Good morning, ladies and gentlemen. Welcome to JPMorgan Chase's Third Quarter 2015 Earnings Call.

This call is being recorded. Your line will be muted for the duration of the call.

We will now go live to the presentation. Please stand by.

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

Marianne Lake

Thank you, operator. Good afternoon everyone. Thank you for joining us.

I'm going to take you through the earnings presentation, which is available on our website. Please refer to the disclaimer regarding forward-looking statements at the back of the presentation.

Starting on Page 1, the firm reported net income of $6.8 billion, EPS of $1.68, and a return on tangible common equity of 15%, on $23-1/2 billion of revenue. If you exclude tax adjustments, legal expense and net reserve releases, our adjusted performance was $1.32 a share with a 12% return on tangible common equity. And we've only adjusted for these three items because other small items that might be considered non-core netted to zero.

Underlying results were somewhat mixed on the back of market conditions. The consumer business had strong performance with loan growth across products driving overall firm-wide core loan of 15%. In the corporate and investment bank, we saw outperformance in investment banking revenue and solid trading performance. Commercial banking revenue was down driven by lover IB revenues in a declining market. And asset management revenues reflected lower market levels, driving weaker client sentiment and transactional revenues.

There were two significant items this quarter. First, tax benefits of $2.2 billion, the size of which speaks to the complexity of tax methods during the financial crisis. We took appropriately prudent position in our tax reserves and now we've reached resolution on those matters. The majority of this is in Corporate, with a portion in the CIB.

The second item is firm-wide legal expense of $1 billion after tax relating to a range of matters, but including the recently announced CDS settlement. Also reflected in our results is a net reserve release of $281 million pretax, which reflects a little less than $600 million of consumer reserve releases as favorable credit trends continue, offset by a build of a little over $300 million in wholesale, approximately $160 million of which is additional reserves associated with the oil and gas sector, given expectations that energy prices will remain lower for longer.

Getting over Page 2 and turning on to Page 3 and our balance sheet. We continue to make progress against our capital targets and, as expected, advanced and standardized fully phased in CET1 ratios in line with each other at 11.4% this quarter. Also we continue to expect the standardized ratio will be our floor from here. And the improvement to both ratios was driven by net capital generation.

We also built Tier 1 in total capital, adding 1.2 billion of preferred stock and 1-1/2 billion of subordinated debt this quarter. We returned $2.7 billion of net capital to shareholders, including $1 billion of net repurchases and dividends of $0.44 a share.

Firm and bank SLR were at 6.3% and 6.5%, respectively, with the increase driven almost equally by capital generation and a reduction in average assets. While we're on the balance sheet, you can see on the call-out on the page that on a spot basis our balance sheet is down $160 billion year to date and an incremental $32 billion this quarter, as we reduced non-operating deposits by over $150 billion, exceeding our commitment. Total deposits are only down $90 billion, reflecting growth in more stable balances, particularly consumer. Finally, with respect to GCIB, we estimate that today we are squarely in the 4% bucket given actions taken and final U.S. rules, as compared to 4-1/2% at the beginning of the year.

Now let's turn to Page 4 and consumer and community banking. The combined consumer businesses generated $2.6 billion of net income and an ROE of 20%. Revenue of $10.9 billion was down 4% year on year, driven by mortgage on lower net servicing revenue. We remain on track to deliver expense reductions versus our $2 billion commitment, and year-to-date expenses were down around $600 million reported and over $700 million adjusted for legal expense. Our headcount is down 10,000 year-to-date and more than 40,000 since 2012.

Underlying business drivers are strong, and based on the 2015 FDIC deposit survey which just came out, we grew our deposits nearly two times the industry growth rate. Average loans are up 8% with core loans up 23%. Our customer base continued to expand. We added 900,000 households during the year and our active mobile base is up 21%.

Moving to Page 5, consumer and business banking. CBB generated strong results, with net income of $954 million and an ROE of 32%. NII was down

1% quarter on quarter and 7% year on year, driven by spread compression, offset by continued growth in deposits. And non-interest revenue is growing solidly, up 5% quarter on quarter seasonally and 5% year on year, on continued strong debit and investment revenue. Overall expenses were down 3% year on year on lower headcount from branch efficiency.

We continue to see robust performance across key drivers. Average deposits were up 9%. And we grew deposits in all of our top 50 MSAs and gained share in nine of our top ten. Client assets were up 3% but down 4% quarter on quarter, broadly in line with the market. And net new money was positive $3 billion for the quarter. Business banking loan growth remained strong, with average loan balances up 6% year on year and originations up 4% from a strong 2014.

Next, mortgage banking on Page 6. Overall net income was $602 million for the quarter. Originations of $30 billion were up 41% from the prior year and up slightly quarter on quarter as we benefited from a strong pipeline and continued improvement in the purchase market. We continued to add high-quality loans to our balance sheet, totaling $19 billion this quarter.

Total revenue decreased sequentially, primarily driven by lower net servicing revenue on lower MSR risk management. We expect non-interest revenue to be down around $250 million year over year in the fourth quarter.

Expenses of $1.1 billion were down 13% year on year despite higher volumes as we continued to manage down our costs.

On credit, we released $575 million of reserve, including $200 million in the non-credit impaired portfolio and $375 million in the purchase credit impaired portfolio, reflecting an improvement in both actual and expected delinquencies and the sustained improvement in home prices.

Finally, our net charge-offs were $41 million and approximately $60 million normalized. And this is a reasonable estimate for the near term.

Moving on to Page 7, card, commerce, solutions and auto. Overall net income of $1.1 billion with an ROE of 22%. And revenue of $4.8 billion was up 2% year on year, on higher operating lease income in auto, as well as card revenue up slightly, reflecting higher NII on volume, spread and lower interest reversals, offset by the impact of changes to some of our co-brand partnerships.

On our partners, we were thrilled to announce the renewal of two of our key partners, United Airlines and Southwest Airlines. We look forward to continued investment and growth in these important relationships. And while we repriced to the current competitive market, our ROE target for the card business in total remains unchanged. However, expect the revenue rate for the fourth quarter to be 11.75% plus or minus. Expense was $2.2 billion, up 8% year on year driven by higher auto lease depreciation and higher marketing spend.

On drivers, we continue to see strong year-over-year growth in volumes and transactions across our businesses. In card, core loan growth was 3%, sales growth was 6%. Commerce solutions volumes were up 11%, driven by continued strong spend from existing clients but also from the addition of new merchants.

Lastly, in auto, results continued to reflect steady growth in new vehicle sales and stable used car values. We saw average loan and lease balances up 9% and the pipeline is good. Finally, on credit, the net charge-off rate for the quarter was 241 basis points, and we expect net charge-offs of around 250 basis points over the medium term.

Turning to Page 8 and the corporate and investment bank. CIB reported net income of $1.5 billion on revenue of $8.2 billion, and an ROE of 13% adjusted for legal, taxes and reserve.

In banking, it was a strong quarter with IB revenue of $1.5 billion, up 5% year on year. We continue to rank number one in global IBCs and rank number one in North America and EMEA> It was another outstanding quarter for advisory, up 22%. We grew wallet share by 150 basis points year over year, maintaining our number two ranking.

Equity underwriting fees were down 35%, generally in line with the market but from a particularly strong prior year. This quarter we ranked number one both in North America and EMEA. Debt underwriting was up 17%, driven by higher non-investment grade fees. We maintained our number one ranking, gaining 30 basis points of share. However, expect (these CM fees) be down year over year given the current pipeline.

Treasury services revenue were flat quarter on quarter but down 4% year on year on lower deposit spread, with underlying transaction volumes remaining stable.

Moving on to markets. Revenue of $4.3 billion was down 6% adjusted for business simplification, with mixed results in fixed income but another strong performance in equities. Fixed income revenue was $2.9 billion, down 11% adjusted. In macro products we saw a strong performance in currencies and emerging markets, driven by higher activity on the back of market volatility in Asia and Brazil. Rate was down slightly given a particularly strong September of last year. And commodities was down on low levels of client activity, again, compared to a strong prior year.

It was a low quarter in credit with lower volumes as clients were on the sidelines given the challenging market conditions. Equity markets had another strong quarter with revenues of $1.4 billion, up 9% year on year, driven by reasonably broad strength across products and regions, with good performance in cash, but particular strength in Asia and derivatives.

Security services revenue was $915 million, versus guidance of $950 million, given depressed market levels which impacted both revenues and assets under custody, with emerging markets, which is one of our more profitable segments, being hit particularly hard. If markets remain at these levels, fourth quarter revenues will also be lower than previous guidance.

On credit we saw a reserve build of $232 million, including $128 million for oil and gas.

Finally, on to expenses, total expense was up 2% year on year at $6.1 billion. Compensation expense was down 13%, with [inaudible] revenue ratio of 30% in the quarter, and non-compensation expense was up 14%, driven by higher legal expense, partially offset as we realized the expense benefits of business simplification.

Moving on to commercial banking on Page 9. Commercial banking generated net income of $518 million on revenue of $1.6 billion and an ROE of 14%. Revenue was down 5% quarter on quarter, driven by lower investment banking revenue, as we saw fewer large transactions in the quarter. However, the pipeline for the fourth quarter is solid and we still expect record gross IB revenues this year, exceeding $2 billion.

Expenses of $719 million were in line with guidance. Loan balances were a record at $162 billion, up 13% year on year and 2% quarter on quarter, driven by continued outperformance in commercial real estate where quarter-on-quarter growth of 4% exceeded the industry across both multifamily and real estate banking.

C&I loans were flat, in line with the industry. Mature markets were relatively flat, but we saw growth in our expansion markets, up 4% quarter on quarter. Credit performance of the portfolio remained strong, with no net charge-offs, and an $84 million increase in reserves included a modest build for oil and gas.

Overall, while results were mixed this quarter, the underlying fundamentals of the commercial bank remained strong. Pipelines are trending higher in C&I and remain robust in commercial real estate, our expansion market loan balances are up 20% year on year, calling activity is up substantially across client segments, and we've added around 400 new middle market relationships this year.

Moving on to Page 10 and asset management. Net income of $475 million with a 28% pretax margin and 20% ROE. Revenue of $2.9 billion was down 5% year on year, driven by lower markets, which also drove lower transactional revenue, as well as the sale of retirement planning services in 2014 which drove $70 million of the year-over-year decline. Looking forward to the fourth quarter, expect revenues to show normal seasonality from this low base, assuming current market levels.

Expenses were relatively flat. And AUM of $1.7 trillion and client assets of $3.3 trillion held up well and were relatively flat year on year, with negative markets and outflows driving a 4% sequential decline.

We were not immune to the impact of interest rate uncertainty in equity markets, and while we did experience overall modest net outflows, we had positive flows in our less market-sensitive multi-asset class and alternative platform. In banking we had record loan balances of $109 billion, up 7% year on year, driven by mortgage which was up 19%. And lastly, we continued to report strong investment performance with 81% of mutual fund AUM ranked in the first or second quartiles over five years.

Turning to Page 11 and corporate. Treasury and CIO's [ph] result for the quarter were both close to home. The corporate reported net income of $1.8 billion, driven by tax benefits. And finally, firm-wide NIM was up 7 basis points quarter on quarter given the mix shift away from cat and securities towards higher loan balances and on an overall smaller balance sheet. Loans are the primary driver of nearly $250 million improvement in NII, and given market implied NIM and NII should be relatively flat in the fourth quarter.

Finally, our loan-to-deposit ratio improved 8 percentage points year to date to 64%.

Turning to Page 12 and moving on to the fourth quarter outlook. A few items to call out. First, you'll see we updated our adjusted expense target to $56-1/2 billion plus or minus for the full year, which is better than our previous guidance and would equate to the fourth quarter adjusted expense being relatively flat to the third. We're expecting core loan growth of 15% plus or minus to continue in the fourth quarter.

And finally, on markets revenue. Starting with business simplification which will drive a 2% decline year on year, in addition, we expect to see normal season of the clients in the fourth quarter versus the third. And looking back over the last three years, that client has been on average about 15%. And so far in October, across asset classes, the markets are pretty quiet. Obviously we're only two weeks into the quarter and it's too early to give a specific guidance, but based on those facts alone, analyst estimates appear high.

Wrapping up, overall the Company performed quite well against the backdrop of interest rate uncertainty and volatile markets. We continue to invest in our businesses and the underlying drivers are growing strongly and we're gaining share. And we have more than successfully delivered against each of our capital, balance sheet and expense targets.

And just before I finish, on one of those investments we're making, I want to update you on the progress we're making on our payment strategy. We continue to capitalize on our leadership position in payments. We have unparalleled assets in our issuing scale, we have the largest wholly-owned merchant acquirer, our own closed-loop network in ChaseNet, and now a digital wallet in ChasePay, which will be launched more broadly this year.

The beauty of this is that we're able to bundle all of these capabilities together to provide better pricing and experiences for merchants, including access to data as well as a better and more relevant experience for customers. We expect to process more than $50 billion of Chase card volumes over ChaseNet in 2016, and Gordon will share more details at Money 2020.

With that, operator, please open up the line to Q&A.

Question-and-Answer Session

Operator

[Operator Instructions]

Your first question will come from the line of Glenn Schorr with Evercore ISI.

Glenn Schorr - Evercore ISI

Hi. Thanks very much. So I'm curious, the capital markets related commentary, I guess there could be hangover effect into fourth quarter, and I'm guessing that's the primary driver behind your analyst estimates appear high on fourth quarter. But could we talk about what you're actually seeing in terms of where the financial markets are maybe drawing the line, meaning, are the deals that underwriting you expect to fall off in the fourth quarter based on your pipeline, is that a function of timing that you think could come back next year, are these marginal deals where markets are drawing the line? I'm trying to get at the ultimate question of, is this the first time that SIC [ph] could actually grow in 2016 just because of the beat-down it took in the back half of this year?

Marianne Lake

So there are a couple of different questions in there and maybe I'll try and separate them. My comments about the seasonality in the fourth quarter were most particularly towards markets revenues and less so towards the IB revenue space. With IB revenues, it's a mixed story, so, talking now about the sort of banking revenues rather than the markets revenues. So the pipeline for M&A remains very constructive and really pretty good. So we're expecting to continue to have strength in M&A in the fourth quarter.

With ECM you saw obviously a pretty sharp falloff in activity in the third quarter. We have seen the pipeline in ECM, to the degree that that shows you visibility in the fourth quarter, which is somewhat limited, we have seen that build up. And so there is possibility that we'll be able to pull through some of that into the fourth quarter. But that will depend upon how the markets behave.

With respect to DCM, our sort of guidance there was that, you know, commentary really to the strength of the fourth quarter last year, and on relative basis, the pipeline is down. And it's really to do with the normal refinances are slowing and the maturity wall is smaller. But it's still healthy, just not going to be at the same levels that we saw last year.

Glenn Schorr - Evercore ISI

Maybe just to follow up. In SIC [ph] in general, I know none of us have a crystal ball, but the slowdown in activity that we see, some of the clients sitting on hand, maybe you could separate that between any providing of liquidity and marks along the way, because we did see a real wide credit spread widening in the quarter.

Marianne Lake

Yeah. I mean, look, the situation for us in markets was one where, you know, where there was volatility, regardless of how you want to characterize it, and people were acting - our clients were acting on the back of that, we were able to capitalize on that flow, we were able to intermediate for our clients, but our capital (risk makes) money, and so we did pretty well where there was volatility. And where there wasn't, it was more about, to your point, more about low levels of activity, people on the sidelines. So it was just tougher to make money because less was happening, rather than anything else more significant than that.

But so far in the fourth quarter, I mean we're two weeks in it, too early to say, but there's not been a tremendous change in the landscape.

Operator

Your next question is from the line of Ken Usdin with Jefferies.

Ken Usdin - Jefferies

Thanks. Marianne, can you talk a little bit more about the card business and try to help us understand, the card revenue pressure that we saw this quarter into the fourth, how much of that is the NII side of things and how much of that is kind of the partner repricing, and how far past the fourth quarter do those resets continue before growth can overcome it?

Marianne Lake

Yes. So I would -- so, looking at the revenue rate guidance, so, remember our guidance previously had been you should expect our revenue rate to be at the low end of the 12%, 12-1/2% range. The most important thing we want you to take away from talking about our co-brand partners is that we feel great about having signed up United Airlines and Southwest Airlines and partnering with them again for the medium term. And the economics of those deals on a standalone basis are still really very good, but the cobrand space is very competitive, and when any of those contracts are going to be renegotiated at this point, they're going to be renegotiated to competitive levels.

And so it's really the fact that we're seeing that is going to come through in our revenue rate in the fourth quarter, which is going to push it down to below 12%. And it doesn't change the fact that the ROE target for the business is still 20% and that the economics of those partnerships is still good.

And remember these --

UCR:

Just giving the numbers. It's $200 million a quarter for four quarters until last.

Ken Usdin - Jefferies

Got it. Okay. And my second question, just on, you know, in this tough revenue environment, first of all, can you just give us a quick update on the progress on the expense plans, and then, you know, any - does anything change given how tough this revenue environment has changed as far as either accelerating or digging in again? I know your prior comments have focused on obviously always needing to invest, but in terms of just your focus as you think about next year and building the expense budget against the environment that we're seeing.

Marianne Lake

Yes. So I would say, first of all, we gave some expense goals in Investor Day to both consumer businesses as well as for the CIB. And those were I think pretty sizable goals, $2 billion in 2017 versus 2014 for the consumer businesses and $2.8 billion in 2017 versus 2014 for the CIB. And we are working through that, we are on track in both of them.

I think I said earlier that, adjusted, the consumer businesses in the three quarters so far are $700 million down year over year in expenses. So, against the $2 billion target, we're certainly getting there. And on CIB, we expected 2015 to be mainly about forcing out those business simplification expenses, and we've essentially done that too. So we're on track, we're pushing hard. We still have work to do.

We are always going to be diligent on our expenses, and generally speaking, at Investor Day we also said we're going to on or down, which is actually pushing hard to keep them down, but not at the expense of good investments in the business.

So, obviously we are going to respond appropriately to the revenue pressure but not overreact.

Jamie Dimon

I've spoken my whole life about good expenses and bad expenses. You know, bad expenses are wastes, things you don't need, you don't [inaudible] through processing, things like that. But we want certain expenses to go up. When we find marketing opportunities in card, we're going to spend. If the investment bank does better, the comp accrual [ph] is going to go up. So that's how we run the Company. It's not ever going to change.

Operator

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

Mike Mayo - CLSA

Hi. Just to follow up to that last question. So, of the total $4.8 billion of expense savings, how much have you achieved? And if you're on track, why did the adjusted overhead ratio go backwards at 60% in the third quarter versus 58% in the second and 59% last year?

Marianne Lake

So, Mike, thanks for that. So, $700 million, if you adjust for legal expense in the consumer businesses, year to date we'll do some more in the fourth quarter. And year to date on business simplification, which I think in total was about $1.5 billion, we've done $1.3 billion. So in total, that $2 billion so far, obviously more work to do in 2016.

With respect to the adjusted overhead ratio, it speaks a bit more to seasonality of revenues than anything else.

Mike Mayo - CLSA

All right. And one follow-up. Clearly it's due to revenue. So the question, Jamie, if you could answer this, a simple yes or no question, is the economy getting stronger or weaker? And the reason I asked that, the jobs report from a couple of weeks ago seems to imply the economy is getting softer, yet your loan growth actually -- your core loan growth accelerated and you're guiding for a faster loan growth in the fourth quarter. So, is there noise in that loan growth figure or is the economy, based on what you're seeing, getting stronger and the jobs number is misleading?

Jamie Dimon

It's not a yes or no on.

Marianne Lake

I'll start and then you can yes or no at the end.

So, Mike, we would say that the U.S. economy is doing pretty well there. We're seeing good demand for loans in the consumer space and reasonably good sentiment in the business banking space, and our core loan growth numbers do show that. So there's nothing particularly funky in the loan growth numbers. We do our very best to show them in the right light.

I would take a slightly different perspective on the jobs report, the non-firm [ph] payrolls, and not to sort of overthink it, but while I know it was somewhat lower than people were expecting or possibly hoping for, it still at around 140,000 was almost two times what would be required to have stable unemployment. So, you know, it's only one report too, you can't overreact to it.

So it's not that we're seeing anything that's causing us any concern and our outlook for the fourth quarter is pretty solid I think.

Jamie, anything?

Jamie Dimon

Nothing to add.

Operator

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

John McDonald - Sanford Bernstein

Hi, Marianne. You saw some very good improvement in the GCIB surcharge from the 4-1/2 to 4, probably came a little faster than some of us expected. Do you have good momentum there to do more there? And how are you thinking about the trade-off, the cost benefit trade-off of pushing further down on that GCIB bucket?

Marianne Lake

Yes. So we did better than we had targeted for -- on our non-op deposits. We went -- we worked very, very hard, but we told you we would, on derivative, notionals, compressionals or Level 3 assets. It is absolutely the case, not to diminish the amount of what we've done and the progress we've made, that we obviously went after the most impactful, you know, least impactful to the clients, most impactful to the ratio, with the less revenue give-up first [ph]. And so we made great progress. It becomes increasingly, not exponentially, but increasingly more difficult for every next basis point.

So that's not to say, by the way, that we aren't continuing to work very hard at it and optimize and that we won't push further, but we're not at a place right now where we're going to target anything structurally below this, except for over the longer term just continuing to work through it. And our overall capital target, we're at 11.4% now, our overall capital target still in the short to medium term is still 12%.

John McDonald - Sanford Bernstein

Okay. Thank you.

Jamie Dimon

I just want to add, in the new world, we have to obviously monitor and push down to all the business levels, GCIB, CCAR [ph], Basel, LCR and SLR, and we want to optimize all of them. So we're only doing this for a couple of years now, as we embed it in our systems, it was a better way to track and monitor it. Over time I would expect the GCIB will come down a little bit. So, you know, it only comes down in lumps, you've got to make a big difference to go from 43-1/2, but when I say over time, I'm talking about years. I'm not talking about anything that's this quarter. We're very comfortable where we are today, but over years, yeah, you might change your business strategy, but I think it's a better thing not to be an outlier in GCIB.

Operator

And your next question is from the line of Betsy Graseck with Morgan Stanley.

Betsy Graseck - Morgan Stanley

Hi. Thanks. So, just a question on the capital getting to 4% now with a goal over time to get to something lower, 3-1/2, 3. Does it also give you more room for capital return request next year, Jamie?

Jamie Dimon

It has nothing to do with next year, Betsy. When I say over time, just it's happened that JPMorgan built a global corporate investment bank, 70% of it is financial institution and 30% corporate. We easily could have been built the other way around, it's who you focus on over time. So when I say over time, it might be quite easy for us to say over five to six years, let's focus more on the corporates and less in financials, and that will affect your GCIB fairly substantially. So that's what I'm talking about. It's nothing to do with CCAR [ph] for next year or anything like that.

Marianne Lake

A couple of really small points on CCAR [ph] for next year for what it's worth, is we were constrained in CCAR [ph] by leverage. We have issued $6 billion of preferreds in the year. We are reacting to try and make sure that we are managing our binding constraints or our most binding constraints. So we're working on that.

The other thing to note is that we're at 11.4% as we sit here now, so we're not gliding a long way from where we need to get to. And both of those things, together with obviously our profitability, should mean that we have incremental opportunity. But our range is 55% to 75%, and we hope to be in that range.

Betsy Graseck - Morgan Stanley

Okay. And then just TLAC [ph], I know we're still waiting for the Fed decision, but we did get FSA [ph] recently, anything in there that you can respond to us to how you're prepared for TLAC [ph]?

Marianne Lake

So, just a couple of things. First of all, I think the FSB [ph] thing was a sort of leak, so it's as good as it is. I will tell you that the news on structured notes was not strongly positive, but we hadn't banked on it being. So, not entirely pleasing but not disappointing relative to our sort of models and expectations.

Other things to pay attention to anyway are there's no change to the internal TLAC [ph] assumptions. The holding -- the clean holding company rule is one that we're watching out for. But fundamentally -- and then there was the timing. Is there going to be a substantially elongated transition period?

I would call it all sort of fairly marginal, so it hasn't changed the overall picture for us. We're at around 16% and we'll figure out the FSB [ph] that's leaked out, wasn't shockingly different, and we'll see how the Fed respond.

Operator

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

Jim Mitchell - Buckingham Research

Good afternoon. Just maybe a question on NII and NIM. I think, Marianne, you said it would be relatively flat in the fourth quarter, yet you're still expecting some pretty strong loan growth. Just want, you know, if you can maybe discuss why you think it would remain flat in that scenario? And maybe a bit longer term, in an environment where we're looking at lower for longer potentially in the rates, how do we think about the NIM a little bit over the intermediate term?

Marianne Lake

Okay. So with respect to the fourth quarter, we are expecting our loans to grow, and overall net-net sort of rotation of our cash and securities to loans would be supportive of NII. But remember, the biggest boost to our NIM was associated -- or one of the big boosts to our NIM was associated with changing the mix, reducing our overall cash balances, and so where [inaudible] going on.

The outlook for the fourth quarter being relatively flat was associated with market-implied rates which are relatively flat. And so in the law of big numbers, that plus or minus a few basis points is what we're expecting.

With respect to looking out to 2016, obviously we don't know what's going to happen with the curve. If rates stay very flat, we should still have upward pressure on our NII associated with the change in mix of our balance sheet. So the fact that we've got a smaller interest-earning asset base and more loans and less cash and less securities should be supported, even on flat rates.

We don't know when rates will rise, but if market-implieds are followed or if the Fed does or anything like real estate, then that will be even more constructive. And remember, in the first year we got the biggest benefit from shortened [ph] rates in the first 50 basis points of them.

Jim Mitchell - Buckingham Research

Right. I was hoping you would know when rates go up, but thanks.

Marianne Lake

No. Unfortunately not.

Jim Mitchell - Buckingham Research

Thanks.

Operator

Your next question is from the line of Erika Najarian with Bank of America.

Erika Najarian - Bank of America

Yes, good afternoon. My question is on the credit outlook. The consumer reserve release has continued to offset the wholesale reserve build. And I'm just wondering, how should we think about how much is left on the consumer side over the next several quarters, especially given the 23% loan growth that we saw this quarter and your note saying that this momentum should continue?

Marianne Lake

Yes. So I would say that, first of all, with respect to purchase credit impaired, with this release we did on the 375, that's our baseline expectation for that portfolio. So our baseline expectation is no material incremental reserve. Obviously if things improve and they're sustained, then there may be more reserve releases. But I wouldn't try and model those.

With respect to the non-credit impaired portfolio we talked about, you've seen our charge-offs at normalized 14 basis points. Our portfolio quality is really getting quite high. We're fighting through most of the significant risks. So, reserve releases will be more modest and a little bit more periodic. And several hundred million dollars next year, maybe 300 plus or minus, but not significantly more than that.

Erika Najarian - Bank of America

And just my follow-up question, following on Ken and Mike's question on expenses, maybe I'll ask it another way. Over the past few quarters your adjusted overhead ratio was 58% to 60%. You noted that you think that net interest income could grow next year even if rates stay low. Could you potentially slide below the 58% to 60% band that you reported over the past two quarters relative to, you know, you mentioned efficiency target of 55% if rates actually normalize?

Marianne Lake

Yeah. I mean, look, our efficiency target at 55% was over three years or so, and we still will be driving to get to around that level, but it does, as you quite rightly mentioned, includes not just rates rising but a fair degree of normalization in rates. So we'll see what happens in 2016. Obviously it's possible. But we're not going to call an outlook on rates next year.

Erika Najarian - Bank of America

Thanks.

Operator

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

Matt Burnell - Wells Fargo Securities

Good afternoon. Thanks for taking my call. First of all, Marianne, if I could, in terms of some of the credit numbers that you mentioned in terms of the oil and gas provisions. They seem pretty modest in the scheme of your more than $20 billion of exposure to that industry. How are you thinking about the redetermination process that started this quarter? And how would you guide us in terms of thinking about what the provisions could be in the fourth quarter following the redetermination this quarter?

Marianne Lake

Okay. So we've taken some modest reserves in the last few quarters and our overall reserve number obviously is consistent with our expectations based upon the outlook for oil prices. There was a redetermination cycle that we reserved for in the first quarter, and so there will be another one in the fall. We've been as forward-leaning on that as we can be.

Obviously I'm not saying that there may not be any net incremental reserve build, but we're not expecting them to be significant. A lot of companies have tried to adjust their expense basis and otherwise help their position.

So if energy prices stay around these levels and recover slowly, we're expecting net not to have material incremental reserves in the next quarter. We may see some.

Matt Burnell - Wells Fargo Securities

Okay. And then in terms of mortgage banking, you noted that production -- the production amount was actually up quite nicely year over year, but the revenues in terms of production and also in servicing were a bit weaker, certainly on a quarter-over-quarter basis, but the expenses were relatively stable on a quarter-over-quarter basis. Is there something going on there that we might see further improvement in the expense space in the mortgage side of the business in the fourth quarter or are we sort of -- are you at where you think you need to be in terms of the $1 billion to $1.1 billion a quarter in that business?

Marianne Lake

So just let me deal first of all with production quarter over quarter revenues. Margins are down -- margins are down for two principal reasons. So, remember, quarter over quarter, at least on a closed loan volume, we were at a consistent level. Margins are down because we moved -- our mixed shift towards correspondent from retail towards purchase from refi, as well as capacity in the industry, you know, more capacity in the industry, and therefore less constraints. So the production quarter-over-quarter revenue is more of a margin number than anything.

With respect to year over year, I do want to make this clear, with respect to the guidance year over year that we should expect non-interest revenue for the mortgage company in totality, to be down $250 million, that brings our total year-over-year NII [ph] down around $1 billion, maybe a little more, which is what we guided to at Investor Day. And it's more off the back of lower repurchase reserve releases, lower gains on Ginnie Mae sales and [inaudible] against [ph] the, you know, sort of non-fee-based revenues that are to do with third-party UPB, as well as runoff in the UPB. So it's consistent with our guidance. It wasn't fully reflected in everyone's models.

I think there was a third part to your question, but I have -- oh, expenses, yes. Thank you.

And on expenses, in the -- there are two -- so we continue to work very hard in our expense equation, both in terms of managing down the --

particularly in the servicing space by the way, managing down the default inventory in a number of different ways, but also investing in our operating model, so, in technology, to improve the production, operations, cycle, process, also in our site strategy.

So, no, we are not done. We continue to work very hard at it. We have made great progress, but we continue to work hard at it.

Operator

And your next question is from the line of Matt O'Connor with Deutsche Bank.

Matt O'Connor - Deutsche Bank

Hi. We've seen some assets change hands, and you guys have been mentioned as a buyer for some of the other assets that are out there. Just wondering on what the ability and appetite is out there to buy loans.

Marianne Lake

So, look, obviously, we're not going to comment on anything specific. We would be willing to take and we do take a look at things when they come up. And if we are able to price for the risk and it's in a client segment or an entity [ph] we like, we might be interested. But there's no -- we have no special comments on it.

What we're really interested in is growing our underlying core loans with our customers that we can continue to do business with.

Matt O'Connor - Deutsche Bank

And then just separately, following up on energy, how exactly do you kind of reevaluate the portfolio? Is it as a default cap and that's where there's a big boost to reserves, or you get in front of that?

Marianne Lake

So, not if default [ph] happen. I mean it's to do -- it depends on whether it's reserve-based lending or whether it's not. But as companies are either downgraded or as they are experiencing change in financial condition or the borrowing base is redetermined, we will act accordingly. We try to be as forward-leaning on that as is possible, but it's not, you know, we don't have perfect insight until some of that information becomes clear. So that's the process.

Jamie Dimon

And the reserve-based lending, you basically take essentially current prices, you discount at a discount rate, you assume expenses, you have to really engineer your cores [ph] and things like that, and you see if you can make -- roll over the loan at a sound, call it 65% LTV, and we think it's pretty good. That's what we're here for, to lend to clients, particularly in tough times. You can't be a bank that every time something goes wrong you run away from your client.

And then we also do things like stress test that down to $30 oil, maintain $30 like 18 months and say, which -- how much more reserves [inaudible] put up? And I think somewhere, and you correct this number, Marianne, we're not in the same room, that if that happens, we think we're going to have to put it in $500 million or $750 million in reserves, which is just not something we worry a lot about.

Operator

Your next question is from the line of Steven Chubak with Nomura.

Steven Chubak - Nomura

Hi, good evening.

Marianne Lake

Good evening.

Steven Chubak - Nomura

Marianne, I appreciate your commentary on the preferred issuance that you guys have done so far throughout the year. It looks like you're now above the 150-basis-point target. You alluded to that being a function of efforts to manage to your binding constraint on the CCAR [ph]. I just wondered if you guys have a sense as to what -- how you guys are thinking about issuance plans going forward.

Marianne Lake

Yeah. So it's obviously a really great question. Unfortunately, we really don't guide to our sort of forward-looking issuance.

You're right, we are above 150 basis points right now. And we're also working on our leverage balance sheet. So we're working at the sort of dials exactly as you would expect us to, but we are not going to make any comments about forward issuance.

Steven Chubak - Nomura

Understood. Had to give it a shot.

Marianne Lake

Yup, I got it.

Steven Chubak - Nomura

So, just moving to the investment banking side, and maybe trying to just dig a little bit deeper into some of the guidance you've given on M&A. It looks like the backlogs and expected completions for the fourth quarter are quite healthy, at the same time, post the August volatility, some of the historically strong M&A indicators like market cap, CEO confidence, those measures appeared to be deteriorating. I just wanted to get a sense as to how you're thinking about the M&A outlook beyond the fourth quarter, just given some of the weakness that we've seen in some of those measures.

Marianne Lake

Yes. So the pipeline for 2016 is building up, so we don't have perfect visibility yet. We think, obviously, the deals that were being done in 2015 were skewed towards larger deals and we think there may be flown in 2016, but it looks pretty healthy for us so far, but it's building up.

Steven Chubak - Nomura

Okay. Thanks for taking my questions.

Marianne Lake

Thank you.

Operator

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

Gerard Cassidy - RBC

Thank you. Good afternoon. Marianne, can you share with us, you mentioned that you've built out 400 new relationships in the middle market area of the commercial bank. But when we look at the loans outstanding, they're essentially flat on a year-over-year basis, whereas the corporate client business has grown very rapidly. Can you give us some more color behind what's driving those numbers?

Marianne Lake

Yes. I mean, I think over the last several quarters, and forgive me if I'm slightly wrong, but I don't think I'm entirely wrong, our sort of C&I growth has been broadly in line with the industry. Remember that over the course of 2013 and 2014, we did a lot of work on simplifying our businesses, and that had an impact on the pace of our loan growth. But our mature markets are performing well. We're seeing growth in our expansion market. We're adding new clients. We're calling our prospects. So, everything is set to continue to see growth more going forward than we have in the past.

Gerard Cassidy - RBC

Okay. And then you talked about the reserve build in the CIB about $128 million was for oil and gas and the total number was $232 million. What was the other areas that required reserve building this quarter?

Marianne Lake

There was about, in CIB, there was about $47 million of metals and mining, about net-net $20 million of BAU growth, and then just a few other normal BAU puts and takes, downgrades, upgrades.

Other than those three things, there was no one specific fall-out.

Operator

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

Chris Kotowski - Oppenheimer

Mine were asked and answered. Thank you.

Marianne Lake

Thanks, Chris.

Operator

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

Paul Miller - FBR Capital Markets

Yes. On your mortgage banking side, I've noticed that your jumbo loans -- or not your jumbo loans, that your residential loans in your balance sheet's grown. Are they mostly jumbos, are they coming out of your normal production, that $29 billion, and you're selling less to the government? Can you add some color around those numbers?

Marianne Lake

So, of the $19 billion that -- of the $19 billion that we put on our balance sheet, around 10, just a little over 10, was jumbo. The rest was conventional conforming.

Paul Miller - FBR Capital Markets

And then, are they mainly ARM loans or are they fixed-rate loans?

Marianne Lake

We'll have to [inaudible].

Jamie Dimon

I think the jumbo is like a third ARM. I've got to confirm that these are all fixed. That's what I remember.

Marianne Lake

We'll confirm for you.

Operator

Your next question is from the line of Eric Wasserstrom with Guggenheim Securities.

Eric Wasserstrom - Guggenheim Securities

Thanks very much. Marianne, if I can just follow up on some of the consumer credit quality metrics. At the Investor Day and subsequently Gordon was indicating, unsurprisingly just given the very low levels that the expectation should probably be for some moderate rate of deterioration, and yet we haven't seen it. And I'm guessing that's partly because of the underwriting that's occurred over the past few years.

So my question is, what are the circumstances in which we should expect more significant deterioration there? Is it only macro or is there something else competitively that could influence that at this stage?

Marianne Lake

So you are right that, at this kind of 2-1/2%, one of these base point levels in card, it does speak to the quality of the loans we're originating and the engagement with the customers, which is much more now about driving, yes, some NII, but really, really good spend and therefore lower credit quality. It's sort of an integrated equation.

We're expecting, given our originations and the runoff portfolio are the worst loans running off in the portfolio that we're building is really very, very clean. We're expecting that those charge-off rates to be low for the short to medium term, the readout for the next year for sure. There will be a combination of things that would drive that. It would -- but largely it would be environmental. We don't expect at this point we have made changes to our credit books, but they aren't material changes, and we'll continue to test our appetite to want to do that, and that may have an impact. But we're originating the vast majority of our cards in the super-prime sector.

Eric Wasserstrom - Guggenheim Securities

And is -- are the dynamics similar in auto as well?

Marianne Lake

Similar, yes. I mean we're, compared to the industry, our originations are skewed to the prime space.

And our LTVs are lower. And the -- our durations are in line or lower.

Eric Wasserstrom - Guggenheim Securities

Great. Thanks very much.

Operator

Your next question comes from the line of Brennan Hawken with UBS.

Brennan Hawken - UBS

Yes, hi. Just a quick one at this point. Equities, Marianne, you highlighted strength in Asia, which I think probably was better than maybe some had expected given some of the volatility. So, could you give us some color on the trends you saw in that region in your equities business?

Marianne Lake

Well, I would -- the biggest comment I would make is that there was a lot of volatility, particularly in China in the second part of or the last part of the second quarter. We were -- we did pretty well, we helped our clients, we didn't have significant open risk position, we weren't very directional, so we were able to do well in that situation. Also in the reverse, also on currency moves.

So really -- it really is the comment I made about we're here to serve our clients. They were transacting. We were able to do risk intermediation [interj] for them. And so we kind of made money on both ends.

Brennan Hawken - UBS

Thanks for that.

Operator

You have another question from the line of Gerard Cassidy with RBC.

Marianne Lake

Hi.

Gerard Cassidy - RBC

Thank you. Hi, Marianne.

Quick question on your consumer business. You guys have shown very strong steady growth in the mobile users. I think it's over 22 million in this quarter, that's up from 18 million a year ago. Can you share with us what percentage of your customers are actually mobile users, and how does that compare to a year ago? And where do you -- what does Gordon think, what's the penetration rate that you think you can finally get to there?

Marianne Lake

So let me just talk qualitatively for a second and we'll get you some numbers. But we're focused on mobile and digital primarily because it's going to be great for the customer experience. It's what our customers want. And also because it's a significant enabler for reducing cost to serve and improving efficiency. So we've been very focused on whether it's quick deposit, whether it's quick pay, whether it's our mobile wallet, whether it's our mobile app, and we've been seeing great results.

I'm, off the top of my head, not able to tell you the penetration rate, but we can get back to you.

Gerard Cassidy - RBC

Okay. And is there any evidence that you guys can point to where you're actually taking market share from other banks because your mobile products are just more superior than some of the smaller regional banks and community banks?

Marianne Lake

I can tell you that we are growing our deposits nearly twice the industry, that -- so I think that's a reasonable indication for a bunch of different reasons, and that we have a very highly rated app -- I think the most highly-rated bank app, but we'll check that too.

Gerard Cassidy - RBC

Okay. And then finally, your asset yields jumped this quarter, which was good to see of course. Can you share with us how the Fed funds rate went up as much as it did sequentially? And also your securities yield went up in the quarter sequentially. Can you give us some color behind both those numbers? Thank you.

Marianne Lake

So on the Fed funds and reverse repos, we had moved towards higher-yielding, for example, emerging market assets. So we got some higher yield there. We saw some yield on our trading book moving out of assets of emerging markets. So, just a bit of puts and takes.

And on securities, was it significant? I'm sorry, I'll come back to you.

Operator, any more?