payout ratio for the next 5 years, but curious on your thoughts on that.

James Dimon

So we have to -- you have to apply under ICAP, whatever it's called, to regulators to increase dividends and buyback stock. We already announced we had the permission to do $8 billion. It's quite obvious to us, we have a lot of extra capital and cash, not just in the next short run, but over next several years, and we will apply for more as appropriate. I can't tell you exactly what they're going to do.

Glenn Schorr - Nomura Securities Co. Ltd.

Understood, understood. How about another swipe at capital in a different angle? If you -- I think people are underestimating your ability to mitigate on the risk-weighted asset side and that will actually supercharge, actually your capital ratio growth over the next couple of years. If you look at the buffer itself, the G-SIFI buffer, the way I calculated, you have about an $11 billion capital penalty relative to any given pure play of the businesses that you own. Is there anything that can be done about that whether it be a spin or shrinkage? I'm almost as frustrated as you about it, but curious to get your thoughts on what can be done about it.

James Dimon

You couldn't possibly be as frustrated as me, okay? So I think -- so you're right, it's how you calculate it. A lot of things going to happen, Glenn. For example, I think it will force competitors in a lot of areas because of the higher number. So you're going to find a lot of people, they wouldn't be able to survive at 7 in whatever business we're in because all the other competitors will be at 8 or 9 or something like that. So assuming your numbers right, it is not a huge drag on returns, but it also gives the opportunity to trade and pick the businesses you want. So I think you will see a lot of very tight management, RWA businesses, balance sheet items. And a lot of ways I personally go waste of time, but that's what'll happen so that you can get good adequate returns on capital. In some ways a G-SIFI will be a plus. You'll win business that other people will have hard a time competing for us. In other things, it could be a negative. Like, for example, owning consumer assets might be a negative. On the other hand, you can originate, sell, securitize, so you can still be the generation business, but not necessarily holding the asset business. And I also think you'll see plenty nonbanks good and bad are grow -- to handle and own some of their asset classes and other forms of securitizations do the same thing. So it's a long road and I still think we have very good businesses when all is said and done.

Operator

Your next question comes from the line of John McDonald with Sanford Bernstein.

John McDonald - Sanford C. Bernstein & Co., Inc.

Doug, there seems to be a big buildup in liquidity on the balance sheet. You mentioned that. Could you give a little color on that? Is this being driven by the lack of investment options, the mid, low rates? Or is it being driven by the new regulatory rules that might be coming out around liquidity?

James Dimon

We just -- we have deposits coming in, in middle market, TSS, and we accept those deposits. We have to investment them. So it's not a deliberate building up of liquidity. It's just dealing with the deposits as they come in. Remember that liquidity is only 1 side of the balance sheet.

John McDonald - Sanford C. Bernstein & Co., Inc.

And any color on the net interest margin this quarter. Was that the big driver of the decline sequentially in net interest margin this quarter?

Douglas Braunstein

It's a combination, Glenn, of -- we sold some certain assets, the Kohl's portfolio, a mix in our loan balances towards more lower yielding assets and then deposit inflow as you talked about.

John McDonald - Sanford C. Bernstein & Co., Inc.

And is there any -- do you have any outlook on the net interest margin or net interest income, Doug?

Douglas Braunstein

I think if rates stay where they are, you can continue to expect to see modest pressure on NIM.

John McDonald - Sanford C. Bernstein & Co., Inc.

Okay. And then just a question on expenses. Did you see the increase in FDIC premiums this quarter and could you tell us what that was?

Douglas Braunstein

Yes, we did, and approximately $100 million.

John McDonald - Sanford C. Bernstein & Co., Inc.

Okay. And that's flowing in now?

Douglas Braunstein

Run rate on a -- for $1 billion change run rate total, increase of $100 million this quarter.

James Dimon

We're paying more FDIC insurance and we're paying for all the bankrupted banks.

John McDonald - Sanford C. Bernstein & Co., Inc.

Okay. And last thing for me, Jamie, could you give some commentary around your exposure to the European countries that are subject to concern and how you think about sizing downside risk for you guys?

James Dimon

Right. So Greece, Italy, Ireland, Portugal and Spain is still about the net exposure, so it's net of collateral and it's non-sovereign collateral, about $15 billion. Think of those exposures are to banks, sovereign and Corporates. And we're managing that exposure. We have a big business in those countries, and we intend to be in those countries for long time. So we're not going to cut and run. In my Chairman's letter I wrote about worst case, which I do not expect to happen even today, that if it causes me $3 billion after-tax. That's my best guess, by the way. So that could obviously be dramatically different, but I still don't expect that. The real impact of failures over there would be on what does it do to the global economy, what does it do to other exposures in Europe, what does it do to exposures in the United States? And you can guess that as well as I can. I don't expect it will be a disaster for our French and German banks. Obviously, we have exposures in France and Germany and elsewhere, but I think those things will probably be fine.

Operator

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

Betsy Graseck - Morgan Stanley

Just a follow-up on that. Some people look at the disclosure and looking at different pieces of the disclosure, you can come to different conclusions just as to whether or not you're a net buyer or seller of protection on your credit.

Could you just give a little color as to how you're thinking about that as it relates to the European exposure that you have?

James Dimon

Buyer of credit exposure on the 5 nations I just spoke about?

Betsy Graseck - Morgan Stanley

On -- I mean, you can't get to that level of detail, obviously, in the disclosure, but you can see whether or not your. . .

James Dimon

Here's the problem with the numbers you see because there is a public disclosure that shows those 5 countries like being $100 billion, right? But that $100 billion does not include collateral. It does not include hedging. And we do a lot of hedging, both specific name and country hedging. So that's the issue with that. So my $15 billion is net of hedging, net of collateral, and I mean non-sovereign collateral. So we wouldn't include Greek collateral -- Greek sovereign collateral for a Greek repo. We only include collateral outside of Greece. So that's where the $15 billion comes from. That's the best estimate of the exposure. It bounces around all the time. Then there were some reports in the press today, I saw that Greece and -- I mean, that Germany and France was $300 billion. Same issue, and those are very gross exposures and the numbers would be 10% of that.

Betsy Graseck - Morgan Stanley

Can you give us a sense as to how big of an exposure you're comfortable with?

James Dimon

Yes, we're comfortable with the $15 billion right now. The bulk of that is in Spain and Italy. And a lot of that is also Corporate and Corporates are -- you've got to be very careful when you talk about -- and even when you had failures in Argentina and Mexico, a lot of the Corporates were okay. So you got to be very careful of those. We've been doing business with those countries for a long period of time. So -- well, our current thinking is that we're going to continue to do business there and manage those exposures. We're not trying to drive them down. And I hope that 1 day, some of these European nations appreciate the fact that we're not cutting and running.

Betsy Graseck - Morgan Stanley

And then just separately, on the Moody's, last night, announcement that they would put the U.S. government debt on review. How do you think about managing the risk around that?

James Dimon

Well, when you say manage the risk around that, that's a tough one to answer. The risk around -- when you're talking about just a downgrade risk, I think that's manageable, but that will cause problems and issues because something people need AAA collateral, some people can own. So it will cause issues. I don't think like the downgrade issue. But a government default issue is far more severe than that, and that will cut across intraday lines, revolvers, take down revolvers, money market funds, securities lending, something like $3 trillion or $4 trillion of treasuries that uses collateral around the world. It would change the pricing of securities. Some buyers, some owners will be forced to sell because they are not allowed to own defaulted securities. I don't know what the rate agency would do if the United States goes in real default. If it goes in real default and they keep the United States at AA plus, I don't know. If they move it down to D, which is default, that would cause a lot of other issues if people will be forced to sell. So there's a huge cross-currents in that and it's not the kind of thing that, I think, people should play with. And what surprises me about the conversation all is in -- you could talk about all the potential catastrophic outcomes, but no one can possibly say, in my opinion, who is semi-rational, could possibly say that there's no chance of a catastrophic outcome and therefore, why would you take that risk.

Betsy Graseck - Morgan Stanley

And then just lastly on Basel III, could you give us a sense as to how you see the RWAs trajecting? I mean, should we be looking for this type of shrinkage rate Q-on-Q going forward, or how do you think through that?

James Dimon

Well, first of all, it's so far out, so we're -- I think what we're saying now is that we originally made a statement, we're going to go to the 7% right away. We're at 7.5%. We don't need to be higher than 7.5%. And I'm not sure the regulators want people to move higher than that very quickly because they do believe that would cause a lot of banks to dramatically reduce their balance sheets. We're going to generate so much excess capital, but there's no need to be over 7.5%. So one of the things that will drive excess capital is the runoff, and what I call natural mitigation. There are certain things in the balance sheet that will runoff that are big users of capital. Think credit hybrids, re-securitizations, lower rated things, and then there will be other decisions we make over time of business we may not want to be in because they use up too much capital. And so it'll be a wide variety of things, but I think at the end of the day, we'll still be able to get very good returns for our shareholders and the capital we do deploy.

Betsy Graseck - Morgan Stanley

But I guess the other thing is as RWAs are coming down, you're going to see that ratio drift up obviously, all other things equal, and there's only so much you can buy back at least at this stage. So you're basically saying. . .

James Dimon

That ratio is going to drive up so fast, people are going to be surprised. And that's not just us by the way. I've mentioned this before, you're going to see a lot of banks in the U.S. and maybe some banks around the world start to generate huge amounts of excess capital, where everyone is in a different time zone. So maybe some banks maybe 1 quarter or 2 behind us, but it'll happen and then they won't know what to do with it. That's what's going to happen. We're going to have huge excess capital in the banking system in about 12 months, way beyond what the banking system needs and God knows why we have to hold all that capital, but that's where we are.

Betsy Graseck - Morgan Stanley

Yes, but I guess what I'm saying is, we shouldn't expect that you're going to able to manage your 7.5% ratio Q-on-Q-on-Q?

James Dimon

All I'm saying is, we don't see any need to go over that. We may not be able to avoid going over that, is that what you're saying?

Betsy Graseck - Morgan Stanley

Yes. Okay.

James Dimon

Then if we have that problem, we'll figure out what we can do.

Operator

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

Jason Goldberg - Barclays Capital

I guess within the Card business, it looked like NII came down quite a bit and I guess a lot of that's Kohl's, but -- or part of its Kohl's at least, and then fee income kind of went up quite a bit. Is there any kind of movement within that we should know about or kind of strategy shift?

Douglas Braunstein

Kohl's, you're right. We had $3.7 billion of assets out impacted NII. We had high -- remember, that was more of a loan trade as opposed to a fundamental business trade, so we had high expenses associated with that. And then fee income is up because we've got more transactors, and that's a function of sales volume.

James Dimon

Which is great, I mean the sales volume is up 10% or something, it's really extraordinarily good.

Douglas Braunstein

If you exclude Kohl's, sales volume was up 13%.

Jason Goldberg - Barclays Capital

Got it. And then I guess a commentary on agency put back, I guess, seemed positive. I guess one of your competitors 1 week or 2 ago, I guess took the other taxing, they were seeing a change in agency behavior and actually seeing more put backs from Fannie Mae. Just -- have you seen any, I guess, adverse changes in kind of what they're doing?

James Dimon

No, we've estimated agency put backs and obviously it's changing the timing issues, but we've given what was our best estimate. If we see a different thing, we'll let you know. We've been a little conservative on that hopefully.

Jason Goldberg - Barclays Capital

Got it. And then just lastly, I mean you talked about recouping a portion of the Durbin Amendment and I know it's something you've talked about in the past. Any terms of being able to quantify that or kind of where you are in terms of kind of putting strategies in place?

James Dimon

Yes, so it's $1 billion. It's very clear. We're not going to do anything that's not consumer friendly. So a lot of "recoupment" will be and some of this already happened with debit rewards programs and we're going to test various things. And you already have some checking accounts that have modest fees. And so we're going to come up with something that will help mitigate that a little bit.

Operator

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

Guy Moszkowski - BofA Merrill Lynch

A question on the home lending net charge-off guidance. You're under $1 billion now for the quarter for the first time in a long time and I'm conscious of the seasonality comment that you made. But with the guidance still at $1.2 billion, is it realistic to think that it could pop that much based on your models? I mean, how much would we need to see unemployment rise or home price depreciation accelerate in order to get back to that $1.2 billion kind of number?

James Dimon

Yes, so the reason -- you're right. It should run lower than $1.2 billion, but embedded in our thinking is that home price go down a little bit. There's a lot of uncertainty. We still have the DOJ and the AGs. There could be changes in how we have to modify loans and service loss. We have foreclosure delays and all that kind of stuff. So we're just trying to be conservative here. It's not likely to be higher than $1.2 billion next quarter.

Operator

Your next question comes from the line of Moshe Orenbuch with Crédit Suisse.

Moshe Orenbuch - Crédit Suisse AG

Just following up on a couple of the last points you made. I mean, as it relates to the mortgage, Doug, I think you had said that actually the reserves that you've taken for that, including the $1 billion this quarter, include your expectation of the costs of an AG settlement. Would that -- I mean, is that correct?

James Dimon

Yes.

Douglas Braunstein

Yes.

Moshe Orenbuch - Crédit Suisse AG

So if there were a settlement announced that was consistent with what you are expecting, the P&L impact would be small or nothing going forward?

Douglas Braunstein

Yes, it's just an estimate, so it will be plus or minus something, but yes.

Moshe Orenbuch - Crédit Suisse AG

Sure. Okay. And just to also kind of follow-up on the Durbin question. I mean, you mentioned kind of things that could be consumer friendly. Have you kind of looked at or tested any kind of changes in products that might kind of be able to get better interchange rates than a debit product like switching people to charge cards? Is that something that you've kind of looked at? I mean, how should we think about...

James Dimon

We're going to look at every possibility and there are a lot of restrictions to what we can do because they blocked off like a charge card with automatic deductions at the end of the year. we're going to look at every possibility and hopefully offer our customers great products and great services, better than some of the nonbank competitors and get paid for it.

Moshe Orenbuch - Crédit Suisse AG

Great. Okay. And I guess maybe just kind of following up on the capital question. Last quarter you kind of felt like -- you kept talking about the stock buyback as being relative to kind of where the price of the stock is. I mean, would it be fair to say that given everything that you see now that in the third quarter you'd still be deploying capital in that direction?

James Dimon

Yes, but we're not going to tell you what we do day-in and day-out, but we brought $3.5 billion around these prices. And like we said, we have good [ph] capital generation, so we have permission to buy more.

Operator

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

Paul Miller - FBR Capital Markets & Co.

On the foreclosure expenses that you've taken now, I think either with MSR evaluation and this one's a straight up $1.3 billion, do you think you got that ring fenced? Do you think you need to continue to take some of these expenses? Or do you think you've taken most of them at this point?

James Dimon

So GSE, we think we're done. The foreclosure delays and settlements, et cetera, we have an estimate. My guess is it's a little bit higher, but it's not hopefully not a huge number. MSR work will be done. It could be a little bit -- but it shouldn't be a lot more. And the private label stuff will probably go up a little bit, but I doubt it will go up more than the reserves. We're going to have to take down in the next 12 months. It's possible we're very over reserved in mortgage line too. So that's litigation. It's going to take -- we think it's going to go to litigation, but we don't know how you can do it the other way. So that's why we have it under litigation, and we're not going to disclose exactly the numbers for that.

Paul Miller - FBR Capital Markets & Co.

Okay. And the other question is on -- going back to the NIM question again. With rates staying here, and I think you said a little bit earlier in the call that you expect modest declines in NIM, at what point do you just let the balance sheet start to roll down? And I mean, what's that sacrifice? Because if you grow your balance sheet, it seems like you're going to have more NIM pressure. Do you just let it roll-off at these -- with rates at these levels?

James Dimon

Well, we don't look at NIM, okay? NIM is just -- we look at like we have profits and we have clients. So the clients are paying us deposits. You don't really want to trim them away if they are good clients. So even if you have to invest in a very small spread, you probably would do that, right? It's improving your business. And obviously, what we are constantly managing our interest rate exposure and rates going up will help us, whether we could change that tomorrow and increase our NIM, but then you're taking far more exposure against rising rates.

Operator

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

Michael Mayo - Credit Agricole Securities (USA) Inc.

For the Investment Banking revenues, quarter-over-quarter, Asia was the lowest in a while and Europe didn't go down as much as the overall segment. Can you describe what's happening there?

Douglas Braunstein

Yes, Mike. Asia, just lower volumes. It's a heavily equity-related business in Asia, both in Investment Bank end markets and lower volumes second quarter. Europe, we had good performance this quarter in our markets businesses and in the Investment Bank.

Michael Mayo - Credit Agricole Securities (USA) Inc.

And the markets businesses, why did it get better? Are you benefiting from the volatility? Is there more activity? What's happening there?

James Dimon

It's just -- well, it's everything we've done a little bit from the last quarter. But all the businesses pretty much continue to have pretty good flow, client flow businesses.

Michael Mayo - Credit Agricole Securities (USA) Inc.

I guess I'll just ask my question straight out. I mean, is there a chance for another scenario like you had in the United States in 2008, 2009 in Europe over the next couple of years given what they're going through?

James Dimon

Mike, your guess is as good as ours on that. Of course, it's possible that some of these things start to get worse and it cause severe problems. And so we're very conscious of that. And how it flows back to United States, it's hard to tell.

Michael Mayo - Credit Agricole Securities (USA) Inc.

Let me shift gears. Syndicated lending, how much did that contribute to the growth in wholesale loans and what were your syndicated lending fees this quarter? And what's your view on the market overall? It seems like it's really growing quickly.

James Dimon

Yes, it's a good business, but it's less than 20% of $1.9 billion of total Investment Banking fees. And the balance sheet -- remember only some of that stays in the balance sheet. We sell old loans. We syndicate loans. We have just great stuff that goes off the balance sheet. So the buildup, most of buildup, I think Doug already mentioned, was Global Corporate Banking and the conduit business, which we still think is a good business. But the syndicate business, the Investment Bank balance sheet, loan balance sheet stuff bounces all over the place because corporations always have the ability generally to go to the markets. So they're always decided between bonds and loans, and even of the loans, some of that's -- a lot of that stuff gets syndicated.

Michael Mayo - Credit Agricole Securities (USA) Inc.

All right, let me shift gears to Credit Cards. I mean, you improved the loss rates by 100 basis points, now you expect another 75 basis points lower. You're typically pretty conservative in your guidance, what gives you such confidence that those losses are going to go down so much?

James Dimon

Well, Mike, we have tremendous visibility on next quarter already just by looking at delinquencies and roll rates. So you have very good visibility 1 quarter out and some visibility 2 quarters out. If that rolls off -- we won't be that long off next quarter, put it that way.

Michael Mayo - Credit Agricole Securities (USA) Inc.

What's your new estimate for mid-2012?

James Dimon

Well, we're not going to give you one, but if things continue the way they are, it'll be pretty good.

Michael Mayo - Credit Agricole Securities (USA) Inc.

And then lastly, what was the average price where you bought back stock last quarter?

James Dimon

You know the number?

Douglas Braunstein

Yes, a little under $44.

Operator

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

David Hilder - Susquehanna Financial Group, LLLP

Two timing questions and then one about the reserves. Would you expect to have changes in debit card or consumer pricing ready by October 1 to begin mitigating immediately?

James Dimon

No, so you'll see the full effect of Durbin which will be fully felt in the fourth quarter. It will be about $250 million and it will be barely mitigated in the fourth quarter.

David Hilder - Susquehanna Financial Group, LLLP

Okay. And any thoughts on timing of the resolution of the state attorneys general investigation on foreclosures? There had been some speculation that it might be resolved by now.

James Dimon

I would do anything to get it done today, but our counsel advises us it could take quite a while. There are a lot of parties engaged in this and I doubt if people have gotten much closer on it. But if we get that call, we'll be on an airplane, we'll be down there and we'll be signing up. One of the reasons to do that is it's good for the United States of America to get behind us all this stuff, to fix it and move on. The delay in foreclosures and all the insurance mortgages is not a good thing for the economy. I think you understand that. So we can't wait to do it as soon as we can. It's got to be done right. We're not going to do it and be subject to double, triple jeopardy. We'd rather litigate it.

David Hilder - Susquehanna Financial Group, LLLP

And for the corporation as a whole, was the total litigation reserve expense in the quarter $1.3 billion or that's in Corporate or were there additional litigation reserves elsewhere in the segments?

James Dimon

There are always other pluses and minuses and you'll see some of that when the 10-K comes out because we have to disclose that now. The 10-Q, I mean.

Operator

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

Matthew O'Connor - Deutsche Bank AG

I guess, first, following up on the net interest margin and net interest income dollars, obviously the NIM percent was down a fair amount this quarter, but the net interest income dollars was down a little less than $100 million. And where the balance sheet is starting to grow from here, do we see continued stabilization and then some growth in the back half of the year in the dollars?

Douglas Braunstein

You're going to have declined pressure from the portfolio runoffs, little less for card over time, but continue in RFS and loan balances are going to drive the aggregate dollars, and we'll see where demand is.

Matthew O'Connor - Deutsche Bank AG

Okay. And then just separately, as we think about the macro environment and a lot of us have been waiting for higher rates and more activity overall and hopefully it's going to come, but it's hard to have too much confidence in that any time soon. Is there kind of a plan B in maybe it's the investment spend in card, retail, Asset Management, the deposit pricing and just what are some of the contingency plans that you have if we're stuck with low rates for a few more years and we're just kind of hobbling along with 2%, 2.5% growth?

James Dimon

I'm not sure what you mean by plan B. We're not going to stop growing our business and hiring bankers and opening branches and growing checking accounts and trying to do more trading business and making middle market loans because you have a peculiar interest rate curve. And if it squeezes margins a little bit in some places, so be it. We could change that in 2 minutes. So if you wanted to increase NIM, we could just increase interest rate exposure and increase NIM.

Matthew O'Connor - Deutsche Bank AG

Well, I guess the concern I hear from some investors is that banks in general continue to hold out hopes for higher rates and that the deposits will be worth more and keep a bigger expense infrastructure than what's needed for the current environment, hoping for rates to rise, revenues to come back. And it is this possible looking out 2 years from now, that things aren't that much different than what we have right now?

James Dimon

It's not that difficult. This will be fine. We'll figure out ways to price products and services and make a margin, we'll be fine.

Matthew O'Connor - Deutsche Bank AG

Okay. And then just lastly, if I may, as we think about your Private Equity business, it's continuing to churn out very good returns. I think there could be some limits on what you can do in this segment with regulation going forward. Are there any thoughts or opportunities to unlock some of that value or how it might play out in terms of being sold or spun out?

James Dimon

Well, you're making a good point. We have a -- we are blessed to have one equity partners, which we just think an exceptional group of people and obviously, we always say about Private Equity, those gains in sales are going to be lumpy. They're not -- we're not like Warren Buffett in this one. We prefer 20% lumpy with -- average but lumpy returns than 12%. And so over time, this number go up or down, but it's real earnings for the company. It's just you can't book into your model every quarter, but it's real earnings for the company and we expect to get those 20% returns over time.

Matthew O'Connor - Deutsche Bank AG

And I guess my question was about the business as a whole. Will this still be under the JPMorgan umbrella or over time will it be sold or spun?

James Dimon

Yes, yes.

Operator

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

Jeffrey Harte - Sandler O'Neill + Partners, L.P.

A couple of questions left. One, as we look at you building a lot of excess capital and as we look at there potentially being a lot of distressed sellers out there, how are you thinking about the potential for acquisitions to cross a regulatory capital threshold and maybe push your capital requirements up even higher than the 9.5% kind of Basel number people are talking about now?

James Dimon

Look, we don't know the final rules in that yet. And remember, that stuff will be in effect for 8 years, so give us a little time on that one. But we would certainly use our capital. We thought there were things that we can do that were great for shareholders, whether it's buying a company or buying assets. So if you have any brilliant ideas, give us a call.

Jeffrey Harte - Sandler O'Neill + Partners, L.P.

Okay. And secondly, when we talk about the 5 European nation exposures and the gross versus the net, how can we get some comfort from the outside about the effectiveness of hedges? Because I keep having flashbacks to the crisis where things like monolines were viewed as effective hedges and we found out they weren't.

James Dimon

Right, but we didn't have a lot of that either, did we? So I've already said it was non-sovereign collateral. So if some of these things have collateral, that's usually pretty good. We're very careful what we take as collateral. Some of the hedges are not perfect. There are some countries CDS hedges that are offsetting company type of exposures, and we have specific name exposures that are sometimes directly offset, so -- and some of it is in the trading book or derivative exposure would change over time, but we're -- that's why we say the $15 billion and we're pretty concern around it. And obviously, you couldn't make money. You'd be more sort of better than you think, but it's not going to move by $15 billion. You're talking about being plus or minus $1 billion here or there.

Operator

Your next question comes from the line of Jim Mitchell with Buckingham Research.

James Mitchell - Buckingham Research Group, Inc.

One question on Fixed Income trading. That held up I think a lot better than people were expecting. We saw a year-over-year improvement for the first time in 5 quarters, I guess a better comparison versus a year ago. But also, is that a sign that we're starting to see spread compression ease in Fixed Income as things normalize here? Or is that unique to you guys just showing some good market share? How should we think about your results there? Was it just lumpy or you think that's indicative of the market industry sort of stabilizing?

James Dimon

So I think I can categorize it, is that spreads have normalized. They come back to normal for a while. Obviously, it changes in every business a little bit, and that flows have been good. They have been good fairly much across all the products. There are some months we're lower than others, but it's really those 2 things.

James Mitchell - Buckingham Research Group, Inc.

Okay. Fair enough. And on the deposit side, you had a big improvement, I think $50 billion or so sequentially on average deposits, most of that seemed to be in TSS. Is that a reflection of a flight to safety given the macro concerns out there? And if so, did that continue into July?

James Dimon

I think a little bit was a flight to safety and a little bit was that just people managing their own balance sheets and there's a lot of liquidity around the world and some of it went away early in the quarter, but not all of it.

Operator

Your next question comes from the line of Meredith Whitney with Meredith Whitney.

Meredith Whitney - Meredith Whitney Advisory Group LLC

I have 3 questions, please. The first is the -- probably the broadest one which is, you're stuck with higher capital, you may not like it, but you're stuck with it. One thing, you can cut expenses or you can reprice. So can you talk about across the businesses and maybe particularly in Investment Banking, what you're doing in terms of repricing and how you manage that with the competition?

James Dimon

Yes. I don't think in the wholesale businesses you're seeing repricing yet, because I don't think a lot of these things are actually effective yet. I think you've seen some repricing in consumer business and more relating to all the other legislation, card, overdraft and stuff like that. So I don't think you've seen it exactly yet in wholesale businesses.

Meredith Whitney - Meredith Whitney Advisory Group LLC

But you need to? And I know just to anecdotally, you're repricing some of your products. Where -- are we not even in stage 1 yet, is that what you're saying?

James Dimon

We're not even in stage 1 of repricing. Remember, there are a lot of other changes coming too, margin requirements and how these things get applied globally, the liquidity requirements, which I think will cause some repricing, so -- but very little yet.

Meredith Whitney - Meredith Whitney Advisory Group LLC

Okay. But even from a cost structure basis, to offset that there's got to be repricing.

James Dimon

Yes, I think you're going to see repricing in certain types of deposits and certain types of loans, certain types of revolvers, shorter duration -- I think you're going to see those things. You haven't really seen them yet.

Meredith Whitney - Meredith Whitney Advisory Group LLC

Okay, okay. The second question is on if you could -- I know this is a stretch, but if you could provide some type of outlook on the impending announcement, I guess, that's coming over the next 2 weeks vis-à-vis Fannie, Freddie and a new housing initiatives. How that -- what the scenarios could be? Either if it's Fannie, Freddie backstopping or guaranteeing mortgages or potential cram down, what the best policy in your opinion would be? And then what various -- limited various policies, how that would affect you? And then I have one last question.

James Dimon

Yes. I guess, again, so one that's going to happen is reducing the maximum size what they'll guarantee from like $750 million to $630 million, whatever it is. We don't think this is going to have a substantial impact, but we can go in one -- I think there was 1% of the volume was done enough -- in between those levels. So the impact of that will be jumbos will go up a little bit and where you sell the agencies will go down a little bit. Most of the changes they're talking about are not in the near term. They're just talking about them to be effective years from now. And so there's plenty of time to figure out how to do that. At the end of the day, we'll be in the mortgage business, and I think it'll return to being a good business. It will be much more conservative, much more carefully done. There will be much different servicing standards, and -- but I don't think the announcement is going to change that much.

Meredith Whitney - Meredith Whitney Advisory Group LLC

Okay. On the Investment Banking side, your DCM results are so much better than what we have heard from the rest of the Street. And so what we hear from the rest of the Street is that there's a risk off trade during the quarter, volumes were low, people got a lot of -- obviously, this wouldn't be flow, but people got risk-averse because they got a lot of the moves sort of whatnot wrong early in the quarter. And your results were so strong. Is that suggestive of the fact that your clients are more risk aggressive? Or can you put that into context with the rest of the industry?

James Dimon

When you say DCM, are you talking about primary issuance or you're talking about trading secondary?

Meredith Whitney - Meredith Whitney Advisory Group LLC

Primary issuance.

James Dimon

So we kept...

Meredith Whitney - Meredith Whitney Advisory Group LLC

And trading.

Douglas Braunstein

We kept the #1 share.

James Dimon

And we were more of the bigger, more of the lead manager in the #1 share.

Douglas Braunstein

That's right. So kept the #1 share. Market share actually for us grew a little bit in the second quarter as a percentage matter.

James Dimon

And as far as the DCM numbers also are syndicated loans which we're obviously pretty strong into.

Meredith Whitney - Meredith Whitney Advisory Group LLC

Okay, so maybe that makes up the difference? Could be?

James Dimon

Yes.

Operator

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

Ed Najarian - ISI Group Inc.

Two quick questions. Just in terms of the home lending portfolio, we've seen that -- we saw that drop about $30 billion year-over-year, and that's in line with the outlook that you've given. Any update on the pace that we can expect that portfolio to continue to shrink over the next year or 2? That would be the first question.

Douglas Braunstein

10% to 15% a year.

James Dimon

Forever.

Ed Najarian - ISI Group Inc.

Forever. Now, I guess, maybe that's what I'm looking for. Any idea when you think that might start to stabilize? Obviously, not in the near term, but down the road?

James Dimon

It's going to go down 10% or 15% a year until it's close to 0. That's where it's going to do. The world isn't doing subprime any more. The world isn't doing -- well, so home equity will just come back to a number and then stabilize, but it's a lot lower than it is today. And jumbo is a decision that you make whether to put on balance sheet or not, and I think that class of asset will be most affected by some of these G-SIFI thing. So we'll see on that one. We can buy or sell portfolios anytime we want.

Ed Najarian - ISI Group Inc.

All right, so you expect that to continue to come down pretty much at that pace at least over the next several years?

James Dimon

Yes.

Ed Najarian - ISI Group Inc.

Okay. And then second question would be, is there anything that would stop you as you continue to deploy excess capital? I know, it looks like you have about $4.5 billion left on your current repurchase authorization, you may want to increase your dividend. Is there anything that would stop you from going back to the Fed before the end of the year to get more approvals to deploy even more capital than you have approved right now?

James Dimon

Well, remember, it's the board that is the primary driver of capital decisions and so -- no, if the board -- if we think it was appropriate to go to talk to the regulators again about capital, we would.

Ed Najarian - ISI Group Inc.

Right, prior to the next round of capital stress tests?

James Dimon

Right. So I think it's important to point out, the board is responsible for this company, not just the regulators. It's still America. Capitalism is still alive. The regulators start making all capital decisions, then they should the board.

Operator

Your next question comes from the line of Gerard Cassidy with RBC Capital Markets.

Gerard Cassidy - RBC Capital Markets, LLC

Can you guys share some color on the asset yields? In your loan portfolio, we've been hearing anecdotal evidence that competition is very, very aggressive. Did you guys see that this quarter as the yields came down sequentially to 5.36% from 5.62%?

Douglas Braunstein

So that, Gerard, was really a mix-related issue. Spreads on loans, if you look at our Commercial Bank, middle market stayed very healthy this quarter.

Gerard Cassidy - RBC Capital Markets, LLC

Good. The other question I have is regarding Jamie's comment about what could happen if the U.S. is downgraded to a AA plus. Would that actually help your business? Would you guys see an increase in business as people start shifting their portfolios?

James Dimon

It's possible, but we're not wishing for it.

Douglas Braunstein

Sure, no, no, I understand that.

James Dimon

It's a bad way to win. We want to see United States to be happy and growing and jobs. That's what we want to see. And if for some reason, that's not great for JPMorgan's share, so be it.

Gerard Cassidy - RBC Capital Markets, LLC

And then finally, on the comment you guys made about the payoffs or repayments on the Credit Card portfolio, you expect them to remain pretty high. The guys on the frontline, are they telling you why you're still seeing such high repayments on the Credit Card portfolios? What's driving the consumers' behavior?

James Dimon

Well, I guess as part of our repayment has just been a mix to much higher quality clients, more transactor clients, so some of that was expected. It's going to stabilize soon. And so no, the rate may not actually change at one point. We'll eventually have growth in that portfolio anyway.

Operator

Your next question comes from the line of Ron Mandle with GIC.

Ron Mandle - GIC

Jamie, I was wondering if you could elaborate on your comment you made early on about the fact that G-SIFIs will have higher capital ratios could -- might force the companies that would be in lower buckets to actually have higher capital as well? I wasn't sure I really understood that point.

James Dimon

Yes. So I'm saying, I do this by business, okay? If you are a company right below the G-SIFI, and some of these G-SIFIs or SIFIs have a lot more capital, you may start losing business because of that because it might be easier for boards and investors and people to say, "you know what, leave those deposits with the G-SIFI, put it over here." So I'm saying they may become a small competitive disadvantage for the non-SIFI. And so I could see that you're going to -- I could see you might hear from some of the smaller banks, that they're going to be forced to hold the higher capital numbers for competitive reasons. I don't know about that, but I'm just -- look, I think there are going to be a lot -- I think when you do something like this, like a G-SIFI where they're going to give all these reasons why you have to do it, I think it's going to cause a lot of distortions, which are hard to figure out today. I can win some business because of it. I think there are things that are not in the balance sheet because of it. I think you're going to see some small banks complain about it, not realizing that's going to hurt them competitively. So I think -- I just think you'll see a lot of to-ing and fro-ing because of this issue.

Ron Mandle - GIC

Yes, I guess I could it more in the commercial businesses or not even commercial, in the big wholesale businesses than I could see in the more -- down in the branches' consumer businesses.

James Dimon

Yes, I think you're probably right. It'll be more of the global wholesale businesses than maybe the consumer side.

Ron Mandle - GIC

Yes. And then my other question regarding litigation, one attorney general who operates nearby seems to be going off on his own beyond the 50 or in addition to the 50 states. How are you thinking about what Schneiderman is up to and are you reserving for what he may be thinking about and the subpoenas that he's been sending out and so on?

Douglas Braunstein

Look, I'm not talking about any one particular person, but there are 50 state attorney generals. And so it's a complex issue, which I think why it's taking so long to resolve some of this stuff. Like I said, it's in everyone's interest to resolve it.

Ron Mandle - GIC

Yes. And then just one last litigation question. The FHA was taking a look at some things that a company Deutsche Bank had brought regarding the quality of the loans. Are you -- might you be involved in that investigation at some point?

James Dimon

I don't know the answer to that. I think we've been very careful in FHA underwriting, but I can't tell you what those other actors are going to do. There have been so many flaws in mortgages that it's just -- it's been an unmitigated disaster and we really need to clean it up for the sake of everybody. And everyone is going to sue everybody else's. It's going to go on for a long time.

Operator

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

Matthew Burnell - Wells Fargo Securities, LLC

Just a question in terms of the branch growth trends now that Todd has taken over the or responsibility for that part of the businesses. Is there any thought of changing your growth estimation for the number of branches over the next couple of years that you laid out at the Analyst Day earlier this year?

James Dimon

Not necessarily. There has been no change of strategy because there's been a change in management. But I would always -- ask Todd, you can rethink it. If you think we should do something different in different places, different types of branch, different locations, different pace, you should tell us, and we don't mind changing our plans, but no change right now. Remember, a lot of that is building out -- building out where we are. It could make a lot of sense even though it may not be a macro thing, buy you still might want to build-out cities we don't have enough branches.

Matthew Burnell - Wells Fargo Securities, LLC

And then one question from a footnote in the slide deck, in terms of the WaMu private label exposure. You noted there that you and the FDIC have different views on how that needs to be approached. Is that something for which you can focus on in terms of litigation risk? Or is that another type of risk that's not really included in what you would view as litigation risk?

James Dimon

No, we think they're responsible for the private label issues that came out of WaMu. We bought the assets and certain liabilities and we don't think that was one of the liabilities we bought. I'm sure that will be in litigation, too.

Matthew Burnell - Wells Fargo Securities, LLC

Okay. And then, Doug, just one quick final question. What were the numbers for CVA, DVA this quarter in the trading business?

Douglas Braunstein

The trading business is about 140 positive DVA.

James Dimon

The CVA was...

Douglas Braunstein

CVA is -- that's a wash with some other.

Operator

Your next question comes from the line of Chris Kotowski with Oppenheimer.

Christoph Kotowski - Oppenheimer & Co. Inc.

I have to admit, I'm one of those nerds that looks at the Fed's H8 data every Friday afternoon and on the total loading volumes. And just systemically, they look like they're turning around. For most of the last 18 months, they were shrinking and now we've got them flattening out and they look like they're going to grow. And I'm just curious, just philosophically if, for example, systemic -- system-wide loans grow 5% in the year ahead, just to pick a number, should we expect JPMorgan's loan volumes and then the attendant net interest revenues also to grow kind of in proportion to that 5%? Or do you think that you have a larger runoff portfolios than average and that, that would keep you down -- your trends below the industry?

James Dimon

I don't know. We break it apart by business. So we expect the core bank will grow -- that core bank will grow with probably with the trends. We think middle market will grow faster than the middle market trends. Small business was up like 28% or some huge number. We think that will grow fast than middle market trends. Credit Card, we think will grow faster, though, with a little bit of runoff a little faster. And then the -- obviously, offsets mortgage. There's a huge mortgage runoff that's going to continue forever.

Christoph Kotowski - Oppenheimer & Co. Inc.

Okay. And then just as a follow-up, the home equity lines, according to the Fed H8 data are going down about 5% a year. You said 10% to 15%. And I mean, are you really making a strategic bet that this product is dead in the rest of the world?

James Dimon

Well, I think the home equity product, unfortunately, is a good product that just became part of those -- became part of the bubble at the end, okay, but the product itself is a good product. And how much did we reach in this quarter? We're originating $1 billion or $2 billion a quarter, so we're going to stay in that business. It just could be that runoff, but we're originating what we originated last year. So origination is a very different than total balances in this one. They'll never go back to where they were.

Operator

Your next question comes from the line of Bill Tanona with UBS.

William Tanona - UBS Investment Bank

Just 2 quick ones here. In terms of IB backlog, can you give us any color? And also, did you see any dramatic changes as the quarter progressed given all the macro uncertainties out there?

Douglas Braunstein

So backlog is solid, but it's dependent on market conditions for execution on that backlog. Actually...

James Dimon

During the quarter, you had a lot of kind of ins and outs in the past few weeks. It's probably more of that than normal this quarter, but...

Douglas Braunstein

And just remember, third quarter tends to be seasonally low.

William Tanona - UBS Investment Bank

Yes, that's fair. And then secondly, in RFS, obviously, there's a lot going on there. We've seen expenses increase dramatically here in the last year. But when you think about the Retail Banking segment, really expenses haven't necessarily grown. So just trying to get a sense as to where we should we expect the Retail Financial Services expenses to kind of peak out here given that you guys are actually going to start embarking on a major rollout of new branches.

James Dimon

I think what you just look at is that the retail branches -- it's not a major rollout. We've been doing 120 branches forever, and I was just talking about increasing in to 150, 175 maybe 200. So I think you'll see the retail branch expenses grow over time, but not dramatically, just grow over time. The ones that you're going to see dramatic changes in expenses eventually will be mortgage because we are still baring high cost related to the high level of default foreclosure expenses or OREO expenses and things like that. And I read all the time that we make more money on defaulted loans or foreclosed loans than we do servicing some [ph] loans, and I find that mystifying. I mean, it cost us a fortune to deal with these kinds of things. And so eventually, those expenses will come down. And some of those went to the mortgage MSR and some don't.

Operator

Your next question comes from the line of Mike Holton with The Boston Company.

Michael Holton - Merrill Lynch

Doug, you talked about charge-offs and normalized credit costs across a couple of different segments. And just thinking for the back half of the year, overall Corporate provision costs, would you expect those to be kind of flattish, up a little bit, down a little bit? What's your best guess at this point?

Douglas Braunstein

Overall provision flattish.

James Dimon

For the whole company or just Corporate?

Douglas Braunstein

No, for wholesale.

Michael Holton - Merrill Lynch

No, no, for the entire company.

Douglas Braunstein

The whole company? Let's do -- wholesale, flattish. We've given you what we think the trend is for card, And we've also given you expectations relative to the mortgage business.

Operator

[Operator Instructions] Your next question comes from the line of Guy Moszkowski with Bank of America Merrill Lynch.

Guy Moszkowski - BofA Merrill Lynch

I just had a follow-up on the private label securities reserves. I think I heard you say, and I may have misheard you, but I think I heard you say that you thought that you were, at this point, fully reserved for what you think the cost there could be over time. Should we assume that, that's based on your belief that you're not responsible for the WaMu stuff that was originated before and what you believe is the FDIC's responsibility?

James Dimon

Yes.

Guy Moszkowski - BofA Merrill Lynch

Okay, so if in fact the ruling turned out not in your favor on that there would be some additional reserve that would have to be built presumably?

James Dimon

Yes. And WaMu is about 1/3 of our total stuff there.

Douglas Braunstein

1/3 of issuance, Guy.

Guy Moszkowski - BofA Merrill Lynch

1/3 of the total issuance was what WaMu did prior to failing?

Douglas Braunstein

Right. Our balances.