WELLS FARGO & COMPANY/MN
Form 10-Q
May 08, 2013
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2013

Commission file number 001-2979

WELLS FARGO & COMPANY

(Exact name of registrant as specified in its charter)

Delaware	**No. 41-0449260**
(State of incorporation)	(I.R.S. Employer Identification No.)

420 Montgomery Street, San Francisco, California 94163

(Address of principal executive offices) (Zip Code)

Registrant s telephone number, including area code: **1-866-249-3302**

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

Yes þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes þ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No þ

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

	Shares Outstanding April 30, 2013
Common stock, $1-2/3 par value	5,296,386,944

Table of Contents

FORM 10-Q

CROSS-REFERENCE INDEX

PART I	**Financial Information**	
Item 1.	Financial Statements	Page
	Consolidated Statement of Income	59
	Consolidated Statement of Comprehensive Income	60
	Consolidated Balance Sheet	61
	Consolidated Statement of Changes in Equity	62
	Consolidated Statement of Cash Flows	64
	Notes to Financial Statements	
	1 - Summary of Significant Accounting Policies	65
	2 - Business Combinations	67
	3 - Federal Funds Sold, Securities Purchased under Resale Agreements and Other Short-Term Investments	67
	4 - Securities Available for Sale	68
	5 - Loans and Allowance for Credit Losses	75
	6 - Other Assets	92
	7 - Securitizations and Variable Interest Entities	93
	8 - Mortgage Banking Activities	102
	9 - Intangible Assets	105
	10 - Guarantees, Pledged Assets and Collateral	106
	11 - Legal Actions	110
	12 - Derivatives	111
	13 - Fair Values of Assets and Liabilities	119
	14 - Preferred Stock	138
	15 - Employee Benefits	140
	16 - Earnings Per Common Share	141
	17 - Other Comprehensive Income	142
	18 - Operating Segments	144
	19 - Regulatory and Agency Capital Requirements	146
Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations (Financial Review)	
	Summary Financial Data	2
	Overview	3
	Earnings Performance	5
	Balance Sheet Analysis	11
	Off-Balance Sheet Arrangements	15
	Risk Management	15
	Capital Management	52
	Regulatory Reform	55
	Critical Accounting Policies	55
	Current Accounting Developments	55
	Forward-Looking Statements	56
	Risk Factors	57
	Glossary of Acronyms	147
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	41
Item 4.	Controls and Procedures	58
PART II	**Other Information**	
Item 1.	Legal Proceedings	148
Item 1A.	Risk Factors	148
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	148

Item 6. Exhibits 149

Signature 149

Exhibit Index 150

1

Table of Contents

PART I - FINANCIAL INFORMATION

FINANCIAL REVIEW

Summary Financial Data

($ in millions, except per share amounts)	Mar. 31, 2013	Quarter ended Dec. 31, 2012	Quarter ended Mar. 31, 2012	% Change Mar. 31, 2013 from Dec. 31, 2012	% Change Mar. 31, 2013 from Mar. 31, 2012
For the Period					
Wells Fargo net income	**$ 5,171**	5,090	4,248	2 %	22
Wells Fargo net income applicable to common stock	**4,931**	4,857	4,022	2	23
Diluted earnings per common share	**0.92**	0.91	0.75	1	23
Profitability ratios (annualized):					
Wells Fargo net income to average assets (ROA)	**1.49 %**	1.46	1.31	2	14
Wells Fargo net income applicable to common stock to average Wells Fargo common stockholders equity (ROE)	**13.59**	13.35	12.14	2	12
Efficiency ratio (1)	**58.3**	58.8	60.1	(1)	(3)
Total revenue	**$ 21,259**	21,948	21,636	(3)	(2)
Pre-tax pre-provision profit (PTPP) (2)	**8,859**	9,052	8,643	(2)	2
Dividends declared per common share	**0.25**	0.22	0.22	14	14
Average common shares outstanding	**5,279.0**	5,272.4	5,282.6	-	-
Diluted average common shares outstanding	**5,353.5**	5,338.7	5,337.8	-	-
Average loans	**$ 798,074**	787,210	768,582	1	4
Average assets	**1,404,334**	1,387,056	1,302,921	1	8
Average core deposits (3)	**925,866**	928,824	870,516	-	6
Average retail core deposits (4)	**662,913**	646,145	616,569	3	8
Net interest margin	**3.48 %**	3.56	3.91	(2)	(11)
At Period End					
Securities available for sale	**$ 248,160**	235,199	230,266	6	8
Loans	**799,966**	799,574	766,521	-	4
Allowance for loan losses	**16,711**	17,060	18,852	(2)	(11)
Goodwill	**25,637**	25,637	25,140	-	2
Assets	**1,436,634**	1,422,968	1,333,799	1	8
Core deposits (3)	**939,934**	945,749	888,711	(1)	6
Wells Fargo stockholders equity	**162,086**	157,554	145,516	3	11
Total equity	**163,395**	158,911	146,849	3	11
Tier 1 capital (5)	**129,071**	126,607	117,444	2	10
Total capital (5)	**161,551**	157,588	150,788	3	7
Capital ratios:					
Total equity to assets	**11.37 %**	11.17	11.01	2	3
Risk-based capital (5):					
Tier 1 capital	**11.80**	11.75	11.78	-	-
Total capital	**14.76**	14.63	15.13	1	(2)
Tier 1 leverage (5)	**9.53**	9.47	9.35	1	2
Tier 1 common equity (6)	**10.39**	10.12	9.98	3	4
Common shares outstanding	**5,288.8**	5,266.3	5,301.5	-	-
Book value per common share	**$ 28.27**	27.64	25.45	2	11
Common stock price:					
High	**38.20**	36.34	34.59	5	10
Low	**34.43**	31.25	27.94	10	23
Period end	**36.99**	34.18	34.14	8	8
Team members (active, full-time equivalent)	**274,300**	269,200	264,900	2	4

(1) The efficiency ratio is noninterest expense divided by total revenue (net interest income and noninterest income).
(2) Pre-tax pre-provision profit (PTPP) is total revenue less noninterest expense. Management believes that PTPP is a useful financial measure because it enables investors and others to assess the Company s ability to generate capital to cover credit losses through a credit cycle.
(3) Core deposits are noninterest-bearing deposits, interest-bearing checking, savings certificates, certain market rate and other savings, and certain foreign deposits (Eurodollar sweep balances).
(4) Retail core deposits are total core deposits excluding Wholesale Banking core deposits and retail mortgage escrow deposits.
(5) See Note 19 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report for additional information.
(6) See the Capital Management section in this Report for additional information.

Table of Contents

This Quarterly Report, including the Financial Review and the Financial Statements and related Notes, contains forward-looking statements, which may include forecasts of our financial results and condition, expectations for our operations and business, and our assumptions for those forecasts and expectations. Do not unduly rely on forward-looking statements. Actual results may differ materially from our forward-looking statements due to several factors. Factors that could cause our actual results to differ materially from our forward-looking statements are described in this Report, including in the Forward-Looking Statements section, and the Risk Factors and Regulation and Supervision sections of our Annual Report on Form 10-K for the year ended December 31, 2012 (2012 Form 10-K).

When we refer to Wells Fargo, the Company, we, our or us in this Report, we mean Wells Fargo & Company and Subsidiaries (consolidated). When we refer to the Parent, we mean Wells Fargo & Company. When we refer to legacy Wells Fargo, we mean Wells Fargo excluding Wachovia Corporation (Wachovia). See the Glossary of Acronyms at the end of this Report for terms used throughout this Report.

Financial Review

Overview

Wells Fargo & Company is a nationwide, diversified, community-based financial services company with $1.4 trillion in assets. Founded in 1852 and headquartered in San Francisco, we provide banking, insurance, investments, mortgage, and consumer and commercial finance through more than 9,000 stores, 12,000 ATMs and the Internet (wellsfargo.com), and we have offices in more than 35 countries to support our customers who conduct business in the global economy. With more than 274,000 active, full-time equivalent team members, we serve one in three households in the United States and rank No. 26 on *Fortune* s 2012 rankings of America s largest corporations. We ranked fourth in assets and first in the market value of our common stock among all U.S. banks at March 31, 2013.

Our vision is to satisfy all our customers financial needs, help them succeed financially, be recognized as the premier financial services company in our markets and be one of America s great companies. Our primary strategy to achieve this vision is to increase the number of our products our customers utilize and to offer them all of the financial products that fulfill their needs. Our cross-sell strategy, diversified business model and the breadth of our geographic reach facilitate growth in both strong and weak economic cycles, as we can grow by expanding the number of products our current customers have with us, gain new customers in our extended markets, and increase market share in many businesses.

Financial Performance

Wells Fargo delivered outstanding first quarter 2013 results for our shareholders. Quarterly earnings and diluted earnings per share increased at double-digit rates (22% and 23%, respectively), compared with first quarter 2012, while loans and deposits demonstrated continued growth in a challenging economic environment. In addition, expenses continued to decline as we improved efficiency across the Company, and our return on assets (ROA) and return on equity (ROE) increased and remained among the highest in our industry. Capital levels remained strong and we were very pleased to increase our dividend to $0.25 per common share in first quarter 2013 and to $0.30 per common share in second quarter 2013 from $0.22 per

common share each quarter in 2012. We believe our success in the quarter was driven by helping our customers succeed financially.

Wells Fargo net income was a record $5.2 billion in first quarter 2013, the highest quarterly profit in our history, with record diluted earnings per share of $0.92. This was our 13th consecutive quarter of earnings per share growth and 8th consecutive quarter of record earnings per share. These results were accomplished in an environment that was not ideal for generating earnings growth, demonstrating the benefit of our diversified business model. Our business is diverse in many ways: we are geographically diverse; we have over 90 different businesses that perform differently in various economic environments; and our revenue is split fairly evenly between interest and noninterest income. We believe this kind of diversity lowers risk and enhances earnings stability and growth. Average loans and deposits increased in the quarter, noninterest expense was lower than first quarter 2012, and credit metrics continued to improve with the net charge-off ratio down to 72 basis points. The increase in our net income for first quarter 2013 compared with a year ago was driven by improved credit quality results and positive operating leverage with pre-tax pre-provision profit of $8.9 billion, up 2% from the same period a year ago.

Our balance sheet continued to strengthen in first quarter 2013 with further core loan and deposit growth. Our non-strategic/liquidating loan portfolios decreased $3.7 billion during the quarter, and, excluding the planned runoff of these loans, our core loan portfolios increased $4.1 billion from the prior quarter. Included in this growth was $3.4 billion of 1-4 family conforming first mortgage production retained on the balance sheet. Total average loans were $798.1 billion, up $10.9 billion from the prior quarter. On a year-over-year basis, the asset-backed finance, commercial banking, corporate banking, credit card, government and institutional banking, mortgage, retail brokerage, real estate capital markets, and retail sales finance portfolios all experienced double-digit growth. Our short-term investments and federal funds sold balances increased by $6.5 billion during the quarter as average deposits continued to grow. We grew our securities available for sale

Table of Contents

Overview ***(continued)***

portfolio by $13 billion, up 6% from December 31, 2012, as we purchased a total of $17.8 billion in agency mortgage-backed securities to take advantage of the interest rate back ups at various times within the quarter as rates rose and yields became more attractive. Our ROA grew to 1.49%, within our targeted range of 1.3% to 1.6%, and our ROE increased to 13.59%, also within our targeted range of 12% to 15%.

Credit Quality

Credit quality continued to improve in first quarter 2013, and in several of our commercial and consumer loan portfolios the performance was particularly strong. Our credit losses reflected the benefit of a slowly and steadily improving economy and the high quality loans we have been originating over the past few years. Net charge-offs of $1.4 billion were 0.72% (annualized) of average loans, down 53 basis points from a year ago. Nonperforming assets decreased by $1.6 billion to $22.9 billion at March 31, 2013, from $24.5 billion at December 31, 2012, with declines in both nonaccrual loans and foreclosed assets.

With the continued credit performance improvement in our loan portfolios, our $1.2 billion provision for credit losses this quarter was $776 million less than a year ago. This provision included the release of $200 million from the allowance for credit losses (the amount by which net charge-offs exceeded the provision), compared with a release of $400 million a year ago. Absent significant deterioration in the economic environment, we continue to expect future allowance releases in 2013.

Capital

We continued to build capital this quarter, increasing total equity by $4.5 billion to $163.4 billion at March 31, 2013. Our Tier 1 common equity ratio grew 27 basis points during the quarter to 10.39% of risk-weighted assets under Basel I, reflecting strong internal capital generation. The Tier 1 common equity ratio under Basel I was negatively impacted by approximately 25 basis points in first quarter 2013 by the implementation of the Federal Reserve s Market Risk Final Rule, commonly known as Basel 2.5, which became effective on January 1, 2013. This implementation was reflected in our 2013 Capital Plan and did not impact our ratio under Basel III, as its impact has historically been included in our calculations. Based on our interpretation of current Basel III capital proposals, we estimate that our Tier 1 common equity ratio was 8.39% at the end of first quarter 2013, up 20 basis points from December 31, 2012. Our other regulatory capital ratios remained strong with an increase in the Tier 1 capital ratio to 11.80% and Tier 1 leverage ratio to 9.53% from 11.75% and 9.47%, respectively, at December 31, 2012. See the Capital Management section in this Report for more information regarding our capital, including Tier 1 common equity.

We repurchased approximately 17 million shares of our common stock in first quarter 2013 and paid a quarterly common stock dividend of $0.25 per share.

On March 14, 2013, we received a non-objection to our 2013 Capital Plan under the Comprehensive Capital Analysis and Review (CCAR), which will allow us to return more capital to our shareholders in the year ahead. The 2013 Capital Plan included a dividend rate of $0.30 per share for second quarter 2013, approved by the Board on April 23, 2013, and also included an increase in common stock repurchase activity compared with actual repurchases in 2012.

Table of Contents

Earnings Performance

Wells Fargo net income for first quarter 2013 was $5.2 billion ($0.92 diluted earnings per common share) compared with $4.2 billion ($0.75 diluted earnings per common share) for first quarter 2012. Our first quarter 2013 quarterly earnings reflected strong execution of our business strategy and growth in many of our businesses. The key drivers of our financial performance in first quarter 2013 were balanced net interest and fee income, diversified sources of fee income, a diversified loan portfolio and strong underlying credit performance.

Revenue, the sum of net interest income and noninterest income, was $21.3 billion in first quarter 2013, compared with $21.6 billion in first quarter 2012. The decrease in revenue for the first quarter of 2013 was predominantly due to a decrease in net interest income, resulting from continued repricing of the balance sheet in the current low interest rate environment. Net interest income was $10.5 billion in first quarter 2013, representing 49% of revenue, compared with $10.9 billion (50%) in first quarter 2012. Continued success in generating low-cost deposits enabled us to grow assets by funding loans and securities growth while reducing higher cost long-term debt.

Noninterest income was $10.8 billion in first quarter 2013, representing 51% of revenue, compared with $10.7 billion (50%) in first quarter 2012. The increase in noninterest income for the first quarter of 2013 was driven predominantly by solid performance in many of our core businesses. Those fee sources generating double-digit year-over-year revenue growth in first quarter 2013 included deposit service charges (up 12%), brokerage advisory and commission fees (up 12%), investment banking fees (up 37%) and mortgage servicing income (up 25%).

Noninterest expense was $12.4 billion in first quarter 2013, compared with $13.0 billion in first quarter 2012. The decrease in noninterest expense in first quarter 2013 from first quarter 2012 was primarily due to lower operating losses, a reduction in foreclosed assets expense (reflecting improvement in the housing market) and lower contract services. Our efficiency ratio was 58.3% in first quarter 2013, compared with 60.1% in first quarter 2012, reflecting our focus on expense management efforts.

Net Interest Income

Net interest income is the interest earned on debt securities, loans (including yield-related loan fees) and other interest-earning assets minus the interest paid on deposits, short-term borrowings and long-term debt. The net interest margin is the average yield on earning assets minus the average interest rate paid for deposits and our other sources of funding. Net interest income and the net interest margin are presented on a taxable-equivalent basis in Table 1 to consistently reflect income from taxable and tax-exempt loans and securities based on a 35% federal statutory tax rate.

While the Company believes that it has the ability to increase net interest income over time, net interest income and the net interest margin in any one period can be significantly affected by a variety of factors including the mix and overall size of our earning asset portfolio and the cost of funding those assets. In addition, some sources of interest income, such as resolutions

from purchased credit-impaired (PCI) loans, loan prepayment fees and collection of interest on nonaccrual loans, can vary from period to period.

Net interest income on a taxable-equivalent basis was $10.7 billion in first quarter 2013, down from $11.1 billion a year ago. The net interest margin was 3.48% for first quarter 2013, down from 3.91% a year ago. The decrease in net interest income from a year ago was largely driven by the impact of higher yielding loan and available-for-sale (AFS) securities runoff, partially offset by the benefits of opportunistic AFS securities purchases and the retention of $22.8 billion in high-quality, conforming real estate 1-4 family first mortgages in 2012 and 2013. In addition, reductions in deposit and long-term debt costs also helped offset lower asset income. The decline in net interest margin in first quarter 2013, compared with the same period a year ago, was largely driven by continued runoff of higher yielding assets. In addition, net interest margin for first quarter 2013 experienced significant pressure as short-term investment balances, which are dilutive to net interest margin while essentially neutral to net interest income, increased as a result of continued deposit growth. We expect continued pressure on our net interest margin as the balance sheet continues to reprice in the current low interest rate environment.

Average earning assets increased $99.6 billion in first quarter 2013 from a year ago, as average securities available for sale increased $11.3 billion and average short-term investments increased $65.0 billion. In addition, an increase in commercial and industrial loans contributed to $29.5 billion higher average loans in first quarter 2013, compared with a year ago.

Core deposits are an important low-cost source of funding and affect both net interest income and the net interest margin. Core deposits include noninterest-bearing deposits, interest-bearing checking, savings certificates, market rate and other savings, and certain foreign deposits (Eurodollar sweep balances). Average core deposits rose to $925.9 billion in first quarter 2013, compared with $870.5 billion in first quarter 2012 and funded 116% of average loans in first quarter 2013, compared with 113% a year ago. Average core deposits decreased to 75% of average earning assets in first quarter 2013, compared with 77% a year ago. The cost of these deposits has continued to decline due to a sustained low interest rate environment and a shift in our deposit mix from higher cost certificates of deposit to lower yielding checking and savings products. About 94% of our average core deposits are in checking and savings deposits, one of the highest industry percentages.

Table of Contents

Earnings Performance ***(continued)***

Table 1: Average Balances, Yields and Rates Paid (Taxable-Equivalent Basis) (1)(2)(3)

(in millions)	Quarter ended March 31, 2013 Average balance	Yields/ rates	Interest income/ expense	Quarter ended March 31, 2012 Average balance	Yields/ rates	Interest income/ expense
Earning assets						
Federal funds sold, securities purchased under resale agreements and other short-term investments	**$ 121,024**	**0.36 %**	**$ 107**	56,020	0.52 %	$ 73
Trading assets	**42,130**	**3.17**	**334**	43,766	3.50	383
Securities available for sale (3):						
Securities of U.S. Treasury and federal agencies	**7,079**	**1.56**	**28**	5,797	0.97	14
Securities of U.S. states and political subdivisions	**37,584**	**4.38**	**410**	32,595	4.52	368
Mortgage-backed securities:						
Federal agencies	**95,368**	**2.74**	**654**	91,300	3.49	797
Residential and commercial	**32,141**	**6.46**	**519**	34,531	6.80	587
Total mortgage-backed securities	**127,509**	**3.68**	**1,173**	125,831	4.40	1,384
Other debt and equity securities	**53,724**	**3.58**	**476**	50,402	3.82	480
Total securities available for sale	**225,896**	**3.70**	**2,087**	214,625	4.19	2,246
Mortgages held for sale (4)	**43,312**	**3.42**	**371**	46,908	3.91	459
Loans held for sale (4)	**141**	**8.83**	**3**	748	5.09	9
Loans:						
Commercial:						
Commercial and industrial	**184,515**	**3.73**	**1,700**	166,782	4.18	1,733
Real estate mortgage	**106,221**	**3.84**	**1,006**	105,990	4.07	1,072
Real estate construction	**16,559**	**4.84**	**197**	18,730	4.79	223
Lease financing	**12,424**	**6.78**	**210**	13,129	8.89	292
Foreign	**39,900**	**2.16**	**213**	41,167	2.52	258
Total commercial	**359,619**	**3.74**	**3,326**	345,798	4.16	3,578
Consumer:						
Real estate 1-4 family first mortgage	**252,049**	**4.29**	**2,702**	229,653	4.69	2,688
Real estate 1-4 family junior lien mortgage	**74,068**	**4.28**	**785**	84,718	4.27	900
Credit card	**24,097**	**12.62**	**750**	22,129	12.93	711
Automobile	**46,566**	**7.20**	**826**	43,686	7.79	846
Other revolving credit and installment	**41,675**	**4.70**	**483**	42,598	4.57	483
Total consumer	**438,455**	**5.10**	**5,546**	422,784	5.34	5,628
Total loans (4)	**798,074**	**4.49**	**8,872**	768,582	4.81	9,206
Other	**4,255**	**5.19**	**55**	4,604	4.42	51
Total earning assets	**$ 1,234,832**	**3.86 %**	**$ 11,829**	1,135,253	4.39 %	$ 12,427
Funding sources						
Deposits:						

Interest-bearing checking	**$**	**32,165**	**0.06 %**	**$**	**5**	32,158	0.05 %	$ 4
Market rate and other savings		**537,549**	**0.09**		**122**	496,027	0.12	153
Savings certificates		**55,238**	**1.22**		**167**	62,689	1.36	213
Other time deposits		**15,905**	**1.25**		**50**	12,651	1.93	61
Deposits in foreign offices		**71,077**	**0.14**		**25**	64,847	0.16	26
Total interest-bearing deposits		**711,934**	**0.21**		**369**	668,372	0.27	457
Short-term borrowings		**55,410**	**0.17**		**24**	48,382	0.15	18
Long-term debt		**127,112**	**2.20**		**696**	127,537	2.60	830
Other liabilities		**11,608**	**2.24**		**65**	9,803	2.63	64
Total interest-bearing liabilities		**906,064**	**0.51**		**1,154**	854,094	0.64	1,369
Portion of noninterest-bearing funding sources		**328,768**	**-**		**-**	281,159	-	-
Total funding sources	**$**	**1,234,832**	**0.38**		**1,154**	1,135,253	0.48	1,369
Net interest margin and net interest income on a taxable-equivalent basis (5)			**3.48 %**	**$**	**10,675**		3.91 %	$ 11,058
Noninterest-earning assets								
Cash and due from banks	**$**	**16,529**				16,974		
Goodwill		**25,637**				25,128		
Other		**127,336**				125,566		
Total noninterest-earning assets	**$**	**169,502**				167,668		
Noninterest-bearing funding sources								
Deposits	**$**	**274,221**				246,614		
Other liabilities		**63,634**				57,201		
Total equity		**160,415**				145,012		
Noninterest-bearing funding sources used to fund earning assets		**(328,768)**				(281,159)		
Net noninterest-bearing funding sources	**$**	**169,502**				167,668		
Total assets	**$**	**1,404,334**				1,302,921		

(1) Our average prime rate was 3.25% for the quarters ended March 31, 2013 and 2012. The average three-month London Interbank Offered Rate (LIBOR) was 0.29% and 0.51% for the same quarters, respectively.
(2) Yield/rates and amounts include the effects of hedge and risk management activities associated with the respective asset and liability categories.
(3) Yields and rates are based on interest income/expense amounts for the period, annualized based on the accrual basis for the respective accounts. The average balance amounts represent amortized cost for the periods presented.
(4) Nonaccrual loans and related income are included in their respective loan categories.
(5) Includes taxable-equivalent adjustments of $176 million and $170 million for the quarters ended March 31, 2013 and 2012, respectively, primarily related to tax-exempt income on certain loans and securities. The federal statutory tax rate utilized was 35% for the periods presented.

Table of Contents

Noninterest Income

Table 2: Noninterest Income

(in millions)	Quarter ended Mar. 31, 2013	2012	% Change
Service charges on deposit accounts	$ **1,214**	1,084	12%
Trust and investment fees:			
Brokerage advisory, commissions and other fees (1)	**2,050**	1,830	12
Trust and investment management (1)	**799**	752	6
Investment banking	**353**	257	37
Total trust and investment fees	**3,202**	2,839	13
Card fees	**738**	654	13
Other fees:			
Charges and fees on loans	**384**	445	(14)
Merchant processing fees	**154**	125	23
Cash network fees	**117**	118	(1)
Commercial real estate brokerage commissions	**45**	50	(10)
Letters of credit fees	**109**	112	(3)
All other fees	**225**	245	(8)
Total other fees	**1,034**	1,095	(6)
Mortgage banking:			
Servicing income, net	**314**	252	25
Net gains on mortgage loan origination/sales activities	**2,480**	2,618	(5)
Total mortgage banking	**2,794**	2,870	(3)
Insurance	**463**	519	(11)
Net gains from trading activities	**570**	640	(11)
Net gains (losses) on debt securities available for sale	**45**	(7)	NM
Net gains from equity investments	**113**	364	(69)
Lease income	**130**	59	120
Life insurance investment income	**145**	168	(14)
All other	**312**	463	(33)
Total	$ **10,760**	10,748	-

NM - Not meaningful

(1) Prior period has been revised to reflect all fund distribution fees as brokerage related income.

Noninterest income of $ 10.8 billion represented 51% of revenue for first quarter 2013 compared with $10.7 billion, or 50%, for first quarter 2012. The increase in noninterest income was driven by solid performance in many of our core businesses including retail deposits, commercial banking, corporate banking, capital markets, commercial real estate, wealth management, and retirement services.

Our service charges on deposit accounts increased in first quarter 2013 by $130 million, or 12%, from first quarter 2012, predominantly due to product and account changes including changes to service charges and fewer fee waivers, continued customer adoption of overdraft services and primary consumer checking customer growth.

We receive brokerage advisory, commissions and other fees for providing services to full-service and discount brokerage customers. Brokerage advisory, commissions and other fees increased to $2.1 billion in first quarter 2013 from $1.8 billion a

year ago, and includes transactional commissions based on the number of transactions executed at the customer s direction, and asset-based fees, which are based on the market value of the customer s assets. Brokerage client assets totaled $1.3 trillion at March 31, 2013, up 7% from $1.2 trillion at March 31, 2012, due to higher market values and customer growth in assets under management.

We earn trust and investment management fees from managing and administering assets, including mutual funds, corporate trust, personal trust, employee benefit trust and agency assets. At March 31, 2013, these assets totaled $2.3 trillion, up 5% from March 31, 2012, driven by higher market values. Trust and investment management fees are largely based on a tiered scale relative to the market value of the assets under management or administration. These fees increased to $799 million in first quarter 2013 from $752 million a year ago.

We earn investment banking fees from underwriting debt and equity securities, loan syndications, and performing other related advisory services. Investment banking fees increased to $353 million in first quarter 2013 from $257 million a year ago due primarily to increased loan syndication volume.

Card fees were $738 million in first quarter 2013, compared with $654 million in first quarter 2012. Card fees increased primarily due to increased purchase activity and strong credit card balance growth.

Mortgage banking noninterest income, consisting of net servicing income and net gains on loan origination/sales activities, totaled $2.8 billion in first quarter 2013, compared with $2.9 billion in first quarter 2012. The decrease in mortgage banking noninterest income from a year ago was largely driven by lower originations.

Net mortgage loan servicing income includes amortization of commercial mortgage servicing rights (MSRs), changes in the fair value of residential MSRs during the period, as well as changes in the value of derivatives (economic hedges) used to hedge the residential MSRs. Net servicing income for first quarter 2013 included a $129 million net MSR valuation gain ($761 million increase in the fair value of the MSRs offset by a $632 million hedge loss) and for first quarter 2012 included a $58 million net MSR valuation loss ($158 million decrease in the fair value of MSRs offset by a $100 million hedge gain). The first quarter 2013 MSRs valuation was driven by an increase in market interest rates. The $158 million decrease in fair value for the first quarter 2012 included the effect of a discount rate increase reflecting increased capital return requirements from market participants, partially offset by an increase in the valuation due to an increase in market interest rates. Our portfolio of loans serviced for others was $1.89 trillion at March 31, 2013, and $1.91 trillion at December 31, 2012. At March 31, 2013, the ratio of MSRs to related loans serviced for others was 0.70%, compared with 0.67% at December 31, 2012. See the Risk Management Mortgage Banking Interest Rate and Market Risk section of this Report for additional information regarding our MSRs risks and hedging approach.

Net gains on mortgage loan origination/sale activities were $2.5 billion in first quarter 2013, compared with $2.6 billion in first quarter 2012. The decrease was driven by lower loan

Table of Contents

Earnings Performance ***(continued)***

originations. Mortgage loan originations were $109 billion in first quarter 2013, of which 31% were for home purchases, compared with $129 billion and 29%, respectively, a year ago. During first quarter 2013, we retained for investment $3.4 billion of 1-4 family conforming first mortgage loans, forgoing approximately $112 million of revenue that could have been generated had the loans been originated for sale along with other agency conforming loan production. While retaining these mortgage loans on our balance sheet reduced mortgage revenue, we expect to generate spread income in future quarters from mortgage loans with higher yields than mortgage-backed securities we could have purchased in the market. While we do not currently plan to hold additional conforming mortgages on balance sheet, we have a large mortgage business and strong capital that provides us with the flexibility to make such choices in the future to benefit our long-term results. Mortgage applications were $140 billion in first quarter 2013, compared with $188 billion in first quarter 2012. The 1-4 family first mortgage unclosed pipeline was $74 billion at March 31, 2013, and $79 billion at March 31, 2012. For additional information about our mortgage banking activities and results, see the Risk Management Mortgage Banking Interest Rate and Market Risk section and Note 8 (Mortgage Banking Activities) and Note 13 (Fair Values of Assets and Liabilities) to Financial Statements in this Report.

Net gains on mortgage loan origination/sales activities include the cost of additions to the mortgage repurchase liability. Mortgage loans are repurchased from third parties based on standard representations and warranties, and early payment default clauses in mortgage sale contracts. Additions to the mortgage repurchase liability that were charged against net gains on mortgage loan origination/sales activities during first quarter 2013 totaled $309 million (compared with $430 million for first quarter 2012), of which $250 million ($368 million for first quarter 2012) was for subsequent increases in estimated losses on prior period loan sales. For additional information about mortgage loan repurchases, see the Risk Management Credit Risk Management Liability for Mortgage Loan Repurchase Losses section and Note 8 (Mortgage Banking Activities) to Financial Statements in this Report.

We engage in trading activities primarily to accommodate the investment activities of our customers, execute economic hedging to manage certain of our balance sheet risks and for a very limited amount of proprietary trading for our own account. Net gains (losses) from trading activities, which reflect unrealized changes in fair value of our trading positions and realized gains and losses, were $570 million in first quarter 2013 and $640 million in first quarter 2012. The year-over-year decrease was driven by lower gains on deferred compensation plan investments (offset in employee benefits expense) and lower hedging gains. Net gains (losses) from trading activities do not include interest and dividend income on trading securities. Those amounts are reported within net interest income from trading assets. Proprietary trading generated $4 million of net gains in first quarter 2013 and $15 million of net gains in first quarter 2012. Proprietary trading results also included interest and fees reported in their corresponding income statement line items. Proprietary trading activities are not significant to our client-focused business model.

Net gains on debt and equity securities totaled $158 million for first quarter 2013 and $357 million for first quarter 2012, after other-than-temporary impairment (OTTI) write-downs of $78 million for first quarter 2013 and $65 million for first quarter 2012.

Table of Contents

Noninterest Expense

Table 3: Noninterest Expense

(in millions)	Quarter ended Mar. 31, 2013	2012	% Change
Salaries	**$ 3,663**	3,601	2%
Commission and incentive compensation	**2,577**	2,417	7
Employee benefits	**1,583**	1,608	(2)
Equipment	**528**	557	(5)
Net occupancy	**719**	704	2
Core deposit and other intangibles	**377**	419	(10)
FDIC and other deposit assessments	**292**	357	(18)
Outside professional services	**535**	594	(10)
Operating losses	**157**	477	(67)
Foreclosed assets	**195**	304	(36)
Contract services	**207**	303	(32)
Outside data processing	**233**	216	8
Travel and entertainment	**213**	202	5
Postage, stationery and supplies	**199**	216	(8)
Advertising and promotion	**105**	122	(14)
Telecommunications	**123**	124	(1)
Insurance	**137**	157	(13)
Operating leases	**48**	28	71
All other	**509**	587	(13)
Total	**$ 12,400**	12,993	(5)

Noninterest expense was $12.4 billion in first quarter 2013, down 5% from $13.0 billion a year ago, predominantly due to lower operating losses, a reduction in foreclosed assets expense, lower contract services and lower merger costs resulting from the completion of Wachovia merger integration activities in the prior year ($218 million in first quarter 2012).

Personnel expenses were up $197 million, or 3%, in first quarter 2013 compared with the same quarter last year, largely due to annual salary increases and related salary taxes, higher revenue-based compensation, and increased staffing primarily in our mortgage business. These increases were partially offset by the impact of one less day in first quarter 2013 and lower deferred compensation expense (offset in trading income).

The completion of Wachovia integration activities in the prior year significantly contributed to year-over-year reductions in outside professional services, contract services, advertising and promotion, and all other expense. Excluding integration-related reductions, outside professional services expense declined due to lower costs associated with regulatory-driven mortgage servicing and foreclosure matters.

Operating losses were down $320 million, or 67%, in first quarter 2013 compared with the prior year, mostly due to lower mortgage-related litigation charges, including the February 2012 settlement related to mortgage industry servicing and foreclosure practices.

Foreclosed assets expense was down $109 million, or 36%, in first quarter 2013 compared with the same quarter last year, mainly due to lower write-downs and higher gains on sale of foreclosed properties.

The Company continued to operate within its targeted efficiency ratio range of 55 to 59%, with a ratio of 58.3% in first

quarter 2013, compared with 60.1% in the prior year. We expect second quarter 2013 expenses to decline from first quarter 2013 and to remain within the target efficiency range.

Income Tax Expense

Our effective tax rate was 31.9% and 35.4% for first quarter 2013 and 2012, respectively. The lower effective tax rate in first quarter 2013 reflected tax benefits from the realization for tax purposes of a previously written down investment as well as a reduction in accruals for uncertain tax positions. Absent additional discrete benefits in 2013, we expect the effective income tax rate for the full year 2013 to be higher than the effective income tax rate for first quarter 2013.

Table of Contents

Earnings Performance ***(continued)***

Operating Segment Results

We are organized for management reporting purposes into three operating segments: Community Banking; Wholesale Banking; and Wealth, Brokerage and Retirement. These segments are defined by product type and customer segment and their results are based on our management accounting process, for which there is no comprehensive, authoritative financial accounting guidance equivalent to generally accepted accounting principles

(GAAP). In first quarter 2012, we modified internal funds transfer rates and the allocation of funding. Table 4 and the following discussion present our results by operating segment. For a more complete description of our operating segments, including additional financial information and the underlying management accounting process, see Note 18 (Operating Segments) to Financial Statements in this Report.

Table 4: Operating Segment Results Highlights

(in billions)	Community Banking		Wholesale Banking		Wealth, Brokerage and Retirement		Other (1)		Consolidated Company	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Quarter ended March 31,										
Revenue	$ **12.9**	13.4	**6.1**	6.0	**3.2**	3.1	**(0.9)**	(0.9)	**21.3**	21.6
Provision (reversal of provision) for credit losses	**1.3**	1.9	**(0.1)**	0.1	**-**	-	**-**	-	**1.2**	2.0
Noninterest expense	**7.4**	7.8	**3.1**	3.1	**2.6**	2.5	**(0.7)**	(0.4)	**12.4**	13.0
Net income	**2.9**	2.3	**2.0**	1.9	**0.3**	0.3	**(0.1)**	(0.3)	**5.2**	4.2
Average loans	**498.9**	486.1	**284.5**	268.6	**43.8**	42.5	**(29.1)**	(28.6)	**798.1**	768.6
Average core deposits	**619.2**	575.2	**224.1**	220.9	**149.4**	135.6	**(66.8)**	(61.2)	**925.9**	870.5

(1) Includes Wachovia integration expenses, through completion in the first quarter of 2012, and the elimination of items that are included in both Community Banking and Wealth, Brokerage and Retirement, largely representing services and products for wealth management customers provided in Community Banking stores.

Community Banking offers a complete line of diversified financial products and services for consumers and small businesses. These products include investment, insurance and trust services in 39 states and D.C., and mortgage and home equity loans in all 50 states and D.C. through its Regional Banking and Wells Fargo Home Lending business units. Cross-sell of our products is an important part of our strategy to achieve our vision to satisfy all our customers financial needs. Our retail bank household cross-sell was 6.10 products per household in February 2013, up from 5.98 in February 2012. We believe there is more opportunity for cross-sell as we continue to earn more business from our customers. Our goal is eight products per customer, which is approximately half of our estimate of potential demand for an average U.S. household. As of February 2013, one of every four of our retail banking households had eight or more of our products.

Community Banking reported net income of $2.9 billion, up $576 million, or 25%, from first quarter 2012. Revenue of $12.9 billion decreased $522 million, or 4%, from first quarter 2012 primarily due to lower net interest income, equity gains, and volume-related mortgage banking revenue. Average core deposits increased $44 billion, or 8%, from first quarter 2012. Primary consumer checking customers as of February 2013

(customers who actively use their checking account with transactions such as debit card purchases, online bill payments, and direct deposit) were up a net 2% from February 2012. Noninterest expense declined $448 million, or 6%, from first quarter 2012, largely the result of lower operating losses. The provision for credit losses was $616 million lower than a year ago due to improved portfolio performance and included a $144 million allowance release compared with a $300 million allowance release a year ago.

Wholesale Banking provides financial solutions to businesses across the United States and globally with annual sales generally

in excess of $20 million. Products and business segments include Middle Market Commercial Banking, Government and Institutional Banking, Corporate Banking, Commercial Real Estate, Treasury Management, Wells Fargo Capital Finance, Insurance, International, Real Estate Capital Markets, Commercial Mortgage Servicing, Corporate Trust, Equipment Finance, Wells Fargo Securities, Principal Investments, Asset Backed Finance, and Asset Management.

Wholesale Banking reported net income of $2.0 billion, up $177 million, or 9%, from first quarter 2012 driven by a lower provision for loan losses as a result of improved credit performance. Revenue increased $53 million, or 1%, from first quarter 2012 primarily driven by increased noninterest income from broad-based business growth. Average loans of $284.5 billion increased $15.9 billion, or 6%, from first quarter 2012, driven by strong customer demand. Average core deposits of $224.1 billion increased $3.2 billion, or 1%, from first quarter 2012 reflecting continued customer liquidity. Noninterest expense increased $37 million, or 1%, from first quarter 2012 due to higher personnel expense related to growing the business and higher non-personnel expenses related to growth initiatives and compliance and regulatory requirements. The provision for credit losses decreased $153 million from first quarter 2012 due to a $203 million reduction in credit losses which was partially offset by a lower level of allowance release. The first quarter 2013 provision included a $50 million allowance release, compared with a $100 million allowance release a year ago.

Wealth, Brokerage and Retirement provides a full range of financial advisory services to clients using a planning approach to meet each client s needs. Wealth Management provides affluent and high net worth clients with a complete range of wealth management solutions, including financial planning, private banking, credit, investment management and trust. Abbot Downing, a Wells Fargo business, provides

Table of Contents

comprehensive wealth management services to ultra high net worth families and individuals as well as their endowments and foundations. Brokerage serves customers advisory, brokerage and financial needs as part of one of the largest full-service brokerage firms in the United States. Retirement is a national leader in providing institutional retirement and trust services (including 401(k) and pension plan record keeping) for businesses, retail retirement solutions for individuals, and reinsurance services for the life insurance industry.

Wealth, Brokerage and Retirement reported net income of $337 million in first quarter 2013, up 14%, from first quarter 2012 driven by strong growth in asset-based fees and higher brokerage transaction revenue. Total revenue was up 4%, from first quarter 2012 on higher noninterest income. Excluding $36 million in lower gains on deferred compensation plan investments (offset in compensation expense), revenue was up

6% from first quarter 2012, predominantly due to strong growth in asset-based fees from improved market performance and growing market share, as well as higher brokerage transaction revenue, partially offset by lower net interest income and reduced securities gains in the brokerage business. Average core deposits of $149.4 billion grew 10% from first quarter 2012. Noninterest expense increased 4% from first quarter 2012 driven by higher personnel expenses, primarily broker commissions due to higher production levels, partially offset by lower deferred compensation expense (offset in trading income). Apart from the $33 million decrease in deferred compensation, noninterest expense increased 5% from first quarter 2012. Total provision for credit losses decreased $29 million from first quarter 2012, including a $6 million allowance release in first quarter 2013.

Balance Sheet Analysis

At March 31, 2013, our assets totaled $1.4 trillion, up $13.7 billion from December 31, 2012. The predominant areas of asset growth were in securities available for sale, which increased $13.0 billion, and federal funds sold and short-term investments, which increased $6.5 billion, partially offset by a $5.6 billion decrease in cash and due from banks. Deposit growth of $7.9 billion and total equity growth of $4.5 billion from December 31, 2012 were the predominant sources of funding our asset growth for first quarter 2013. The deposit growth resulted in an increase in the proportion of interest-bearing deposits and equity growth benefited heavily from $3.6 billion in earnings, net of dividends paid, as well as $625 million from issuance of preferred stock. The strength of our business model produced record earnings and continued internal capital

generation as reflected in our capital ratios, all of which improved from December 31, 2012. Tier 1 capital as a percentage of total risk-weighted assets increased to 11.80%, total capital increased to 14.76%, Tier 1 leverage increased to 9.53%, and Tier 1 common equity increased to 10.39% at March 31, 2013, compared with 11.75%, 14.63%, 9.47%, and 10.12%, respectively, at December 31, 2012.

The following discussion provides additional information about the major components of our balance sheet. Information regarding our capital and changes in our asset mix is included in the Earnings Performance Net Interest Income and Capital Management sections and Note 19 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report.

Securities Available for Sale

Table 5: Securities Available for Sale Summary

	March 31, 2013	December 31, 2012

(in millions)		**Cost**	**Net unrealized gain**	**Fair value**	Cost	Net unrealized gain	Fair value
Debt securities available for sale	**$**	**234,727**	**10,654**	**245,381**	220,946	11,468	232,414
Marketable equity securities		**2,263**	**516**	**2,779**	2,337	448	2,785
Total securities available for sale	**$**	**236,990**	**11,170**	**248,160**	223,283	11,916	235,199

Table 5 presents a summary of our securities available-for-sale portfolio, which consists of both debt and marketable equity securities. The total net unrealized gains on securities available for sale were $11.2 billion at March 31, 2013, down from net unrealized gains of $11.9 billion at December 31, 2012, due mostly to an increase in long-term rates.

The size and composition of the available-for-sale portfolio is largely dependent upon the Company s liquidity and interest rate risk management objectives. Our business generates assets and liabilities, such as loans, deposits and long-term debt, which have different maturities, yields, re-pricing, prepayment characteristics and other provisions that expose us to interest

rate and liquidity risk. The available-for-sale securities portfolio consists primarily of liquid, high quality federal agency debt, privately issued mortgage-backed securities (MBS), securities issued by U.S. states and political subdivisions and corporate debt securities. Due to its highly liquid nature, the available-for-sale portfolio can be used to meet funding needs that arise in the normal course of business or due to market stress. Changes in our interest rate risk profile may occur due to changes in overall economic or market conditions that could influence drivers such as loan origination demand, prepayment speeds, or deposit balances and mix. In response, the available-for-sale securities portfolio can be rebalanced to meet the Company s interest rate

Table of Contents

Balance Sheet Analysis ***(continued)***

risk management objectives. In addition to meeting liquidity and interest rate risk management objectives, the available-for-sale securities portfolio may provide yield enhancement over other short-term assets. See the Risk Management Asset/Liability Management section of this Report for more information on liquidity and interest rate risk.

We analyze securities for OTTI quarterly or more often if a potential loss-triggering event occurs. Of the $78 million in OTTI write-downs recognized in first quarter 2013, $34 million related to debt securities. There was $4 million in OTTI write-downs for marketable equity securities and $40 million in OTTI write-downs related to nonmarketable equity investments. For a discussion of our OTTI accounting policies and underlying considerations and analysis see Note 1 (Summary of Significant Accounting Policies Investments) in our 2012 Form 10-K and Note 4 (Securities Available for Sale) to Financial Statements in this Report.

At March 31, 2013, debt securities available for sale included $40.5 billion of municipal bonds, of which 83% were rated A- or better based predominantly on external and, in some cases, internal ratings. Additionally, some of the securities in our total municipal bond portfolio are guaranteed against loss by bond insurers. These guaranteed bonds are predominantly investment grade and were generally underwritten in accordance with our own investment standards prior to the determination to purchase, without relying on the bond insurer s guarantee in making the investment decision. Our municipal bond holdings are monitored as part of our ongoing impairment analysis of our securities available for sale.

The weighted-average expected maturity of debt securities available for sale was 6.2 years at March 31, 2013. Because 57% of this portfolio is MBS, the expected remaining maturity is shorter than the remaining contractual maturity because borrowers generally have the right to prepay obligations before the underlying mortgages mature. The estimated effects of a 200 basis point increase or decrease in interest rates on the fair value and the expected remaining maturity of the MBS available for sale are shown in Table 6.

Table 6: Mortgage-Backed Securities

(in billions)	Fair value	Net unrealized gain (loss)	Expected remaining maturity (in years)
At March 31, 2013			
Actual	$ 140.7	6.8	4.3
Assuming a 200 basis point:			
Increase in interest rates	129.1	(4.8)	5.9
Decrease in interest rates	144.3	10.4	2.9

See Note 4 (Securities Available for Sale) to Financial Statements in this Report for securities available for sale by security type.

Table of Contents

Loan Portfolio

Total loans were $800.0 billion at March 31, 2013, up $392 million from December 31, 2012. Table 7 provides a summary of total outstanding loans for our commercial and consumer loan portfolios. Excluding the runoff in the non-strategic/liquidating portfolios of $3.7 billion, loans in the core portfolio grew $4.1 billion from December 31, 2012. Our core loan growth in 2013 included:

- a $916 million increase in the commercial segment, which was attributed to growth in the foreign loans portfolio.
- a $3.1 billion increase in consumer loans with growth in first mortgage, which included the retention of $3.4 billion of 1-4 family conforming first mortgages.

Additional information on the non-strategic and liquidating loan portfolios is included in Table 12 in the Risk Management Credit Risk Management section of this Report.

Table 7: Loan Portfolios

		March 31, 2013			December 31, 2012		
(in millions)	**Core**	**Liquidating**	**Total**	Core	Liquidating	Total
Commercial	**$ 358,944**	**2,770**	**361,714**	358,028	3,170	361,198
Consumer	**350,131**	**88,121**	**438,252**	346,984	91,392	438,376
Total loans	**$ 709,075**	**90,891**	**799,966**	705,012	94,562	799,574

A discussion of average loan balances and a comparative detail of average loan balances is included in Table 1 under Earnings Performance Net Interest Income earlier in this Report. Additional information on total loans outstanding by portfolio segment and class of financing receivable is included in the Risk Management Credit Risk Management section in

this Report. Period-end balances and other loan related information are in Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Table 8 shows contractual loan maturities for loan categories normally not subject to regular periodic principal reduction and sensitivities of those loans to changes in interest rates.

Table 8: Maturities for Selected Commercial Loan Categories

			March 31, 2013				December 31, 2012	
(in millions)	**Within one year**	**After one year through five years**	**After five years**	**Total**	Within one year	After one year through five years	After five years	Total

Selected loan maturities:								
Commercial and industrial	**$ 43,876**	**122,745**	**19,002**	**185,623**	45,212	123,578	18,969	187,759
Real estate mortgage	**22,003**	**57,296**	**26,820**	**106,119**	22,328	56,085	27,927	106,340
Real estate construction	**6,994**	**8,406**	**1,250**	**16,650**	7,685	7,961	1,258	16,904
Foreign	**29,115**	**9,171**	**2,634**	**40,920**	27,219	7,460	3,092	37,771
Total selected loans	**$ 101,988**	**197,618**	**49,706**	**349,312**	102,444	195,084	51,246	348,774
Distribution of loans due after one year to changes in interest rates:								
Loans at fixed interest rates		**$ 21,347**	**12,256**			20,894	11,387	
Loans at floating/variable interest rates		**176,271**	**37,450**			174,190	39,859	
Total selected loans		**$ 197,618**	**49,706**			195,084	51,246	

Table of Contents

Balance Sheet Analysis ***(continued)***

Deposits

Deposits totaled $1.0 trillion at March 31, 2013, and December 31, 2012. Table 9 provides additional information regarding deposits. Information regarding the impact of deposits on net interest income and a comparison of average deposit balances

is provided in Earnings Performance Net Interest Income and Table 1 earlier in this Report. Total core deposits were $939.9 billion at March 31, 2013, down $5.8 billion from $945.7 billion at December 31, 2012.

Table 9: Deposits

($ in millions)	**Mar. 31, 2013**	**% of total deposits**	Dec. 31, 2012	% of total deposits	% Change
Noninterest-bearing	**$ 278,909**	**28 %**	$ 288,207	29 %	(3)
Interest-bearing checking	**44,536**	**4**	35,275	4	26
Market rate and other savings	**527,487**	**52**	517,464	52	2
Savings certificates	**54,482**	**5**	55,966	6	(3)
Foreign deposits (1)	**34,520**	**4**	48,837	4	(29)
Core deposits	**939,934**	**93**	945,749	95	(1)
Other time and savings deposits	**40,249**	**4**	33,755	3	19
Other foreign deposits	**30,550**	**3**	23,331	2	31
Total deposits	**$ 1,010,733**	**100 %**	$ 1,002,835	100 %	1

(1) Reflects Eurodollar sweep balances included in core deposits.

Fair Valuation of Financial Instruments

We use fair value measurements to record fair value adjustments to certain financial instruments and to determine fair value disclosures. See our 2012 Form 10-K for a description of our critical accounting policy related to fair valuation of financial instruments and a discussion of our fair value measurement techniques.

Table 10 presents the summary of the fair value of financial instruments recorded at fair value on a recurring basis, and the amounts measured using significant Level 3 inputs (before derivative netting adjustments). The fair value of the remaining assets and liabilities were measured using valuation methodologies involving market-based or market-derived information (collectively Level 1 and 2 measurements).

Table 10: Fair Value Level 3 Summary

($ in billions)	**March 31, 2013** **Total balance**	**Level 3** (1)	December 31, 2012 Total balance	Level 3 (1)
Assets carried at fair value	**$ 373.8**	**41.8**	358.7	51.9
As a percentage of total assets	**26 %**	**3**	25	4
Liabilities carried at fair value	**$ 23.0**	**3.2**	22.4	3.1
As a percentage of total liabilities	**2 %**	*	2	*

* Less than 1%.

(1) Before derivative netting adjustments.

See Note 13 (Fair Values of Assets and Liabilities) to Financial Statements in this Report for additional information regarding our use of fair valuation of financial instruments, our related measurement techniques and the impact to our financial statements.

Table of Contents

Off-Balance Sheet Arrangements

In the ordinary course of business, we engage in financial transactions that are not recorded in the balance sheet, or may be recorded in the balance sheet in amounts that are different from the full contract or notional amount of the transaction. These transactions are designed to (1) meet the financial needs of customers, (2) manage our credit, market or liquidity risks, (3) diversify our funding sources, and/or (4) optimize capital.

Off-Balance Sheet Transactions with Unconsolidated Entities

We routinely enter into various types of on- and off-balance sheet transactions with special purpose entities (SPEs), which are corporations, trusts or partnerships that are established for a limited purpose. Generally, SPEs are formed in connection with securitization transactions. For more information on securitizations, including sales proceeds and cash flows from securitizations, see Note 7 (Securitizations and Variable Interest Entities) to Financial Statements in this Report.

Risk Management

As a financial institution we must manage and control a variety of business risks that can significantly affect our financial performance. Among the key risks that we must manage are credit risks, asset/liability interest rate and market risks, and operational risks. For more information about how we managed credit, asset/liability interest rate and market risks, see the Risk Management section in our 2012 Form 10-K. The discussion that follows provides an update regarding these risks.

Operational Risk Management

Effective management of operational risks, which include risks relating to management information systems, security systems, and information security, is also an important focus for financial institutions such as Wells Fargo. Wells Fargo and reportedly other financial institutions continue to be the target of various denial-of-service or other cyber attacks as part of what appears to be a coordinated effort to disrupt the operations of financial institutions and potentially test their cybersecurity in advance of future and more advanced cyber attacks. To date Wells Fargo has not experienced any material losses relating to these or other cyber attacks. Cybersecurity and the continued development and enhancement of our controls, processes and systems to protect our networks, computers, software, and data from attack, damage or unauthorized access remain a priority for Wells Fargo. See the Risk Factors section in our 2012 Form 10-K for additional information regarding the risks associated with a failure or breach of our operational or security systems or infrastructure, including as a result of cyber attacks.

Credit Risk Management

Loans represent the largest component of assets on our balance sheet and their related credit risk is a significant risk we manage. We define credit risk as the risk of loss associated with a borrower or counterparty default (failure to meet obligations in accordance with agreed upon terms). Table 11 presents our total loans outstanding by portfolio segment and class of financing receivable.

Table 11: Total Loans Outstanding by Portfolio Segment and Class of Financing Receivable

(in millions)		Mar. 31, 2013	Dec. 31, 2012
Commercial:			
Commercial and industrial	$	**185,623**	187,759
Real estate mortgage		**106,119**	106,340
Real estate construction		**16,650**	16,904
Lease financing		**12,402**	12,424
Foreign (1)		**40,920**	37,771
Total commercial		**361,714**	361,198
Consumer:			
Real estate 1-4 family first mortgage		**252,307**	249,900
Real estate 1-4 family junior lien mortgage		**72,543**	75,465
Credit card		**24,120**	24,640
Automobile		**47,259**	45,998
Other revolving credit and installment		**42,023**	42,373
Total consumer		**438,252**	438,376
Total loans	$	**799,966**	799,574

(1) Substantially all of our foreign loan portfolio is commercial loans. Loans are classified as foreign if the borrower s primary address is outside of the United States.

Table of Contents

Risk Management Credit Risk Management *(continued)*

Non-Strategic and Liquidating Loan Portfolios We continually evaluate and modify our credit policies to address appropriate levels of risk. We may designate certain portfolios and loan products as non-strategic or liquidating to cease their continued origination as we actively work to limit losses and reduce our exposures.

Table 12 identifies our non-strategic and liquidating loan portfolios. They consist primarily of the Pick-a-Pay mortgage portfolio and PCI loans acquired from Wachovia, certain portfolios from legacy Wells Fargo Home Equity and Wells

Fargo Financial, and our education finance government guaranteed loan portfolio. The total balance of our non-strategic and liquidating loan portfolios has decreased 52% since the merger with Wachovia at December 31, 2008, and decreased 4% from the end of 2012.

The home equity portfolio of loans generated through third party channels is designated as liquidating. Additional information regarding this portfolio, as well as the liquidating PCI and Pick-a-Pay loan portfolios, is provided in the discussion of loan portfolios that follows.

Table 12: Non-Strategic and Liquidating Loan Portfolios

		Outstanding balance		
(in millions)		**Mar. 31, 2013**	December 31, 2012	2008
Commercial:				
Legacy Wachovia commercial and industrial, CRE and foreign PCI loans (1)	**$**	**2,770**	3,170	18,704
Total commercial		**2,770**	3,170	18,704
Consumer:				
Pick-a-Pay mortgage (1)		**56,608**	58,274	95,315
Liquidating home equity		**4,421**	4,647	10,309
Legacy Wells Fargo Financial indirect auto		**593**	830	18,221
Legacy Wells Fargo Financial debt consolidation		**14,115**	14,519	25,299
Education Finance - government guaranteed		**11,922**	12,465	20,465
Legacy Wachovia other PCI loans (1)		**462**	657	2,478
Total consumer		**88,121**	91,392	172,087
Total non-strategic and liquidating loan portfolios	**$**	**90,891**	94,562	190,791

(1) Net of purchase accounting adjustments related to PCI loans.

PURCHASED CREDIT-IMPAIRED (PCI) LOANS Loans acquired with evidence of credit deterioration since their origination and where it is probable that we will not collect all contractually required principal and interest payments are PCI loans. PCI loans are recorded at fair value at the date of acquisition, and the historical allowance for credit losses related to these loans is not carried over. The carrying value of PCI loans totaled $29.7 billion at March 31, 2013, down from $31.0 billion and $58.8 billion at December 31, 2012 and 2008, respectively. Such loans are considered to be accruing due to the existence of the accretable yield and not based on consideration given to contractual interest payments. Substantially all of our PCI loans were acquired in the Wachovia acquisition on December 31, 2008. For additional information on PCI loans, see the Risk Management Credit Risk Management Purchased Credit-Impaired Loans section in our 2012 Form 10-K and Note 5 (Loans and

Allowance for Credit Losses) to Financial Statements in this Report.

During first quarter 2013, we recognized as income $35 million released from the nonaccretable difference related to commercial PCI loans due to payoffs and other resolutions. We also transferred $31 million from the nonaccretable difference to the accretable yield for PCI loans with improving credit-related cash flows and absorbed $412 million of losses in the nonaccretable difference from loan resolutions and write-downs. Our cash flows expected to be collected have been favorably affected by lower expected defaults and losses as a result of observed economic strengthening, particularly in housing prices, and our loan modification efforts. See the Real Estate 1-4 Family First and Junior Lien Mortgage Loans section in this Report for additional information. Table 13 provides an analysis of changes in the nonaccretable difference.

Table of Contents

Table 13: Changes in Nonaccretable Difference for PCI Loans

(in millions)	Commercial	Pick-a-Pay	Other consumer	Total
Balance, December 31, 2008	$ 10,410	26,485	4,069	40,964
Addition of nonaccretable difference due to acquisitions	195	-	-	195
Release of nonaccretable difference due to:				
Loans resolved by settlement with borrower (1)	(1,426)	-	-	(1,426)
Loans resolved by sales to third parties (2)	(303)	-	(85)	(388)
Reclassification to accretable yield for loans with improving credit-related cash flows (3)	(1,531)	(3,031)	(792)	(5,354)
Use of nonaccretable difference due to:				
Losses from loan resolutions and write-downs (4)	(6,923)	(17,222)	(2,882)	(27,027)
Balance, December 31, 2012	**422**	**6,232**	**310**	**6,964**
Addition of nonaccretable difference due to acquisitions	**-**	**-**	**-**	**-**
Release of nonaccretable difference due to:				
Loans resolved by settlement with borrower (1)	**(30)**	**-**	**-**	**(30)**
Loans resolved by sales to third parties (2)	**(5)**	**-**	**-**	**(5)**
Reclassification to accretable yield for loans with improving credit-related cash flows (3)	**(31)**	**-**	**-**	**(31)**
Use of nonaccretable difference due to:				
Losses from loan resolutions and write-downs (4)	**(20)**	**(345)**	**(47)**	**(412)**
Balance, March 31, 2013	**$ 336**	**5,887**	**263**	**6,486**

(1) Release of the nonaccretable difference for settlement with borrower, on individually accounted PCI loans, increases interest income in the period of settlement. Pick-a-Pay and Other consumer PCI loans do not reflect nonaccretable difference releases for settlements with borrowers due to pool accounting for those loans, which assumes that the amount received approximates the pool performance expectations.
(2) Release of the nonaccretable difference as a result of sales to third parties increases noninterest income in the period of the sale.
(3) Reclassification of nonaccretable difference to accretable yield for loans with increased cash flow estimates will result in increased interest income as a prospective yield adjustment over the remaining life of the loan or pool of loans.
(4) Write-downs to net realizable value of PCI loans are absorbed by the nonaccretable difference when severe delinquency (normally 180 days) or other indications of severe borrower financial stress exist that indicate there will be a loss of contractually due amounts upon final resolution of the loan.

Since December 31, 2008, we have released $7.2 billion in nonaccretable difference, including $5.4 billion transferred from the nonaccretable difference to the accretable yield and $1.8 billion released to income through loan resolutions. Also, we have provided $1.8 billion for losses on certain PCI loans or pools of PCI loans that have had credit-related decreases to cash flows expected to be collected. The net result is a $5.4 billion reduction from December 31, 2008, through March 31, 2013, in our initial projected losses of $41.0 billion on all PCI loans.

At March 31, 2013, the allowance for credit losses on certain PCI loans was $80 million. The allowance is necessary to absorb credit-related decreases in cash flows expected to be collected and primarily relates to individual PCI commercial loans. Table 14 analyzes the actual and projected loss results on PCI loans since acquisition through March 31, 2013.

For additional information on PCI loans, see Note 1 (Summary of Significant Accounting Policies Loans) in our 2012 Form 10-K and Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Table 14: Actual and Projected Loss Results on PCI Loans Since Acquisition of Wachovia

(in millions)	Commercial	Pick-a-Pay	Other consumer	Total
Release of nonaccretable difference due to:				
Loans resolved by settlement with borrower (1)	$ 1,456	-	-	1,456
Loans resolved by sales to third parties (2)	308	-	85	393
Reclassification to accretable yield for loans with improving credit-related cash flows (3)	1,562	3,031	792	5,385
Total releases of nonaccretable difference due to better than expected losses	3,326	3,031	877	7,234
Provision for losses due to credit deterioration (4)	(1,661)	-	(123)	(1,784)
Actual and projected losses on PCI loans less than originally expected	$ 1,665	3,031	754	5,450

(1) Release of the nonaccretable difference for settlement with borrower, on individually accounted PCI loans, increases interest income in the period of settlement. Pick-a-Pay and Other consumer PCI loans do not reflect nonaccretable difference releases for settlements with borrowers due to pool accounting for those loans, which assumes that the amount received approximates the pool performance expectations.
(2) Release of the nonaccretable difference as a result of sales to third parties increases noninterest income in the period of the sale.
(3) Reclassification of nonaccretable difference to accretable yield for loans with increased cash flow estimates will result in increased interest income as a prospective yield adjustment over the remaining life of the loan or pool of loans.
(4) Provision for additional losses is recorded as a charge to income when it is estimated that the cash flows expected to be collected for a PCI loan or pool of loans may not support full realization of the carrying value.

Table of Contents

Risk Management Credit Risk Management *(continued)*

Significant Portfolio Reviews Measuring and monitoring our credit risk is an ongoing process that tracks delinquencies, collateral values, FICO scores, economic trends by geographic areas, loan-level risk grading for certain portfolios (typically commercial) and other indications of credit risk. Our credit risk monitoring process is designed to enable early identification of developing risk and to support our determination of an appropriate allowance for credit losses. The following discussion provides additional characteristics and analysis of our significant portfolios. See Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for more analysis and credit metric information.

COMMERCIAL AND INDUSTRIAL LOANS AND LEASE FINANCING For purposes of portfolio risk management, we aggregate commercial and industrial loans and lease financing according to market segmentation and standard industry codes. Table 15 summarizes commercial and industrial loans and lease financing by industry with the related nonaccrual totals. We generally subject commercial and industrial loans and lease financing to individual risk assessment using our internal borrower and collateral quality ratings. Our ratings are aligned to regulatory definitions of pass and criticized categories with criticized divided between special mention, substandard and doubtful categories.

The commercial and industrial loans and lease financing portfolio, which totaled $198.0 billion or 25% of total loans at March 31, 2013, experienced credit improvement in first quarter 2013. The annualized net charge-off rate for this portfolio declined to 0.19% in first quarter 2013 from 0.44% in fourth quarter 2012 and 0.46% for the full year of 2012. At March 31, 2013, 0.62% of this portfolio was nonaccruing compared with 0.72% at December 31, 2012. In addition, $18.6 billion of this portfolio was criticized at March 31, 2013, down from $19.0 billion at December 31, 2012.

A majority of our commercial and industrial loans and lease financing portfolio is secured by short-term assets, such as accounts receivable, inventory and securities, as well as long-lived assets, such as equipment and other business assets. Generally, the collateral securing this portfolio represents a secondary source of repayment. See Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for additional credit metric information.

Table 15: Commercial and Industrial Loans and Lease Financing by Industry

		March 31, 2013	
(in millions)	Nonaccrual loans	Total portfolio (1)	% of total loans
Investors	$ 1	13,754	2 %
Oil and gas	43	13,672	2
Cyclical retailers	30	13,431	2
Financial institutions	71	12,399	2
Food and beverage	42	11,678	1
Healthcare	43	10,122	1
Industrial equipment	46	9,975	1
Real estate lessor	32	8,312	1
Technology	14	7,063	1
Transportation	12	6,502	1
Business services	29	6,010	1
Securities firms	58	5,113	*
Other	797	79,994 (2)	10
Total	$ 1,218	198,025	25 %

* Less than 1%.
(1) Includes $191.2 million PCI loans, which are considered to be accruing due to the existence of the accretable yield and not based on consideration given to contractual interest payments.
(2) No other single category had loans in excess of $5.1 billion.

At the time of any modification of terms or extensions of maturity, we evaluate whether the loan should be classified as a TDR, and account for it accordingly. For more information on TDRs, see Troubled Debt Restructurings later in this section and Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

COMMERCIAL REAL ESTATE (CRE) The CRE portfolio totaled $122.8 billion, or 15%, of total loans at March 31, 2013, and consisted of $16.7 billion of CRE construction loans and $106.1 billion of CRE mortgage loans. Table 16 summarizes CRE loans by state and property type with the related nonaccrual totals. The portfolio is diversified both geographically and by property type. The largest geographic concentrations of combined CRE loans are in California and Florida, which represented 27% and 9% of the total CRE portfolio, respectively. By property type, the largest concentrations are office buildings at 26% and retail (excluding shopping centers) at 10% of the portfolio. CRE nonaccrual loans totaled 3.2% of the CRE outstanding balance at March 31, 2013 compared with 3.5% at December 31, 2012. At March 31, 2013, we had $17.2 billion of criticized CRE mortgage loans, down from $18.8 billion at December 31, 2012, and $3.4 billion of criticized CRE construction loans, down from $4.5 billion at December 31, 2012. See Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for additional information on criticized loans.

At March 31, 2013, the recorded investment in PCI CRE loans totaled $2.6 billion, down from $12.3 billion when acquired at December 31, 2008, reflecting the reduction resulting from principal payments, loan resolutions and write-downs.

Table of Contents

Table 16: CRE Loans by State and Property Type

	March 31, 2013						
	Real estate mortgage		Real estate construction				
(in millions)	Nonaccrual loans	Total portfolio (1)	Nonaccrual loans	Total portfolio (1)	Nonaccrual loans	Total Total portfolio (1)	% of total loans
By state:							
California	$ 723	29,490	125	3,047	848	32,537	4 %
Florida	363	9,146	123	1,424	486	10,570	1
Texas	246	8,365	30	1,508	276	9,873	1
New York	34	6,151	1	895	35	7,046	1
North Carolina	213	4,168	50	1,011	263	5,179	1
Arizona	129	4,051	22	469	151	4,520	1
Virginia	75	2,891	16	1,039	91	3,930	1
Georgia	193	3,291	80	507	273	3,798	*
Washington	33	3,017	13	537	46	3,554	*
Colorado	144	2,864	13	484	157	3,348	*
Other	945	32,685	397	5,729	1,342	38,414 (2)	5
Total	$ 3,098	106,119	870	16,650	3,968	122,769	15 %
By property:							
Office buildings	$ 724	31,025	72	1,216	796	32,241	4 %
Retail (excluding shopping center)	380	12,303	40	327	420	12,630	2
Industrial/warehouse	431	12,041	20	528	451	12,569	2
Apartments	153	10,967	18	1,577	171	12,544	2
Real estate - other	356	10,069	47	366	403	10,435	1
Hotel/motel	157	8,732	20	654	177	9,386	1
Shopping center	321	8,454	15	481	336	8,935	1
Land (excluding 1-4 family)	6	73	241	7,851	247	7,924	1
Institutional	87	2,674	-	338	87	3,012	*
Agriculture	150	2,514	-	20	150	2,534	*
Other	333	7,267	397	3,292	730	10,559	1
Total	$ 3,098	106,119	870	16,650	3,968	122,769	15 %

* Less than 1%.

(1) Includes a total of $2.6 billion PCI loans, consisting of $1.8 billion of real estate mortgage and $767 million of real estate construction, which are considered to be accruing due to the existence of the accretable yield and not based on consideration given to contractual interest payments.

(2) Includes 40 states; no state had loans in excess of $2.8 billion.

Table of Contents

Risk Management Credit Risk Management *(continued)*

FOREIGN LOANS AND EUROPEAN EXPOSURE We classify loans as foreign if the borrower s primary address is outside of the United States. At March 31, 2013, foreign loans totaled $40.9 billion, representing approximately 5% of our total consolidated loans outstanding and approximately 3% of our consolidated total assets.

Our foreign country risk monitoring process incorporates frequent dialogue with our foreign financial institution customers, counterparties and regulatory agencies, enhanced by centralized monitoring of macroeconomic and capital markets conditions in the respective countries. We establish exposure limits for each country through a centralized oversight process based on customer needs, and in consideration of relevant economic, political, social, legal, and transfer risks. We monitor exposures closely and adjust our country limits in response to changing conditions.

We evaluate our individual country risk exposure on an ultimate country of risk basis, which is normally based on the country of residence of the guarantor or collateral location. Our largest foreign country exposure on an ultimate risk basis at March 31, 2013, was the United Kingdom, which totaled $15.7 billion, or 1% of our total assets, and included $2.1 billion of sovereign claims. Our United Kingdom sovereign claims arise primarily from deposits we have placed with the Bank of England pursuant to regulatory requirements in support of our London branch.

At March 31, 2013, our Eurozone exposure, including cross-border claims on an ultimate risk basis, and foreign exchange and derivative products, aggregated approximately $11.1 billion, including $206 million of sovereign claims, compared with approximately $10.5 billion at December 31, 2012, which included $232 million of sovereign claims. Our Eurozone exposure is relatively small compared to our overall credit risk exposure and is diverse by country, type, and counterparty.

We conduct periodic stress tests of our significant country risk exposures, analyzing the direct and indirect impacts on the risk of loss from various macroeconomic and capital markets scenarios. We do not have significant exposure to foreign country risks because our foreign portfolio is relatively small. However, we have identified exposure to increased loss from U.S. borrowers associated with the potential impact of a European downturn on the U.S. economy. We mitigate these potential impacts on the risk of loss through our normal risk management processes which include active monitoring and, if necessary, the application of aggressive loss mitigation strategies.

Table 17 provides information regarding our exposures to European sovereign entities and institutions located within such countries, including cross-border claims on an ultimate risk basis, and foreign exchange and derivative products.

Table 17: European Exposure

	Lending (1)(2)		Securities (3)		Derivatives and other (4)		Total exposure		
(in millions)	Sovereign	Non-sovereign	Sovereign	Non-sovereign	Sovereign	Non-sovereign	Sovereign	Non-sovereign (5)	Total
March 31, 2013									
Eurozone									
Netherlands	$ -	2,540	-	309	-	21	-	2,870	2,870
Germany	62	1,557	-	838	-	251	62	2,646	2,708
France	-	412	-	1,229	-	182	-	1,823	1,823
Luxembourg	-	858	-	132	-	5	-	995	995
Ireland	34	715	-	100	-	68	34	883	917
Spain	-	699	-	58	-	8	-	765	765
Austria	106	259	-	2	-	-	106	261	367
Italy	-	223	-	91	-	-	-	314	314

Belgium	-	156	-	22	-	11	-	189	189
Other (6)	-	69	-	29	4	5	4	103	107
Total Eurozone exposure	202	7,488	-	2,810	4	551	206	10,849	11,055
United Kingdom	2,128	4,840	-	8,225	-	520	2,128	13,585	15,713
Other European countries	-	4,332	5	432	9	609	14	5,373	5,387
Total European exposure	$ 2,330	16,660	5	11,467	13	1,680	2,348	29,807	32,155

(1) Lending exposure includes funded loans and unfunded commitments, leveraged leases, and money market placements presented on a gross basis prior to the deduction of impairment allowance and collateral received under the terms of the credit agreements.
(2) Includes $705 million in PCI loans, predominantly to customers in Germany and United Kingdom territories, and $2.4 billion in defeased leases secured predominantly by U.S. Treasury and government agency securities, or government guaranteed.
(3) Represents issuer exposure on cross-border debt and equity securities, held in trading or available-for-sale portfolio, at fair value.
(4) Represents counterparty exposure on foreign exchange and derivative contracts, and securities resale and lending agreements. This exposure is presented net of counterparty netting adjustments and reduced by the amount of cash collateral. It includes credit default swaps (CDS) predominantly used to manage our U.S. and London-based cash credit trading businesses, which sometimes results in selling and purchasing protection on the identical reference entity. Generally, we do not use market instruments such as CDS to hedge the credit risk of our investment or loan positions, although we do use them to manage risk in our trading businesses. At March 31, 2013, the gross notional amount of our CDS sold that reference assets domiciled in Europe was $7.2 billion, which was offset by the notional amount of CDS purchased of $7.3 billion. We did not have any CDS purchased or sold where the reference asset was solely the sovereign debt of a European country. Certain CDS purchased or sold reference pools of assets that contain sovereign debt, however the amount of referenced sovereign European debt was insignificant at March 31, 2013.
(5) Total non-sovereign exposure comprises $13.0 billion exposure to financial institutions and $16.8 billion to non-financial corporations at March 31, 2013.
(6) Includes non-sovereign exposure to Greece, Cyprus and Portugal in the amount of $5 million, $6 million and $28 million, respectively. We had less than $1 million sovereign debt exposure to these countries at March 31, 2013.

Table of Contents

REAL ESTATE 1-4 FAMILY FIRST AND JUNIOR LIEN MORTGAGE LOANS Our real estate 1-4 family first and junior lien mortgage loans primarily include loans we have made to customers and retained as part of our asset liability management strategy. These loans also include the Pick-a-Pay portfolio acquired from Wachovia and the home equity portfolio, which are discussed later in this Report. These loans also include other purchased loans and loans included on our balance sheet due to the adoption of consolidation accounting guidance related to variable interest entities (VIEs).

Our underwriting and periodic review of loans collateralized by residential real property includes appraisals or estimates from automated valuation models (AVMs) to support property values. Additional information about AVMs and our policy for their use can be found in the Risk Management Credit Risk Management Real Estate 1-4 Family Mortgage Loans section in our 2012 Form 10-K.

Some of our real estate 1-4 family first and junior lien mortgage loans include an interest-only feature as part of the loan terms. These interest-only loans were approximately 17% of total loans at March 31, 2013, compared with 18% at December 31, 2012.

We believe we have manageable adjustable-rate mortgage (ARM) reset risk across our owned mortgage loan portfolios. We do not offer option ARM products, nor do we offer variable-rate mortgage products with fixed payment amounts, commonly referred to within the financial services industry as negative amortizing mortgage loans. Our liquidating option ARM portfolio was acquired from Wachovia. Since our acquisition of the Pick-a-Pay loan portfolio at the end of 2008, we have reduced the option payment portion of the portfolio, from 86% to 48% of the portfolio at March 31, 2013. For more information, see the Pick-a-Pay Portfolio section in this Report.

We continue to modify real estate 1-4 family mortgage loans to assist homeowners and other borrowers in the current difficult economic cycle. For more information on our participation in the U.S. Treasury s Making Home Affordable (MHA) programs, see the Risk Management Credit Risk Management Real Estate 1-4 Family Mortgage Loans section in our 2012 Form 10-K.

Real estate 1-4 family first and junior lien mortgage loans by state are presented in Table 18. Our real estate 1-4 family mortgage loans to borrowers in California represented approximately 13% of total loans at March 31, 2013, located mostly within the larger metropolitan areas, with no single California metropolitan area consisting of more than 3% of total loans. We monitor changes in real estate values and underlying economic or market conditions for all geographic areas of our real estate 1-4 family mortgage portfolio as part of our credit risk management process.

We monitor the credit performance of our junior lien mortgage portfolio for trends and factors that influence the frequency and severity of loss. In first quarter 2012, we aligned our nonaccrual reporting so that a junior lien is reported as a nonaccrual loan if the related first lien is 120 days past due or is in the process of foreclosure regardless of the junior lien delinquency status in accordance with Interagency Guidance issued by bank regulators. Also, in third quarter 2012 we aligned our nonaccrual and troubled debt reclassification policies in accordance with guidance in the Office of the Comptroller of the Currency (OCC) update to the Bank Accounting Advisory Series (OCC guidance), which requires consumer loans discharged in bankruptcy to be written down to net realizable collateral value and classified as nonaccrual TDRs, regardless of their delinquency status.

Table of Contents

Risk Management Credit Risk Management *(continued)*

Table 18: Real Estate 1-4 Family First and Junior Lien Mortgage Loans by State

(in millions)	Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Total real estate 1-4 family mortgage	% of total loans
			March 31, 2013	
PCI loans:				
California	$ 16,985	33	17,018	2 %
Florida	2,250	25	2,275	*
New Jersey	1,233	18	1,251	*
Other (1)	5,618	65	5,683	*
Total PCI loans	$ 26,086	141	26,227	3 %
All other loans:				
California	$ 65,902	20,223	86,125	11 %
Florida	15,440	6,524	21,964	3
New York	12,269	3,119	15,388	2
New Jersey	9,833	5,481	15,314	2
Virginia	6,856	3,812	10,668	1
Pennsylvania	6,129	3,411	9,540	1
North Carolina	6,095	3,085	9,180	1
Texas	7,601	1,061	8,662	1
Georgia	4,901	2,854	7,755	1
Other (2)	60,828	22,832	83,660	10
Government insured/guaranteed loans (3)	30,367	-	30,367	4
Total all other loans	$ 226,221	72,402	298,623	37 %
Total	$ 252,307	72,543	324,850	41 %

* Less than 1%.
(1) Consists of 45 states; no state had loans in excess of $710 million.
(2) Consists of 41 states; no state had loans in excess of $7.0 billion.
(3) Represents loans whose repayments are predominantly insured by the FHA or guaranteed by the VA.

Part of our credit monitoring includes tracking delinquency, FICO scores and collateral values (LTV/CLTV) on the entire real estate 1-4 family mortgage loan portfolio. These credit risk indicators, which exclude government insured/guaranteed loans, continued to improve in first quarter 2013 on the non-PCI mortgage portfolio. Loans 30 days or more delinquent at March 31, 2013, totaled $14.2 billion, or 5%, of total non-PCI mortgages, compared with $15.5 billion, or 5%, at December 31, 2012. Loans with FICO scores lower than 640 totaled $36.9 billion at March 31, 2013, or 12% of total non-PCI mortgages, compared with $37.7 billion, or 13%, at December 31, 2012. Mortgages with a LTV/CLTV greater than 100% totaled $55.8 billion at March 31, 2013, or 19% of total non-PCI mortgages, compared with $58.7 billion, or 20%, at December 31, 2012. Information regarding credit risk indicators can be found in Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

22

Table of Contents

Pick-a-Pay Portfolio The Pick-a-Pay portfolio was one of the consumer residential first mortgage portfolios we acquired from Wachovia and a majority of the portfolio was identified as PCI loans.

The Pick-a-Pay portfolio includes loans that offer payment options (Pick-a-Pay option payment loans), and also includes loans that were originated without the option payment feature, loans that no longer offer the option feature as a result of our modification efforts since the acquisition, and loans where the customer voluntarily converted to a fixed-rate product. The Pick-a-Pay portfolio is included in the consumer real estate 1-4 family first mortgage class of loans throughout this Report. Real estate

1-4 family junior lien mortgages and lines of credit associated with Pick-a-Pay loans are reported in the home equity portfolio. Table 19 provides balances by types of loans as of March 31, 2013, as a result of modification efforts, compared to the types of loans included in the portfolio at acquisition. Total PCI Pick-a-Pay loans were $31.1 billion at March 31, 2013, compared with $61.0 billion at acquisition. Modification efforts have predominantly involved option payment PCI loans, which have declined to 19% of the total Pick-a-Pay portfolio at March 31, 2013, compared with 51% at acquisition.

Table 19: Pick-a-Pay Portfolio - Comparison to Acquisition Date

			December 31,			
	March 31, 2013		2012		2008	
(in millions)	**Adjusted unpaid principal balance (1)**	**% of total**	Adjusted unpaid principal balance (1)	% of total	Adjusted unpaid principal balance (1)	% of total
Option payment loans	**$ 29,566**	**48 %**	$ 31,510	49 %	$ 99,937	86 %
Non-option payment adjustable-rate and fixed-rate loans (2)	**8,781**	**14**	8,781	14	15,763	14
Full-term loan modifications	**23,455**	**38**	23,528	37	-	-
Total adjusted unpaid principal balance (2)	**$ 61,802**	**100 %**	$ 63,819	100 %	$ 115,700	100 %
Total carrying value	**$ 56,608**		58,274		95,315	

(1) Adjusted unpaid principal balance includes write-downs taken on loans where severe delinquency (normally 180 days) or other indications of severe borrower financial stress exist that indicate there will be a loss of contractually due amounts upon final resolution of the loan.

(2) Includes loans refinanced under the Consumer Relief Refinance Program.

Pick-a-Pay loans may have fixed or adjustable rates with payment options that include a minimum payment, an interest-only payment or fully amortizing payment (both 15 and 30 year options). Total interest deferred due to negative amortization on Pick-a-Pay loans was $1.2 billion at March 31, 2013, and $1.4 billion at December 31, 2012. Approximately 90% of the Pick-a-Pay customers making a minimum payment in March 2013 did not defer interest, consistent with December 2012.

Deferral of interest on a Pick-a-Pay loan may continue as long as the loan balance remains below a pre-defined principal cap, which is based on the percentage that the current loan balance represents to the original loan balance. Substantially all the Pick-a-Pay portfolio has a cap of 125%

of the original loan balance. Most of the Pick-a-Pay loans on which there is a deferred interest balance re-amortize (the monthly payment amount is reset or recast) on the earlier of the date when the loan balance reaches its principal cap, or generally the 10-year anniversary of the loan. After a recast, the customers new payment terms are reset to the amount necessary to repay the balance over the rest of the original loan term.

Due to the terms of the Pick-a-Pay portfolio, there is little recast risk in the near term. Based on assumptions of a flat rate environment, if all eligible customers elect the minimum payment option 100% of the time and no balances prepay, we would expect the following balances of loans to recast based on reaching the principal cap: $19 million for the remainder of 2013, $46 million in 2014 and $94 million in 2015. In addition, in a flat rate environment, we would expect the following balances of loans to start fully amortizing due to reaching their recast anniversary date: $81 million for the remainder of 2013, $307 million in 2014 and $865 million in 2015. In first quarter 2013, the amount of loans reaching their recast anniversary date and also having a payment change over the annual 7.5% reset was $2 million.

Table 20 reflects the geographic distribution of the Pick-a-Pay portfolio broken out between PCI loans and all other loans. The LTV ratio is a useful metric in predicting future real estate 1-4 family first mortgage loan performance, including potential charge-offs. Because PCI loans were initially recorded at fair value, including write-downs for expected credit losses, the ratio of the carrying value to the current collateral value will be lower compared with the LTV based on the adjusted unpaid principal balance. For informational purposes, we have included both ratios for PCI loans in the following table.

Table of Contents

Risk Management Credit Risk Management *(continued)*

Table 20: Pick-a-Pay Portfolio (1)

			March 31, 2013			
			PCI loans		All other loans	
(in millions)	Adjusted unpaid principal balance (2)	Current LTV ratio (3)	Carrying value (4)	Ratio of carrying value to current value (5)	Carrying value (4)	Ratio of carrying value to current value (5)
California	$ 21,043	109 %	$ 16,971	87 %	$ 15,036	79 %
Florida	2,720	109	2,178	83	3,154	90
New Jersey	1,179	91	1,195	88	1,994	79
New York	684	89	676	84	893	78
Texas	293	78	277	72	1,237	63
Other states	5,159	100	4,468	85	8,529	83
Total Pick-a-Pay loans	$ 31,078		$ 25,765		$ 30,843	

(1) The individual states shown in this table represent the top five states based on the total net carrying value of the Pick-a-Pay loans at the beginning of 2013.

(2) Adjusted unpaid principal balance includes write-downs taken on loans where severe delinquency (normally 180 days) or other indications of severe borrower financial stress exist that indicate there will be a loss of contractually due amounts upon final resolution of the loan.

(3) The current LTV ratio is calculated as the adjusted unpaid principal balance divided by the collateral value. Collateral values are generally determined using automated valuation models (AVM) and are updated quarterly. AVMs are computer-based tools used to estimate market values of homes based on processing large volumes of market data including market comparables and price trends for local market areas.

(4) Carrying value, which does not reflect the allowance for loan losses, includes remaining purchase accounting adjustments, which, for PCI loans may include the nonaccretable difference and the accretable yield and, for all other loans, an adjustment to mark the loans to a market yield at date of merger less any subsequent charge-offs.

(5) The ratio of carrying value to current value is calculated as the carrying value divided by the collateral value.

To maximize return and allow flexibility for customers to avoid foreclosure, we have in place several loss mitigation strategies for our Pick-a-Pay loan portfolio. We contact customers who are experiencing financial difficulty and may in certain cases modify the terms of a loan based on a customer s documented income and other circumstances.

We also have taken steps to work with customers to refinance or restructure their Pick-a-Pay loans into other loan products. For customers at risk, we offer combinations of term extensions of up to 40 years (from 30 years), interest rate reductions, forbearance of principal, and, in geographies with substantial property value declines, we may offer permanent principal forgiveness.

In first quarter 2013, we completed more than 3,300 proprietary and Home Affordability Modification Program (HAMP) Pick-a-Pay loan modifications. We have completed more than 115,000 modifications since the Wachovia acquisition, resulting in $5.3 billion of principal forgiveness to our Pick-a-Pay customers as well as an additional $400 million of conditional forgiveness that can be earned by borrowers through performance over the next three years.

Due to better than expected performance observed on the Pick-a-Pay PCI portfolio compared with the original acquisition estimates, we have reclassified $3.0 billion from the nonaccretable difference to the accretable yield since acquisition. Our cash flows expected to be collected have been favorably affected by lower expected defaults and losses as a result of observed and forecasted economic strengthening, particularly in housing prices, and our loan modification efforts. These factors are expected to reduce the frequency and severity of defaults and keep these loans performing for a longer period, thus increasing future principal and interest cash flows. The resulting increase in the accretable yield will be realized over the remaining life of the portfolio, which is estimated to have a weighted-average

remaining life of approximately 12.3 years at March 31, 2013. The weighted-average remaining life decreased slightly from fourth quarter 2012 due to the passage of time. The accretable yield percentage at March 31, 2013, was 4.70%, unchanged from the end of 2012. Fluctuations in the accretable yield are driven by changes in interest rate indices for variable rate PCI loans, prepayment assumptions, and expected principal and interest payments over the estimated life of the portfolio, which will be affected by the pace and degree of improvements in the U.S. economy and housing markets and projected lifetime performance resulting from loan modification activity. Changes in the projected timing of cash flow events, including loan liquidations, modifications and short sales, can also affect the accretable yield rate and the estimated weighted-average life of the portfolio.

The Pick-a-Pay portfolio includes a significant portion of our PCI loans. For further information on the judgment involved in estimating expected cash flows for PCI loans, see Critical Accounting Policies Purchased Credit-Impaired Loans in our 2012 Form 10-K.

Table of Contents

HOME EQUITY PORTFOLIOS Our home equity portfolios consist of real estate 1-4 family junior lien mortgages and first and junior lines of credit secured by real estate. Our first lien lines of credit represent 21% of our home equity portfolio and are included in real estate 1-4 family first mortgages. The majority of our junior lien loan products are amortizing payment loans with fixed interest rates and repayment periods between 5 to 30 years.

Our first and junior lien lines of credit products generally have a draw period of 10 years with variable interest rates and payment options during the draw period of (1) interest only or (2) 1.5% of total outstanding balance. During the draw period, the borrower has the option of converting all or a portion of the line from a variable interest rate to a fixed rate with terms including interest-only payments for a fixed period between three to seven years or a fully amortizing payment with a fixed period between five to 30 years. At the end of the draw period, a line of credit generally converts to an amortizing payment

schedule with repayment terms of up to 30 years based on the balance at time of conversion. Certain loans have been structured with a balloon payment, which requires full repayment of the outstanding balance at the end of the loan term.

The lines that enter their amortization period may experience higher delinquencies and higher loss rates than the ones in their draw or term period. In anticipation of our customers reaching the end of their contractual commitment, we have created a process to help borrowers transition from interest-only to fully-amortizing payments or full repayment.

Table 21 reflects the outstanding balance of our home equity portfolio segregated into scheduled draw periods and amortizing payments. It excludes real estate 1-4 family first lien line reverse mortgages because they are predominantly insured by the FHA, and PCI loans because their losses are generally covered by PCI accounting adjustments at the date of acquisition.

Table 21: Home Equity Portfolio Payment Schedule

			Scheduled end of draw / term							
(in millions)	Outstanding balance Mar. 31, 2013	% of total	2013-2014	% of total	2015-2017	% of total	Thereafter	% of total	Amortizing	% of total
Home equity liens secured by real estate:										
Junior residential lines	$ 62,551		$ 5,802		$ 24,414		$ 30,609		$ 1,726	
First residential lines	19,301		1,755		3,865		13,217		464	
Total residential lines (1) (2)(3)	81,852	89 %	7,557	9 %	28,279	35 %	43,826	53 %	2,190	3 %
Junior loans (4)	9,867	11	31	*	493	5	1,768	18	7,575	77
Total home equity portfolio	$ 91,719	100 %	$ 7,588	8 %	$ 28,772	31 %	$ 45,594	50 %	$ 9,765	11 %

* Less than 1%

(1) Includes scheduled end-of-term balloon payments totaling $1.7 billion during 2013 to 2014, $1.5 billion during 2015 to 2017 and $2.1 billion thereafter, and $125 million reported as Amortizing in the table.

(2) The portfolio also has unfunded credit commitments of $77.0 billion, at March 31, 2013.

(3) At March 31, 2013, $127 million, or 6% of outstanding lines of credit that are amortizing are 30 or more days past due compared to $1.6 billion, or 2% for lines in their draw period.

(4) Includes $2.4 billion of junior loans that require a balloon payment upon the end of the loan term, of which $96 million is reported as Amortizing in the table.

Table 22 summarizes delinquency and loss rates by the holder of the lien. For additional information regarding current junior liens behind delinquent first lien loans, see the Risk Management Credit Risk Management Real Estate 1-4 Family First and Junior Lien Mortgage Loans section in this Report.

Table of Contents

Risk Management Credit Risk Management *(continued)*

Table 22: Home Equity Portfolios Performance by Holder of 1st Lien (1)

(in millions)	Outstanding balance (2) Mar. 31, 2013	Dec. 31, 2012	% of loans two payments or more past due Mar. 31, 2013	Dec. 31, 2012	Loss rate (annualized) quarter ended Mar. 31, 2013	Dec. 31, 2012 (3)	Sept. 30, 2012 (3)	June 30, 2012	Mar. 31, 2012
Junior lien mortgages and lines behind:									
Wells Fargo owned or serviced first lien	**$ 36,236**	37,913	**2.45 %**	2.65	**2.46**	3.81	4.96	3.34	3.54
Third party first lien	**36,182**	37,417	**2.67**	2.86	**2.48**	3.15	5.40	3.44	3.72
Total junior lien mortgages and lines	**72,418**	75,330	**2.56**	2.75	**2.47**	3.48	5.18	3.39	3.63
First lien lines	**19,301**	19,744	**3.03**	3.08	**0.61**	1.00	0.95	0.88	1.35
Total	**$ 91,719**	95,074	**2.66**	2.82	**2.08**	2.97	4.32	2.89	3.18

(1) Excludes real estate 1-4 family first lien line reverse mortgages predominantly insured by the FHA, and PCI loans.

(2) Includes $1.3 billion at March 31, 2013 and at December 31, 2012, associated with the Pick-a-Pay portfolio.

(3) Reflects the OCC guidance issued in third quarter 2012, which requires consumer loans discharged in bankruptcy to be written down to net realizable collateral value, regardless of their delinquency status. The junior lien loss rates for third quarter 2012 reflect losses based on estimates of collateral value to implement the OCC guidance, which were then adjusted in the fourth quarter to reflect actual appraisals. Fourth quarter 2012 losses on the junior liens where Wells Fargo owns or services the first lien were elevated primarily due to the OCC guidance.

We monitor the number of borrowers paying the minimum amount due on a monthly basis. In March 2013, approximately 43% of our borrowers with a home equity outstanding balance paid only the minimum amount due; 94% paid the minimum or more.

The home equity liquidating portfolio includes home equity loans generated through third party channels, including correspondent loans. This liquidating portfolio represents less than 1% of our total loans outstanding at March 31, 2013, and contains some of the highest risk in our home equity portfolio, with an annualized loss rate of 5.87% compared with 1.89% for the core (non-liquidating) home equity portfolio for the quarter ended March 31, 2013.

Table of Contents

Table 23 shows the credit attributes of the core and liquidating home equity portfolios and lists the top five states by outstanding balance for the core portfolio. California loans represent the largest state concentration in each of these portfolios. The decrease in outstanding balances since December 31, 2012, primarily reflects loan paydowns and charge-offs. As of March 31, 2013, 33% of the outstanding balance of the core home equity portfolio was associated with loans that had a

combined loan to value (CLTV) ratio in excess of 100%. CLTV means the ratio of the total loan balance of first mortgages and junior lien mortgages (including unused line amounts for credit line products) to property collateral value. The unsecured portion of the outstanding balances of these loans (the outstanding amount that was in excess of the most recent property collateral value) totaled 15% of the core home equity portfolio at March 31, 2013.

Table 23: Home Equity Portfolios (1)

(in millions)	Outstanding balance		% of loans two payments or more past due		Loss Rate (annualized) quarter ended				
	Mar. 31 2013	Dec. 31, 2012	**Mar. 31, 2013**	Dec. 31, 2012	**Mar. 31, 2013**	Dec. 31, 2012 (2)	Sept. 30, 2012 (2)	June 30, 2012	Mar. 31, 2012
Core portfolio (3)									
California	**$ 22,065**	22,900	**2.35 %**	2.46	**2.01**	2.89	4.77	3.13	3.56
Florida	**9,460**	9,763	**3.92**	4.15	**2.61**	3.09	4.75	3.76	4.79
New Jersey	**7,147**	7,338	**3.32**	3.43	**1.70**	2.30	3.22	2.02	2.46
Virginia	**4,612**	4,758	**1.94**	2.04	**1.36**	1.78	2.54	1.60	1.42
Pennsylvania	**4,550**	4,683	**2.45**	2.67	**1.36**	1.72	2.15	1.45	1.49
Other	**39,464**	40,985	**2.41**	2.59	**1.80**	2.77	3.75	2.37	2.50
Total	**87,298**	90,427	**2.61**	2.77	**1.89**	2.69	3.93	2.60	2.91
Liquidating portfolio	**4,421**	4,647	**3.64**	3.82	**5.87**	8.33	11.60	8.14	8.11
Total core and liquidating portfolios	**$ 91,719**	95,074	**2.66**	2.82	**2.08**	2.97	4.32	2.89	3.18

(1) Consists predominantly of real estate 1-4 family junior lien mortgages and first and junior lines of credit secured by real estate, but excludes PCI loans because their losses are generally covered by PCI accounting adjustments at the date of acquisition, and excludes real estate 1-4 family first lien open-ended line reverse mortgages because they do not have scheduled payments. These reverse mortgage loans are predominantly insured by the FHA.

(2) Reflects the OCC guidance issued in third quarter 2012, which requires consumer loans discharged in bankruptcy to be written down to net realizable collateral value, regardless of their delinquency status.

(3) Includes $1.3 billion at March 31, 2013 and at December 31, 2012, associated with the Pick-a-Pay portfolio.

CREDIT CARDS Our credit card portfolio totaled $24.1 billion at March 31, 2013, which represented 3% of our total outstanding loans. The quarterly net charge-off rate (annualized) for our credit card loans was 3.96% for first quarter 2013, compared with 4.40% for first quarter 2012.

AUTOMOBILE Our automobile portfolio, predominantly composed of indirect loans, totaled $47.3 billion at March 31, 2013. The quarterly net charge-off rate (annualized) for our automobile portfolio for first quarter 2013 was 0.66%, compared with 0.68% for first quarter 2012.

OTHER REVOLVING CREDIT AND INSTALLMENT Other revolving credit and installment loans totaled $42.0 billion at March 31, 2013, and mostly include student and security-based margin loans. The quarterly net charge-off rate (annualized) for other revolving credit and installment loans was 1.37% for first quarter 2013, compared with 1.32% for first quarter 2012. Excluding government guaranteed student loans, the quarterly net charge-off rates (annualized) were 1.83% and 1.95% for first quarter 2013 and 2012, respectively.

Table of Contents

Risk Management Credit Risk Management *(continued)*

NONPERFORMING ASSETS (NONACCRUAL LOANS AND FORECLOSED ASSETS) Table 24 summarizes nonperforming assets (NPAs) for each of the last four quarters. We generally place loans on nonaccrual status when:

- the full and timely collection of interest or principal becomes uncertain (generally based on an assessment of the borrower s financial condition and the adequacy of collateral, if any);
- they are 90 days (120 days with respect to real estate 1-4 family first and junior lien mortgages) past due for interest or principal, unless both well-secured and in the process of collection;
- part of the principal balance has been charged off;
- effective first quarter 2012, for junior lien mortgages, we have evidence that the related first lien mortgage may be 120 days past due or in the process of foreclosure regardless of the junior lien delinquency status; or
- effective third quarter 2012, performing consumer loans are discharged in bankruptcy, regardless of their delinquency status.

Table 24: Nonperforming Assets (Nonaccrual Loans and Foreclosed Assets)

	March 31, 2013		December 31, 2012		September 30, 2012		June 30, 2012	
($ in millions)	**Balance**	**% of total loans**	Balance	% of total loans	Balance	% of total loans	Balance	% of total loans
Nonaccrual loans:								
Commercial:								
Commercial and industrial	$ 1,193	0.64 %	$ 1,422	0.76 %	$ 1,404	0.79 %	$ 1,549	0.87 %
Real estate mortgage	3,098	2.92	3,322	3.12	3,599	3.44	3,832	3.63
Real estate construction	870	5.23	1,003	5.93	1,253	7.08	1,421	8.08
Lease financing	25	0.20	27	0.22	49	0.40	43	0.34
Foreign	56	0.14	50	0.13	66	0.17	79	0.20
Total commercial (1)	5,242	1.45	5,824	1.61	6,371	1.81	6,924	1.96
Consumer:								
Real estate 1-4 family first mortgage (2)	11,320	4.49	11,455	4.58	11,195	4.65	10,368	4.50
Real estate 1-4 family junior lien mortgage	2,712	3.74	2,922	3.87	3,140	4.02	3,091	3.82
Automobile	220	0.47	245	0.53	295	0.64	164	0.36
Other revolving credit and installment	32	0.08	40	0.09	43	0.10	31	0.07
Total consumer (3)	14,284	3.26	14,662	3.34	14,673	3.41	13,654	3.24
Total nonaccrual loans (3)(4)(5)(6)	19,526	2.44	20,486	2.56	21,044	2.69	20,578	2.65
Foreclosed assets:								
Government insured/guaranteed (7)	969		1,509		1,479		1,465	
Non-government insured/guaranteed	2,381		2,514		2,730		2,842	
Total foreclosed assets	3,350		4,023		4,209		4,307	
Total nonperforming assets	$ 22,876	2.86 %	$ 24,509	3.07 %	$ 25,253	3.23 %	$ 24,885	3.21 %

Change in NPAs from prior quarter	$ (1,633)	(744)	368	(1,758)

(1) Includes LHFS of $15 million, $16 million, $22 million and $17 million at March 31, 2013 and December 31, September 30, and June 30, 2012, respectively.

(2) Includes MHFS of $368 million, $336 million, $338 million and $310 million at March 31, 2013 and December 31, September 30, and June 30, 2012, respectively.

(3) Includes $2.5 billion, $1.8 billion and $1.4 billion at March 31, 2013, December 31 and September 30, 2012, respectively, resulting from the OCC guidance issued in third quarter 2012, which requires performing consumer loans discharged in bankruptcy to be placed on nonaccrual status and written down to net realizable collateral value, regardless of their delinquency status.

(4) Excludes PCI loans because they continue to earn interest income from accretable yield, independent of performance in accordance with their contractual terms.

(5) Real estate 1-4 family mortgage loans predominantly insured by the FHA or guaranteed by the VA and student loans predominantly guaranteed by agencies on behalf of the U.S. Department of Education under the Federal Family Education Loan Program are not placed on nonaccrual status because they are insured or guaranteed.

(6) See Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for further information on impaired loans.

(7) Consistent with regulatory reporting requirements, foreclosed real estate securing government insured/guaranteed loans are classified as nonperforming. Both principal and interest for government insured/guaranteed loans secured by the foreclosed real estate are collectible because the loans are predominantly insured by the FHA or guaranteed by the VA.

Table of Contents

Total NPAs were $22.9 billion (2.86% of total loans) at March 31, 2013, and included $19.5 billion of nonaccrual loans and $3.4 billion of foreclosed assets. Nonaccrual loans decreased

$960 million in first quarter 2013. Table 25 provides an analysis of the changes in nonaccrual loans.

Table 25: Analysis of Changes in Nonaccrual Loans

		Quarter ended				
(in millions)	**Mar. 31, 2013**	Dec. 31, 2012	Sept. 30, 2012	June 30, 2012	Mar. 31, 2012
Commercial nonaccrual loans					
Balance, beginning of quarter	**$ 5,824**	6,371	6,924	7,599	8,217
Inflows	**611**	746	976	952	1,138
Outflows:					
Returned to accruing	**(109)**	(135)	(90)	(242)	(188)
Foreclosures	**(91)**	(107)	(151)	(92)	(119)
Charge-offs	**(189)**	(322)	(364)	(402)	(347)
Payments, sales and other (1)	**(804)**	(729)	(924)	(891)	(1,102)
Total outflows	**(1,193)**	(1,293)	(1,529)	(1,627)	(1,756)
Balance, end of quarter	**5,242**	5,824	6,371	6,924	7,599
Consumer nonaccrual loans					
Balance, beginning of quarter	**14,662**	14,673	13,654	14,427	13,087
Inflows (2)	**2,340**	2,943	4,111	2,750	4,765
Outflows:					
Returned to accruing	**(1,031)**	(893)	(1,039)	(1,344)	(943)
Foreclosures	**(173)**	(151)	(182)	(186)	(226)
Charge-offs	**(775)**	(1,053)	(987)	(1,137)	(1,364)
Payments, sales and other (1)	**(739)**	(857)	(884)	(856)	(892)
Total outflows	**(2,718)**	(2,954)	(3,092)	(3,523)	(3,425)
Balance, end of quarter	**14,284**	14,662	14,673	13,654	14,427
Total nonaccrual loans	**$ 19,526**	20,486	21,044	20,578	22,026

(1) Other outflows include the effects of VIE deconsolidations and adjustments for loans carried at fair value.
(2) Quarter ended September 30, 2012, includes $1.4 billion of performing loans moved to nonaccrual status as a result of OCC guidance issued in third quarter 2012, which requires consumer loans discharged in bankruptcy to be placed on nonaccrual status and written down to net realizable collateral value, regardless of their delinquency status. Quarter ended March 31, 2012, includes $1.7 billion moved to nonaccrual status as a result of implementing Interagency Guidance issued January 31, 2012.

Typically, changes to nonaccrual loans period-over-period represent inflows for loans that are placed on nonaccrual status in accordance with our policy, offset by reductions for loans that are paid down, charged off, sold, transferred to foreclosed properties, or are no longer classified as nonaccrual as a result of continued performance and an improvement in the borrower s financial condition and loan repayment capabilities. Also, reductions can come from borrower repayments even if the loan remains on nonaccrual.

While nonaccrual loans are not free of loss content, we believe exposure to loss is significantly mitigated by the following factors at March 31, 2013:

97% of the $5.2 billion of commercial nonaccrual loans and 99% of the $14.3 billion of consumer nonaccrual loans are secured. Of the consumer nonaccrual loans, 98% are secured by real estate and 47% have a combined LTV (CLTV) ratio of 80% or below.

losses of $1.6 billion and $4.8 billion have already been recognized on 40% of commercial nonaccrual loans and 51% of consumer nonaccrual loans, respectively. Generally, when a consumer real estate loan is 120 days past due (except when required earlier by the Interagency or OCC guidance), we transfer it to nonaccrual status. When the loan reaches 180 days past due, or is discharged in bankruptcy, it is our policy to write these loans down to net realizable value (fair value of collateral less estimated costs to sell), except for modifications in their trial period that are not written down as long as trial payments are made on time. Thereafter, we reevaluate each loan regularly and record additional write-downs if needed.

63% of commercial nonaccrual loans were current on interest.

the risk of loss of all nonaccrual loans has been considered and we believe is adequately covered by the allowance for loan losses.

$2.5 billion of the consumer loans classified as nonaccrual due to the OCC guidance were less than 60 days past due, and $2.0 billion were current.

Under both our proprietary modification programs and the MHA programs, customers may be required to provide updated documentation, and some programs require completion of payment during trial periods to demonstrate sustained performance before the loan can be removed from nonaccrual status. In addition, for loans in foreclosure, some states, including California and New Jersey, have enacted legislation or the courts have changed the foreclosure process in a manner that significantly increases the time to complete the foreclosure process, therefore loans remain in nonaccrual status for longer periods. In certain other states, including New York and Florida, the foreclosure timeline has significantly increased due to backlogs in an already complex process.

Table of Contents

Risk Management Credit Risk Management *(continued)*

Table 26 provides a summary of foreclosed assets and an analysis of changes in foreclosed assets.

Table 26: Foreclosed Assets

(in millions)	Mar. 31, 2013	Dec. 31, 2012	Sept. 30, 2012	June 30, 2012	Mar. 31, 2012
Government insured/guaranteed (1)	$ **969**	**1,509**	**1,479**	**1,465**	1,352
PCI loans:					
Commercial	**641**	**667**	**707**	**777**	875
Consumer	**179**	**219**	**263**	**321**	431
Total PCI loans	**820**	**886**	**970**	**1,098**	1,306
All other loans:					
Commercial	**1,060**	**1,073**	**1,175**	**1,147**	1,289
Consumer	**501**	**555**	**585**	**597**	670
Total all other loans	**1,561**	**1,628**	**1,760**	**1,744**	1,959
Total foreclosed assets	$ **3,350**	**4,023**	**4,209**	**4,307**	4,617
Analysis of changes in foreclosed assets					
Balance, beginning of quarter	$ **4,023**	**4,209**	**4,307**	**4,617**	4,661
Net change in government insured/guaranteed (2)	**(540)**	**30**	**14**	**113**	33
Additions to foreclosed assets (3)	**559**	**537**	**692**	**664**	926
Reductions:					
Sales	**(658)**	**(710)**	**(750)**	**(1,003)**	(896)
Write-downs and loss on sales	**(34)**	**(43)**	**(54)**	**(84)**	(107)
Total reductions	**(692)**	**(753)**	**(804)**	**(1,087)**	(1,003)
Balance, end of quarter	$ **3,350**	**4,023**	**4,209**	**4,307**	4,617

(1) Consistent with regulatory reporting requirements, foreclosed real estate securing government insured/guaranteed loans are classified as nonperforming. Both principal and interest for government insured/guaranteed loans secured by the foreclosed real estate are collectible because the loans are predominantly insured by the FHA or guaranteed by the VA.

(2) Foreclosed government insured/guaranteed loans are temporarily transferred to and held by us as servicer, until reimbursement is received from FHA or VA. The net change in government insured/guaranteed foreclosed assets is made up of inflows from mortgages held for investment and MHFS, and outflows when we are reimbursed by FHA/VA.

(3) Predominantly include loans moved into foreclosure from nonaccrual status, PCI loans transitioned directly to foreclosed assets and repossessed automobiles.

Foreclosed assets at March 31, 2013, included $1.0 billion of foreclosed real estate that is predominantly FHA insured or VA guaranteed and expected to have minimal or no loss content. The remaining balance of $2.4 billion of foreclosed assets has been written down to estimated net realizable value. Foreclosed assets were down $673 million, or 17%, at March 31, 2013, compared with December 31, 2012. At March 31, 2013, 59% of foreclosed assets of $3.4 billion have been in the foreclosed assets portfolio one year or less.

Given our real estate-secured loan concentrations and current economic conditions, we anticipate continuing to hold an elevated level of foreclosed assets on our balance sheet.

Table of Contents

TROUBLED DEBT RESTRUCTURINGS (TDRs)

Table 27: Troubled Debt Restructurings (TDRs)

(in millions)		**Mar. 31, 2013**	Dec. 31, 2012	Sept. 30, 2012	June 30, 2012	Mar. 31, 2012
Commercial TDRs						
Commercial and industrial	**$**	**1,493**	1,683	1,877	1,937	1,967
Real estate mortgage		**2,556**	2,625	2,498	2,457	2,485
Real estate construction		**735**	801	949	980	1,048
Lease financing		**17**	20	26	27	29
Foreign		**17**	17	28	28	19
Total commercial TDRs		**4,818**	5,146	5,378	5,429	5,548
Consumer TDRs						
Real estate 1-4 family first mortgage		**18,928**	17,804	17,861	13,919	13,870
Real estate 1-4 family junior lien mortgage		**2,431**	2,390	2,437	1,975	1,981
Credit Card		**501**	531	557	575	594
Automobile		**279**	314	392	265	262
Other revolving credit and installment		**27**	24	32	16	17
Trial modifications		**723**	705	733	745	723
Total consumer TDRs (1)		**22,889**	21,768	22,012	17,495	17,447
Total TDRs	**$**	**27,707**	26,914	27,390	22,924	22,995
TDRs on nonaccrual status	**$**	**10,332**	10,149	9,990	6,900	7,136
TDRs on accrual status		**17,375**	16,765	17,400	16,024	15,859
Total TDRs	**$**	**27,707**	26,914	27,390	22,924	22,995

(1) Includes $6.2 billion, $5.2 billion and $4.3 billion at March 31, 2013, December 31 and September 30, 2012, respectively, resulting from the OCC guidance issued in third quarter 2012, which requires consumer loans discharged in bankruptcy to be classified as TDRs, as well as written down to net realizable collateral value.

Table of Contents

Risk Management Credit Risk Management *(continued)*

Table 27 provides information regarding the recorded investment of loans modified in TDRs. The allowance for loan losses for TDRs was $5.0 billion at March 31, 2013 and December 31, 2012. See Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for additional information regarding TDRs. In those situations where principal is forgiven, the entire amount of such forgiveness is immediately charged off to the extent not done so prior to the modification. We sometimes delay the timing on the repayment of a portion of principal (principal forbearance) and charge off the amount of forbearance if that amount is not considered fully collectible.

Our nonaccrual policies are generally the same for all loan types when a restructuring is involved. We re-underwrite loans at the time of restructuring to determine whether there is sufficient evidence of sustained repayment capacity based on the borrower s documented income, debt to income ratios, and other

factors. Loans lacking sufficient evidence of sustained repayment capacity at the time of modification are charged down to the fair value of the collateral, if applicable. For an accruing loan that has been modified, if the borrower has demonstrated performance under the previous terms and the underwriting process shows the capacity to continue to perform under the restructured terms, the loan will generally remain in accruing status. Otherwise, the loan will be placed in nonaccrual status until the borrower demonstrates a sustained period of performance, generally six consecutive months of payments, or equivalent, inclusive of consecutive payments made prior to modification. Loans will also be placed on nonaccrual, and a corresponding charge-off is recorded to the loan balance, when we believe that principal and interest contractually due under the modified agreement will not be collectible.

Table 28 provides an analysis of the changes in TDRs. Loans that may be modified more than once are reported as TDR inflows only in the period they are first modified.

Table 28: Analysis of Changes in TDRs

			Quarter ended			
(in millions)	**Mar. 31, 2013**	Dec. 31, 2012	Sept. 30, 2012	June 30, 2012	Mar. 31, 2012
Commercial TDRs					
Balance, beginning of quarter	**$ 5,146**	5,378	5,429	5,548	5,349
Inflows	**500**	542	620	687	710
Outflows					
Charge-offs	**(40)**	(66)	(84)	(112)	(119)
Foreclosure	**(30)**	(14)	(20)	(24)	(2)
Payments, sales and other (1)	**(758)**	(694)	(567)	(670)	(390)
Balance, end of quarter	**4,818**	5,146	5,378	5,429	5,548
Consumer TDRs					
Balance, beginning of quarter	**21,768**	22,012	17,495	17,447	17,308
Inflows (2)	**2,076**	1,247	5,212	762	829
Outflows					
Charge-offs (3)	**(280)**	(542)	(244)	(319)	(295)
Foreclosure (3)	**(114)**	(333)	(35)	(25)	(33)
Payments, sales and other (1)	**(579)**	(588)	(404)	(392)	(434)
Net change in trial modifications (4)	**18**	(28)	(12)	22	72
Balance, end of quarter	**22,889**	21,768	22,012	17,495	17,447
Total TDRs	**$ 27,707**	26,914	27,390	22,924	22,995

(1) Other outflows include normal amortization/accretion of loan basis adjustments and loans transferred to held-for-sale.
(2) Includes $1.3 billion, $316 million and $4.3 billion of loans for the quarters ended March 31, 2013, December 31, 2012 and September 30, 2012, respectively, resulting from the OCC guidance issued in third quarter 2012, which requires consumer loans discharged in bankruptcy to be classified as TDRs, as well as written down to net realizable collateral value.
(3) Fourth quarter 2012 outflows reflect the impact of loans discharged in bankruptcy being reported as TDRs in accordance with the OCC guidance starting in third quarter 2012.
(4) Net change in trial modifications includes: inflows of new TDRs entering the trial payment period, net of outflows for modifications that either (i) successfully perform and enter into a permanent modification, or (ii) did not successfully perform according to the terms of the trial period plan and are subsequently charged-off, foreclosed upon or otherwise resolved. Our recent experience is that most of the mortgages that enter a trial payment period program are successful in completing the program requirements.

Table of Contents

LOANS 90 DAYS OR MORE PAST DUE AND STILL ACCRUING Loans 90 days or more past due as to interest or principal are still accruing if they are (1) well-secured and in the process of collection or (2) real estate 1-4 family mortgage loans or consumer loans exempt under regulatory rules from being classified as nonaccrual until later delinquency, usually 120 days past due. PCI loans of $5.8 billion, $6.0 billion, $6.2 billion, $6.6 billion and $7.1 billion at March 31, 2013 and December 31, September 30, June 30, and March 31, 2012, respectively, are not included in these past due and still accruing loans even though they are 90 days or more contractually past due. These PCI loans are considered to be accruing due to the existence of the accretable yield and not based on consideration given to contractual interest payments.

Excluding insured/guaranteed loans, loans 90 days or more past due and still accruing at March 31, 2013, were down $75

million, or 5%, from December 31, 2012, due to loss mitigation activities including modifications, seasonality, decline in non-strategic and liquidating portfolios, and credit stabilization.

Loans 90 days or more past due and still accruing whose repayments are predominantly insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA) for mortgages and the U.S. Department of Education for student loans under the Federal Family Education Loan Program (FFELP) were $21.7 billion at March 31, 2013, down from $21.8 billion at December 31, 2012.

Table 29 reflects non-PCI loans 90 days or more past due and still accruing by class for loans not government insured/guaranteed. For additional information on delinquencies by loan class, see Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Table 29: Loans 90 Days or More Past Due and Still Accruing

(in millions)	Mar. 31, 2013	Dec. 31, 2012	Sept. 30, 2012	June 30, 2012	Mar. 31, 2012
Loans 90 days or more past due and still accruing:					
Total (excluding PCI):	**$ 23,082**	23,245	22,894	22,872	22,555
Less: FHA insured/guaranteed by the VA (1)(2)	**20,745**	20,745	20,320	20,368	19,681
Less: Student loans guaranteed under the FFELP (3)	**977**	1,065	1,082	1,144	1,238
Total, not government insured/guaranteed	**$ 1,360**	1,435	1,492	1,360	1,636
By segment and class, not government insured/guaranteed:					
Commercial:					
Commercial and industrial	**$ 47**	47	49	44	104
Real estate mortgage	**164**	228	206	184	289
Real estate construction	**47**	27	41	25	25
Foreign	**7**	1	2	3	7
Total commercial	**265**	303	298	256	425
Consumer:					
Real estate 1-4 family first mortgage (2)	**563**	564	627	561	616
Real estate 1-4 family junior lien mortgage (2)	**112**	133	151	159	156
Credit card	**306**	310	288	274	319
Automobile	**33**	40	43	36	37
Other revolving credit and installment	**81**	85	85	74	83
Total consumer	**1,095**	1,132	1,194	1,104	1,211
Total, not government insured/guaranteed	**$ 1,360**	1,435	1,492	1,360	1,636

(1) Represents loans whose repayments are predominantly insured by the FHA or guaranteed by the VA.
(2) Includes mortgages held for sale 90 days or more past due and still accruing.
(3) Represents loans whose repayments are predominantly guaranteed by agencies on behalf of the U.S. Department of Education under the FFELP.

33

Table of Contents

Risk Management Credit Risk Management ***(continued)***

NET CHARGE-OFFS

Table 30: Net Charge-offs

($ in millions)	Mar. 31, 2013 Net loan charge-offs	Mar. 31, 2013 % of avg. loans(1)	Dec. 31, 2012 Net loan charge-offs	Dec. 31, 2012 % of avg. loans (1)	Sept. 30, 2012 Net loan charge-offs	Sept. 30, 2012 % of avg. loans (1)	June 30, 2012 Net loan charge-offs	June 30, 2012 % of avg. loans (1)	Quarter ended Mar. 31, 2012 Net loan charge-offs	Quarter ended Mar. 31, 2012 % of avg. loans (1)
Commercial:										
Commercial and industrial	**$ 93**	**0.20 %**	$ 209	0.46 %	$ 131	0.29 %	$ 249	0.58 %	$ 256	0.62 %
Real estate mortgage	**29**	**0.11**	38	0.14	54	0.21	81	0.31	46	0.17
Real estate construction	**(34)**	**(0.83)**	(18)	(0.43)	1	0.03	17	0.40	67	1.43
Lease financing	**(1)**	**(0.02)**	2	0.04	1	0.03	-	-	2	0.06
Foreign	**3**	**0.03**	24	0.25	30	0.29	11	0.11	14	0.14
Total commercial	**90**	**0.10**	255	0.29	217	0.24	358	0.42	385	0.45
Consumer:										
Real estate 1-4 family first mortgage	**429**	**0.69**	649	1.05	673	1.15	743	1.30	791	1.39
Real estate 1-4 family junior lien mortgage	**449**	**2.46**	690	3.57	1,036	5.17	689	3.38	763	3.62
Credit card	**235**	**3.96**	222	3.71	212	3.67	240	4.37	242	4.40
Automobile	**76**	**0.66**	112	0.97	75	0.66	28	0.25	74	0.68
Other revolving credit and installment	**140**	**1.37**	153	1.46	145	1.38	142	1.35	140	1.32
Total consumer (2)	**1,329**	**1.23**	1,826	1.68	2,141	2.01	1,842	1.76	2,010	1.91
Total	**$ 1,419**	**0.72 %**	$ 2,081	1.05 %	$ 2,358	1.21 %	$ 2,200	1.15 %	$ 2,395	1.25 %

(1) Quarterly net charge-offs as a percentage of average respective loans are annualized.

(2) The quarters ended December 31, 2012 and September 30, 2012 include $321 million and $567 million respectively, resulting from the OCC guidance issued in third quarter 2012, which requires consumer loans discharged in bankruptcy to be placed on nonaccrual status and written down to net realizable collateral value, regardless of their delinquency status.

Table 30 presents net charge-offs for first quarter 2013 and each of the four quarters of 2012. Net charge-offs in first quarter 2013 were $1.4 billion (0.72% of average total loans outstanding) compared with $2.4 billion (1.25%) in first quarter 2012.

Due to higher dollar amounts associated with individual commercial and industrial and CRE loans, loss recognition tends to be irregular and varies more, compared with consumer loan portfolios.

ALLOWANCE FOR CREDIT LOSSES The allowance for credit losses, which consists of the allowance for loan losses and the allowance for unfunded credit commitments, is management s estimate of credit losses inherent in the loan portfolio and unfunded credit commitments at the balance sheet date, excluding loans carried at fair value. The detail of the changes in the allowance for credit losses by portfolio segment (including charge-offs and recoveries by loan class) is in Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

We employ a disciplined process and methodology to establish our allowance for credit losses each quarter. This process takes into consideration many factors, including historical and forecasted loss trends, loan-level credit quality ratings and loan grade-specific loss factors. The process involves subjective and complex judgments. In addition, we review a variety of credit metrics and trends. These credit metrics and trends, however, do not solely determine the amount of the allowance as we use several analytical tools. For additional information on our allowance for credit losses, see the Critical Accounting Policies Allowance for Credit Losses section in our 2012 Form 10-K and Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Table 31 presents the allocation of the allowance for credit losses by loan segment and class for the current quarter and last four years.

Table of Contents

Table 31: Allocation of the Allowance for Credit Losses (ACL)

(in millions)	**Mar. 31, 2013 ACL**	**Mar. 31, 2013 Loans as % of total loans**	Dec. 31, 2012 ACL	Dec. 31, 2012 Loans as % of total loans	Dec. 31, 2011 ACL	Dec. 31, 2011 Loans as % of total loans	Dec. 31, 2010 ACL	Dec. 31, 2010 Loans as % of total loans	Dec. 31, 2009 ACL	Dec. 31, 2009 Loans as % of total loans
Commercial:										
Commercial and industrial	**$ 2,694**	**23 %**	$ 2,543	23 %	$ 2,649	22 %	$ 3,299	20 %	$ 4,014	20 %
Real estate mortgage	**2,289**	**13**	2,283	13	2,550	14	3,072	13	2,398	12
Real estate construction	**478**	**2**	552	2	893	2	1,387	4	1,242	5
Lease financing	**86**	**2**	85	2	82	2	173	2	181	2
Foreign	**239**	**5**	251	5	184	5	238	4	306	4
Total commercial	**5,786**	**45**	5,714	45	6,358	45	8,169	43	8,141	43
Consumer:										
Real estate 1-4 family first mortgage	**5,747**	**32**	6,100	31	6,934	30	7,603	30	6,449	29
Real estate 1-4 family junior lien mortgage	**3,558**	**9**	3,462	10	3,897	11	4,557	13	5,430	13
Credit card	**1,210**	**3**	1,234	3	1,294	3	1,945	3	2,745	3
Automobile	**391**	**6**	417	6	555	6	771	6	1,381	6
Other revolving credit and installment	**501**	**5**	550	5	630	5	418	5	885	6
Total consumer	**11,407**	**55**	11,763	55	13,310	55	15,294	57	16,890	57
Total	**$ 17,193**	**100 %**	$ 17,477	100 %	$ 19,668	100 %	$ 23,463	100 %	$ 25,031	100 %

	Mar. 31, 2013	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009
Components:					
Allowance for loan losses	**$ 16,711**	17,060	19,372	23,022	24,516
Allowance for unfunded credit commitments	**482**	417	296	441	515
Allowance for credit losses	**$ 17,193**	17,477	19,668	23,463	25,031
Allowance for loan losses as a percentage of total loans	**2.09 %**	2.13	2.52	3.04	3.13
Allowance for loan losses as a percentage of total net charge-offs (1)	**290**	189	171	130	135
Allowance for credit losses as a percentage of total loans	**2.15**	2.19	2.56	3.10	3.20
Allowance for credit losses as a percentage of total nonaccrual loans	**88**	85	92	89	103

(1) Total net charge-offs are annualized for quarter ended March 31, 2013.

Table of Contents

Risk Management Credit Risk Management *(continued)*

In addition to the allowance for credit losses, there was $6.5 billion at March 31, 2013, and $7.0 billion at December 31, 2012, of nonaccretable difference to absorb losses for PCI loans. The allowance for credit losses is lower than otherwise would have been required without PCI loan accounting. As a result of PCI loans, certain ratios of the Company may not be directly comparable with periods prior to the Wachovia merger and credit-related metrics for other financial institutions. For additional information on PCI loans, see the Risk Management Credit Risk Management Purchased Credit-Impaired Loans section and Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

The ratio of the allowance for credit losses to total nonaccrual loans may fluctuate significantly from period to period due to such factors as the mix of loan types in the portfolio, borrower credit strength and the value and marketability of collateral. Over half of nonaccrual loans were home mortgages at March 31, 2013.

The decline in the allowance for loan losses in first quarter 2013 reflected continued improvement in consumer loss severity, delinquency trends and improved portfolio performance. The reduction included a $200 million allowance release due to strong underlying credit. Total provision for credit losses was $1.2 billion in first quarter 2013, compared with $2.0 billion a year ago.

In determining the appropriate allowance attributable to our residential real estate portfolios, our process considers the associated credit cost, including re-defaults of modified loans and projected loss severity for loan modifications that occur or are probable to occur. In addition, our process incorporates the estimated allowance associated with recent events including our settlements announced in February 2012 and January 2013 with federal and state government entities relating to our mortgage servicing and foreclosure practices and high risk portfolios defined in the Interagency Guidance relating to junior lien mortgages.

Changes in the allowance reflect changes in statistically derived loss estimates, historical loss experience, current trends in borrower risk and/or general economic activity on portfolio performance, and management s estimate for imprecision and uncertainty.

We believe the allowance for credit losses of $17.2 billion at March 31, 2013, was appropriate to cover credit losses inherent in the loan portfolio, including unfunded credit commitments, at that date. The allowance for credit losses is subject to change and reflects existing factors as of the date of determination, including economic or market conditions and ongoing internal and external examination processes. Due to the sensitivity of the allowance for credit losses to changes in the economic and business environment, it is possible that we will incur incremental credit losses not anticipated as of the balance sheet date. Absent significant deterioration in the economy, we continue to expect future allowance releases over the remainder of 2013. Our process for determining the allowance for credit losses is discussed in the Critical Accounting Policies Allowance for Credit Losses section and Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2012 Form 10-K.

Table of Contents

LIABILITY FOR MORTGAGE LOAN REPURCHASE LOSSES We sell residential mortgage loans to various parties, including (1) government-sponsored entities Freddie Mac and Fannie Mae (GSEs) who include the mortgage loans in GSE-guaranteed mortgage securitizations, (2) SPEs that issue private label MBS, and (3) other financial institutions that purchase mortgage loans for investment or private label securitization. In addition, we pool FHA-insured and VA-guaranteed mortgage loans that back securities guaranteed by the Government National Mortgage Association (GNMA). We may be required to repurchase these mortgage loans, indemnify the securitization trust, investor or insurer, or reimburse the securitization trust, investor or insurer for credit losses incurred on loans (collectively, repurchase) in the event of a breach of contractual representations or warranties that is not remedied within a period (usually 90 days or less) after we receive notice of the breach.

We have established a mortgage repurchase liability related to various representations and warranties that reflect management s estimate of probable losses for loans for which we have a repurchase obligation, whether or not we currently service those loans, based on a combination of factors. Our mortgage repurchase liability estimation process also incorporates a forecast of repurchase demands associated with mortgage insurance rescission activity. Our mortgage repurchase liability considers all vintages, however, repurchase demands have predominantly related to 2006 through 2008 vintages and to GSE-guaranteed MBS.

During first quarter 2013, we experienced some levelling off in repurchase activity as measured by outstanding repurchase demands.

We repurchased or reimbursed investors for incurred losses on mortgage loans with original balances of $483 million in first quarter 2013, compared with $659 million a year ago. We incurred net losses on repurchased loans and investor reimbursements totalling $198 million in first quarter 2013, compared with $312 million a year ago.

Table 32 provides the number of unresolved repurchase demands and mortgage insurance rescissions. We do not typically receive repurchase requests from GNMA, FHA and the Department of Housing and Urban Development (HUD) or VA. As an originator of an FHA-insured or VA-guaranteed loan, we are responsible for obtaining the insurance with FHA or the guarantee with the VA. To the extent we are not able to obtain the insurance or the guarantee we must request permission to repurchase the loan from the GNMA pool. Such repurchases from GNMA pools typically represent a self-initiated process upon discovery of the uninsurable loan (usually within 180 days from funding of the loan). Alternatively, in lieu of repurchasing loans from GNMA pools, we may be asked by FHA/HUD or the VA to indemnify them (as applicable) for defects found in the Post Endorsement Technical Review process or audits performed by FHA/HUD or the VA. The Post Endorsement Technical Review is a process whereby HUD performs underwriting audits of closed/insured FHA loans for potential deficiencies. Our liability for mortgage loan repurchase losses incorporates probable losses associated with such indemnification.

Table 32: Unresolved Repurchase Demands and Mortgage Insurance Rescissions

	Government sponsored entities (1)		Mortgage insurance rescissions with no demand (2)				Total	
			Private					
($ in millions)	Number of loans	Original loan balance (3)	Number of loans	Original loan balance (3)	Number of loans	Original loan balance (3)	Number of loans	Original loan balance (3)
2013								
March 31,	**5,910**	**$ 1,371**	**1,278**	**$ 278**	**652**	**$ 145**	**7,840**	**$ 1,794**
2012								
December 31,	6,621	1,503	1,306	281	753	160	8,680	1,944
September 30,	6,525	1,489	1,513	331	817	183	8,855	2,003
June 30,	5,687	1,265	913	213	840	188	7,440	1,666
March 31,	6,333	1,398	857	241	970	217	8,160	1,856

(1) Includes repurchase demands of 674 and $147, 661 and $132 million, 534 and $111 million, 526 and $103 million and 694 and $131 million for March 31, 2013, and December 31, September 30, June 30 and March 31, 2012, respectively, received from investors on mortgage servicing rights acquired from other originators. We generally have the right of recourse against the seller and may be able to recover losses related to such repurchase demands subject to

counterparty risk associated with the seller. The number of repurchase demands from GSEs that are from mortgage loans originated in 2006 through 2008 totaled 86% at March 31, 2013.

(2) As part of our representations and warranties in our loan sales contracts, we typically represent to GSEs and private investors that certain loans have mortgage insurance to the extent there are loans that have loan to value ratios in excess of 80% that require mortgage insurance. To the extent the mortgage insurance is rescinded by the mortgage insurer due to a claim of breach of a contractual representation or warranty, the lack of insurance may result in a repurchase demand from an investor. Similar to repurchase demands, we evaluate mortgage insurance rescission notices for validity and appeal for reinstatement if the rescission was not based on a contractual breach. When investor demands are received due to lack of mortgage insurance, they are reported as unresolved repurchase demands based on the applicable investor category for the loan (GSE or private). Over the last year, approximately 15% of our repurchase demands from GSEs had mortgage insurance rescission as one of the reasons for the repurchase demand. Of all the mortgage insurance rescission notices received in 2012, approximately 70% have resulted in repurchase demands through March 2013. Not all mortgage insurance rescissions received in 2012 have been completed through the appeals process with the mortgage insurer and, upon successful appeal, we work with the investor to rescind the repurchase demand.

(3) While the original loan balances related to these demands are presented above, the establishment of the repurchase liability is based on a combination of factors, such as our appeals success rates, reimbursement by correspondent and other third party originators, and projected loss severity, which is driven by the difference between the current loan balance and the estimated collateral value less costs to sell the property.

Table of Contents

Risk Management Credit Risk Management *(continued)*

The overall level of unresolved repurchase demands and mortgage insurance rescissions outstanding at March 31, 2013, was down from a year ago in both number of outstanding loans and in total dollar balances as we continued to work through the new demands and mortgage insurance rescissions. Customary with industry practice, we have the right of recourse against correspondent lenders from whom we have purchased loans with respect to representations and warranties. Of total repurchase demands and mortgage insurance recissions outstanding as of March 31, 2013, presented in Table 32, approximately 25% relate to loans purchased from correspondent lenders. Due primarily to the financial difficulties of some correspondent lenders, we are currently recovering on average approximately 45% of losses from these lenders. Historical recovery rates as well as projected lender performance are incorporated in the establishment of our mortgage repurchase liability.

We believe we have a high quality residential mortgage loan servicing portfolio. Of the $1.9 trillion in the residential mortgage loan servicing portfolio at March 31, 2013, 93% was current, less than 2% was subprime at origination, and less than 1% was home equity securitizations. Our combined delinquency and foreclosure rate on this portfolio was 6.54% at March 31, 2013, compared with 7.04% at December 31, 2012. Four percent of this portfolio is private label securitizations for which we originated the loans and therefore have some repurchase risk. We have observed a decrease in outstanding demands, compared to December 31, 2012, associated with our private label securitizations. Investors continue to review defaulted loans for potential breaches of our loan sale representations and warranties, and we continue to believe the risk of repurchase in our private label securitizations is substantially reduced, relative

to third-party issued private label securitizations, because approximately one-half of this portfolio of private label securitizations do not contain representations and warranties regarding borrower or other third party misrepresentations related to the mortgage loan, general compliance with underwriting guidelines, or property valuation, which are commonly asserted bases for repurchase. For this 4% private label securitization segment of our residential mortgage loan servicing portfolio (weighted average age of 89 months), 57% are loans from 2005 vintages or earlier; 78% were prime at origination; and approximately 63% are jumbo loans. The weighted-average LTV as of March 31, 2013 for this private securitization segment was 74%. We believe the highest risk segment of these private label securitizations is the subprime loans originated in 2006 and 2007. These subprime loans have seller representations and warranties and currently have LTVs close to or exceeding 100%, and represent 9% of the private label securitization portion of the residential mortgage servicing portfolio. We had $46 million of repurchases related to private label securitizations in the quarter ended March 31, 2013.

Of the servicing portfolio, 4% is non-agency acquired servicing and 1% is private whole loan sales. We did not underwrite and securitize the non-agency acquired servicing and therefore we have no obligation on that portion of our servicing portfolio to the investor for any repurchase demands arising from origination practices. For the private whole loan segment, while we do have repurchase risk on these loans, less than 2% were subprime at origination and loans that were sold and subsequently securitized are included in the private label securitization segment discussed above.

Table 33 summarizes the changes in our mortgage repurchase liability.

Table 33: Changes in Mortgage Repurchase Liability

	Quarter ended				
(in millions)	**Mar. 31, 2013**	Dec. 31, 2012	Sept. 30, 2012	June 30, 2012	Mar. 31, 2012
Balance, beginning of period	**$ 2,206**	2,033	1,764	1,444	1,326
Provision for repurchase losses:					
Loan sales	**59**	66	75	72	62
Change in estimate (1)	**250**	313	387	597	368

Total additions		**309**	379	462	669	430
Losses		**(198)**	(206)	(193)	(349)	(312)
Balance, end of period	**$**	**2,317**	2,206	2,033	1,764	1,444

(1) Results from changes in investor demand and mortgage insurer practices, credit deterioration and changes in the financial stability of correspondent lenders.

Table of Contents

Our liability for mortgage repurchases, included in Accrued expenses and other liabilities in our consolidated balance sheet, was $2.3 billion at March 31, 2013, and $2.2 billion at December 31, 2012. In the quarter ended March 31, 2013, we provided $309 million, which reduced net gains on mortgage loan origination/sales activities, compared with a provision of $430 million a year ago. Our provision in first quarter 2013 reflected an increase in projected repurchase losses for the GSE pre-2009 vintages to incorporate the impact of recent trends in file requests and repurchase demand activity (comprising approximately 81% of the first quarter 2013 provision) and new loan sales (approximately 19%). The increase in projected repurchase losses for the GSE pre-2009 vintages in the quarter was predominantly a result of an increase in the expected file reviews by the GSEs as well as an increase in expected GSE repurchase activity based on our most recent experience.

The mortgage repurchase liability of $2.3 billion at March 31, 2013, represents our best estimate of the probable loss that we expect to incur for various representations and warranties in the contractual provisions of our sales of mortgage loans. The mortgage repurchase liability estimation process requires management to make difficult, subjective and complex judgments about matters that are inherently uncertain, including demand expectations, economic factors, and the specific characteristics of the loans subject to repurchase. Our evaluation considers all vintages and the collective actions of the GSEs and their regulator, the Federal Housing Finance Agency (FHFA), mortgage insurers and our correspondent lenders. We maintain regular contact with the GSEs, the FHFA, and other significant investors to monitor their repurchase demand practices and issues as part of our process to update our repurchase liability estimate as new information becomes available.

Because of the uncertainty in the various estimates underlying the mortgage repurchase liability, there is a range of losses in excess of the recorded mortgage repurchase liability that are reasonably possible. The estimate of the range of possible loss for representations and warranties does not represent a probable loss, and is based on currently available information, significant judgment, and a number of assumptions that are subject to change. The high end of this range of reasonably possible losses in excess of our recorded liability was $2.2 billion at March 31, 2013, and was determined based upon modifying the assumptions (particularly to assume significant changes in investor repurchase demand practices) utilized in our best estimate of probable loss to reflect what we believe to be the high end of reasonably possible adverse assumptions. For additional information on our repurchase liability, see the Critical Accounting Policies Liability for Mortgage Loan Repurchase Losses section in our 2012 Form 10-K and Note 8 (Mortgage Banking Activities) to Financial Statements in this Report.

To the extent that economic conditions and the housing market do not recover or future investor repurchase demands and appeals success rates differ from past experience, we could continue to have increased demands and increased loss severity on repurchases, causing future additions to the repurchase liability. However, some of the underwriting standards that were

permitted by the GSEs for conforming loans in the 2006 through 2008 vintages, which significantly contributed to recent levels of repurchase demands, were tightened starting in mid to late 2008. Accordingly, we do not expect a similar rate of repurchase requests from the 2009 and prospective vintages, absent deterioration in economic conditions or changes in investor behavior.

RISKS RELATING TO SERVICING ACTIVITIES In addition to servicing loans in our portfolio, we act as servicer and/or master servicer of residential mortgage loans included in GSE-guaranteed mortgage securitizations, GNMA-guaranteed mortgage securitizations of FHA-insured/VA-guaranteed mortgages and private label mortgage securitizations, as well as for unsecuritized loans owned by institutional investors. For additional information regarding risks related to our servicing activities, see pages 77-79 in our 2012 Form 10-K.

In April 2011, the FRB and the Office of the Comptroller of the Currency (OCC) issued Consent Orders that require us to correct deficiencies in our residential mortgage loan servicing and foreclosure practices that were identified by federal banking regulators in their fourth quarter 2010 review. The Consent Orders also require that we improve our servicing and foreclosure practices. We have implemented all of the operational changes that resulted from the expanded servicing responsibilities outlined in the Consent Orders.

On February 9, 2012, a federal/state settlement was announced among the DOJ, HUD, the Department of the Treasury, the Department of Veterans Affairs, the Federal Trade Commission (FTC), the Executive Office of the U.S. Trustee, the Consumer Financial Protection Bureau, a task force of Attorneys General representing 49 states, Wells Fargo, and four other servicers related to investigations of mortgage industry servicing and foreclosure practices. While Oklahoma did not participate in the larger settlement, it settled separately with the five servicers under a simplified agreement. Under the terms of the larger settlement, which will remain in effect for three and a half years (subject to a trailing review period) we have agreed to the following programmatic commitments, consisting of three components totaling approximately $5.3 billion:

- Consumer Relief Program commitment of $3.4 billion
- Refinance Program commitment of $900 million
- Foreclosure Assistance Program of $1 billion

Additionally and simultaneously, the OCC and FRB announced the imposition of civil money penalties of $83 million and $87 million, respectively, pursuant to the Consent Orders. While still subject to FRB confirmation, Wells Fargo believes the civil money obligations were satisfied through payments made under the Foreclosure Assistance Program to the federal government and participating states for their use to address the impact of foreclosure challenges as they determine and which may include direct payments to consumers.

We are in the process of successfully executing activities under both the Consumer Relief and the Refinance Programs in accordance with the terms of our commitments. In our February 14, 2013, submission to the Monitor of the National Mortgage Settlement, we reported $1.9 billion of earned credits

Table of Contents

toward our Consumer Relief commitment and $1.1 billion of earned credits toward our Refinance Program commitment. Refinance Program earned credits in excess of our required commitment of $900 million can be applied towards our Consumer Relief commitment obligations, subject to a limit of $343 million of earned credits. Our earned credits are subject to review and approval by the Monitor.

We expect that we will be able to meet our commitment (and state-level sub-commitments) on the Consumer Relief Program within the required timeframes, primarily through our first and second lien modification and short sale and other deficiency balance waiver programs. Given the types of relief provided, we consider these loan modifications to be TDRs. We have evaluated our commitment along with the menu of credits and believe that fulfilling our commitment under the Consumer Relief Program has been appropriately considered in our estimation for the allowance for loan losses as well as our cash flow projections to evaluate the nonaccretable difference for our PCI portfolios at March 31, 2013.

As of March 31, 2013, subject to the Monitor of the National Mortgage Settlement review and approval, we have completed the number of refinances necessary to satisfy our commitment under the Refinance Program. We estimate our total calculated credit is approximately $1.7 billion, although we can only receive earned credits for this program of $1.2 billion due to certain limits within the agreement.

We refinanced approximately 31,000 borrowers with an unpaid principal balance of approximately $6.8 billion under the Refinance Program. Based on the mix of loans we have refinanced, the weighted average note rate was reduced by approximately 260 basis points and the weighted average estimated remaining life is approximately 10 years. The impact of fulfilling our commitment under the Refinance Program will be recognized over a period of years in the form of lower interest income as qualified borrowers benefit from reduced interest rates on loans refinanced under the Refinance Program. We expect the future reduction in interest income to be approximately $1.8 billion or $180 million annually. As a result of refinancings under the Refinance Program, we will be forgoing interest that we may not otherwise have agreed to forgo. No loss was recognized in our consolidated financial statements for this estimated forgone interest income at the time of the settlement as the impact will be recognized over a period of years in the form of lower interest income as qualified borrowers benefit from reduced interest rates on loans refinanced under the Refinance Program. The impact of this forgone interest income on our future net interest margin is anticipated to be modestly adverse and will be influenced by the overall mortgage interest rate environment. The Refinance Program also affects our fair value for these loans. The estimated reduction of the fair value of our loans for the Refinance Program is approximately $1.1 billion.

The amounts discussed previously about the volume of loans that we refinanced, the resulting reduction in our lifetime and annual interest income, and the reductions in fair value of loans for the Refinance Program exceed the amounts that would have resulted from just meeting our minimum commitments under the Program due to the significantly higher than expected response we received from our customers, which was partially driven by product changes and the decision to hold interest rates consistent with the prevailing market environment.

Although the Refinance Program related to borrowers in good standing as to their payment history who were not experiencing financial difficulty, we evaluated each borrower to confirm their ability to repay their mortgage obligation. This evaluation included reviewing key credit and underwriting policy metrics to validate that these borrowers were not experiencing financial difficulty and therefore, actions taken under the Refinance Program were not generally considered a TDR. To the extent we determined that an eligible borrower was experiencing financial difficulty, we generally considered alternative modification programs that were intended for loans that may be classified and accounted for as a TDR.

On February 28, 2013, we entered into amendments to the April 2011 Interagency Consent Order with both the OCC and the FRB, which effectively ceased the IFR program created by such Interagency Consent Order and replaced it with an accelerated remediation process to be administered by the OCC and the FRB.

In aggregate, the servicers have agreed to make cash payments into a qualified settlement fund to be administered by the OCC and the FRB and to provide additional assistance, such as loan modifications, to consumers. Our portion of the cash settlement is $766 million, which is based on the proportionate share of Wells Fargo-serviced loans in the overall IFR population. We fully accrued the cash portion of the settlement in 2012, along with our estimate of other remediation-related costs, and we paid this settlement in the first quarter of 2013. We also committed to foreclosure prevention actions which include first and second lien modifications and short sales/deeds-in-lieu of foreclosure on $1.2 billion of loans. We anticipate meeting this commitment primarily through first lien modification and short sale activities. We are required to meet this commitment by January 7, 2015, and we anticipate that we will be able to meet our commitment within the required timeline. This commitment did not result in any charge as we believe that this commitment is covered through the existing allowance for credit losses and the nonaccretable difference relating to the purchased credit-impaired loan portfolios. With this settlement, beginning in the second quarter of 2013, we will no longer incur costs associated with the independent foreclosure reviews, which approximated $125 million per quarter during 2012 for external consultants and additional staffing.

40

Table of Contents

Asset/Liability Management

Asset/liability management involves evaluating, monitoring and managing of interest rate risk, market risk, liquidity and funding. Primary Board oversight of these risks resides with its Finance Committee, which oversees the administration and effectiveness of financial risk management policies and processes used to assess and manage these risks. At the management level we utilize a Corporate Asset/Liability Management Committee (Corporate ALCO), which consists of senior financial and business executives, to oversee these risks and report on them periodically to the Board s Finance Committee. Each of our principal lines of business has its own asset/liability management committee and process linked to the Corporate ALCO process. As discussed in more detail for trading activities below, we employ separate management level oversight specific to the market risks related to our trading activities. Market risk, in its broadest sense, refers to the possibility that losses will result from the impact of adverse changes in market rates and prices on our trading and non-trading portfolios and financial instruments. Interest rates are a key driver of market values and a primary driver of potentially significant impact on our earnings.

INTEREST RATE RISK Interest rate risk, which potentially can have a significant earnings impact, is an integral part of being a financial intermediary. We are subject to interest rate risk because:

- assets and liabilities may mature or reprice at different times (for example, if assets reprice faster than liabilities and interest rates are generally falling, earnings will initially decline);
- assets and liabilities may reprice at the same time but by different amounts (for example, when the general level of interest rates is falling, we may reduce rates paid on checking and savings deposit accounts by an amount that is less than the general decline in market interest rates);
- short-term and long-term market interest rates may change by different amounts (for example, the shape of the yield curve may affect new loan yields and funding costs differently);
- the remaining maturity of various assets or liabilities may shorten or lengthen as interest rates change (for example, if long-term mortgage interest rates decline sharply, MBS held in the securities available-for-sale portfolio may prepay significantly earlier than anticipated, which could reduce portfolio income); or
- interest rates may also have a direct or indirect effect on loan demand, collateral values, credit losses, mortgage origination volume, the fair value of MSRs and other financial instruments, the value of the pension liability and other items affecting earnings.

We assess interest rate risk by comparing outcomes under various earnings simulations using many interest rate scenarios that differ in the direction of interest rate changes, the degree of change over time, the speed of change and the projected shape of the yield curve. These simulations require assumptions regarding how changes in interest rates and related market

conditions could influence drivers of earnings and balance sheet composition such as loan origination demand, prepayment speeds, deposit balances and mix, as well as pricing strategies.

Our risk measures include both net interest income sensitivity and interest rate sensitive noninterest income and expense impacts. We refer to the combination of these exposures as interest rate sensitive earnings. In general, the Company is positioned to benefit from higher interest rates. Currently, our profile is such that net interest income will benefit from higher interest rates as our assets reprice faster and to a greater degree than our liabilities, and, in response to lower market rates, our assets will reprice downward and to a greater degree than our liabilities. Our interest rate sensitive noninterest income and expense is largely driven by mortgage activity, and tends to move in the opposite direction of our net interest income. So, in response to higher interest rates, mortgage activity, primarily refinancing activity, generally declines. And in response to lower rates, mortgage activity generally increases. Mortgage results are also impacted by the valuation of MSRs and related hedge positions. See the Risk Management Mortgage Banking Interest Rate and Market Risk section in this Report for more information.

The degree to which these sensitivities offset each other is dependent upon the timing and magnitude of changes in interest rates, and the slope of the yield curve. For example, our weak scenario measures a faster and more significant decline in long-term interest rates than our slightly weak scenario, and although both result in lower earnings relative to the most likely scenario given pressure on net interest income, the weak scenario performance contains more initial benefit from increased mortgage banking activity. During a transition to a higher or lower interest rate environment, a reduction or increase in interest sensitive earnings from the mortgage banking business could occur quickly, while the benefit or detriment from balance sheet repricing may take more time to develop.

As of March 31, 2013, our most recent simulations estimate earnings at risk over the next 24 months under a range of both lower and higher interest rates. The results of the simulations are summarized in Table 34, indicating cumulative net income after tax earnings sensitivity relative to the most likely earnings plan over the 24 month horizon (a positive range indicates a beneficial earnings sensitivity measurement relative to the most likely earnings plan).

Table 34: Earnings Sensitivity Over 24 Month Horizon Relative to Most Likely Earnings Plan

	Most likely	Weak	Slightly weak	Slightly strong	Strong
Ending rates:					
Fed funds	0.25 %	0-0.25	0-0.25	1.25	4.00
10-year treasury (1)	2.98	1.45	2.21	3.98	5.10
Earnings relative to most likely	N/A	-0.2%	-1.3%	0-5%	>5%

(1) U.S. Constant Maturity Treasury Rate

Table of Contents

Risk Management Asset/Liability Management *(continued)*

We use the available-for-sale securities portfolio and exchange-traded and over-the-counter (OTC) interest rate derivatives to hedge our interest rate exposures. See the Balance Sheet Analysis Securities Available for Sale section of this Report for more information on the use of the available-for-sale securities portfolio. The notional or contractual amount, credit risk amount and fair value of the derivatives used to hedge our interest rate risk exposures as of March 31, 2013, and December 31, 2012, are presented in Note 12 (Derivatives) to Financial Statements in this Report. We use derivatives for asset/liability management in three main ways:

- to convert a major portion of our long-term fixed-rate debt, which we issue to finance the Company, from fixed-rate payments to floating-rate payments by entering into receive-fixed swaps;
- to convert the cash flows from selected asset and/or liability instruments/portfolios from fixed-rate payments to floating-rate payments or vice versa; and
- to economically hedge our mortgage origination pipeline, funded mortgage loans and MSRs using interest rate swaps, swaptions, futures, forwards and options.

MORTGAGE BANKING INTEREST RATE AND MARKET RISK We originate, fund and service mortgage loans, which subjects us to various risks, including credit, liquidity and interest rate risks. For a discussion of mortgage banking interest rate and market risk, see pages 81-83 of our 2012 Form 10-K.

While our hedging activities are designed to balance our mortgage banking interest rate risks, the financial instruments we use may not perfectly correlate with the values and income being hedged. For example, the change in the value of ARM production held for sale from changes in mortgage interest rates may or may not be fully offset by Treasury and LIBOR index-based financial instruments used as economic hedges for such ARMs. Additionally, hedge-carry income on our economic hedges for the MSRs may not continue if the spread between short-term and long-term rates decreases, we shift composition of the hedge to more interest rate swaps, or there are other changes in the market for mortgage forwards that affect the implied carry.

The total carrying value of our residential and commercial MSRs was $13.2 billion at March 31, 2013, and $12.7 billion at December 31, 2012. The weighted-average note rate on our portfolio of loans serviced for others was 4.69% at March 31, 2013, and 4.77% at December 31, 2012. The carrying value of our total MSRs represented 0.70% of mortgage loans serviced for others at March 31, 2013, and 0.67% at December 31, 2012.

MARKET RISK TRADING ACTIVITIES We engage in trading activities primarily to accommodate the investment and risk management activities of our customers, execute economic hedging to manage certain balance sheet risks and for a very limited amount of proprietary trading for our own account. These activities primarily occur within our trading businesses and include entering into transactions with our customers that are recorded as trading assets and liabilities on our balance sheet. All of our trading assets and liabilities, including securities, foreign exchange transactions, commodity

transactions and derivatives are carried at fair value. Income earned related to these trading activities include net interest income and changes in fair value related to trading assets and liabilities. Net interest income earned on trading assets and liabilities is reflected in the interest income and interest expense components of our income statement. Changes in fair value of trading assets and liabilities are reflected in net gains (losses) on trading activities, a component of noninterest income in our income statement.

From a market risk perspective, our net income is exposed to changes in the fair value of trading assets and liabilities due to changes in interest rates, credit spreads, foreign exchange rates, equity and commodity prices. Our Market Risk Committee, which is a sub-committee of Corporate ALCO, provides governance and oversight over market risk-taking activities across the Company and establishes and monitors risk limits.

Table 35 presents total revenue from trading activities.

Table 35: Income from Trading Activities

	Quarter ended March 31,	
(in millions)	**2013**	2012
Interest income (1)	**$ 327**	377
Less: Interest expense (2)	**65**	64
Net interest income	**262**	313
Noninterest income:		
Net gains (losses) from trading activities (3):		
Customer accommodation	**467**	334
Economic hedging and other	**99**	291
Proprietary trading	**4**	15
Total net trading gains	**570**	640
Total trading-related net interest and noninterest income	**$ 832**	953

(1) Represents interest and dividend income earned on trading securities.
(2) Represents interest and dividend expense incurred on trading securities we have sold but have not yet purchased.
(3) Represents realized gains (losses) from our trading activity and unrealized gains (losses) due to changes in fair value of our trading positions, attributable to the type of business activity.

For further information regarding the fair value of our trading assets and liabilities, refer to Note 12 (Derivatives) and Note 13 (Fair Values of Assets and Liabilities) to Financial Statements in this Report.

Customer accommodation Customer accommodation activities are conducted to help customers manage their investment needs and risk management and hedging activities. We engage in market-making activities or act as an intermediary to purchase or sell financial instruments in anticipation or in response to customer needs. This category also includes positions we use to manage our exposure to such transactions.

For the majority of our customer accommodation trading, we serve as intermediary between buyer and seller. For example, we may purchase or sell a derivative to a customer who wants to manage interest rate risk exposure. We typically enter into offsetting derivative(s) or security positions with a separate counterparty or exchange to manage our exposure to the derivative with our customer. We earn income on this activity

Table of Contents

based on the transaction price difference between the customer and offsetting derivative or security positions, which is reflected in the fair value changes of the positions recorded in net gains (losses) on trading activities.

Customer accommodation trading also includes net gains related to market-making activities in which we take positions to facilitate customer order flow. For example, we may own securities recorded as trading assets (long positions) or sold securities we have not yet purchased, recorded as trading liabilities (short positions), typically on a short-term basis, to facilitate anticipated buying and selling demand from our customers. As market-maker in these securities, we earn income due (1) to the difference between the price paid or received for the purchase and sale of the security (bid-ask spread) and (2) the net interest income and change in fair value of the long or short positions during the short-term period held on our balance sheet. Additionally, we may enter into separate derivative or security positions to manage our exposure related to our long or short security positions. Collectively, income earned on this type of market-making activity is reflected in the fair value changes of these positions recorded in net gain (losses) on trading activities.

Economic hedges and other Economic hedges in trading are not designated in a hedge accounting relationship and exclude economic hedging related to our asset/liability risk management and substantially all mortgage banking risk management activities. Economic hedging activities include the use of trading securities to economically hedge risk exposures related to non-trading activities or derivatives to hedge risk exposures related to trading assets or trading liabilities. Economic hedges are unrelated to our customer accommodation activities. Other activities include financial assets held for investment purposes that we elected to carry at fair value with changes in fair value

recorded to earnings in order to mitigate accounting measurement mismatches or avoid embedded derivative accounting complexities.

Proprietary trading Proprietary trading consists of security or derivative positions executed for our own account based upon market expectations or to benefit from price differences between financial instruments and markets. Proprietary trading activity is expected to be restricted by the Dodd-Frank Act prohibitions known as the Volcker Rule, which has not yet been finalized. On October 11, 2011, federal banking agencies and the SEC issued proposed regulations to implement the Volcker Rule. We believe our definition of proprietary trading is consistent with the proposed regulations. However, given that final rule-making is required by various governmental regulatory agencies to define proprietary trading within the context of the final Volcker Rule, our definition of proprietary trading may change. We have reduced or exited certain business activities in anticipation of the final Volcker Rule. As discussed within this section and the noninterest income section of our financial results, proprietary trading activity is not significant to our business or financial results.

Table 36 and Table 37 provide information on daily market risk trading-related revenues for the Company s trading portfolio. This trading-related revenue is defined as the change in value of the trading assets and trading liabilities, trading-related net interest income and trading-related intra-day trading gains and losses. Net market risk trading-related revenue does not include activity related to long-term positions held for economic hedging purposes, one-time and period-end credit adjustments and other activity not representative of daily price changes driven by market risk factors.

Table 36: Distribution of Daily Trading-Related Revenues (rolling 12 months)

Table of Contents

Risk Management Asset/Liability Management *(continued)*

Table 37: Daily Trading-Related Revenues (rolling 12 months)

Market Risk Governance The Board of Directors reviews and approves the acceptable level of market risk for the Company and delegates authority to Corporate ALCO to establish corporate level Value-at-Risk (VaR) and other risk limits. Corporate ALCO, through its Market Risk Committee, provides governance and oversight over market risk-taking activities across the Company and establishes and monitors risk tolerances and line of business VaR limits. The Corporate Market Risk group, which is part of the independent Corporate Risk Group, administers and monitors compliance with the requirements of the Market Risk Committee. The Corporate Market Risk group has oversight in identifying and managing the Company s market risk. The group is responsible for quantitative model development, calculation and analysis of market risk capital, and reporting aggregated and line of business market risk information. Each line of business that exposes the Company to market risk has direct responsibility for managing market risk in accordance with defined risk tolerances and approved market risk mandates and hedging strategies.

Management Risk Measurement We use VaR metrics complemented with sensitivity analysis and stress testing in managing and measuring the risk associated with our trading activities.

Value-at-Risk VaR is a statistical risk measure used to estimate the potential loss from adverse market moves on trading and

other positions carried at fair value. We utilize VaR models to measure market risk on an overall basis as well as for individual lines of business. Our VaR models assume that historical changes in market values are representative of the potential future outcomes and measure the worst expected loss over a given time interval (for example, 1 day or 10 days) within a given confidence level. We measure and report VaR for a 1-day holding period at a 99% confidence level based on changes in risk factors over each trading day in the previous 12 months. This means that we would expect to incur single day losses greater than predicted by VaR estimates for the measured trading positions one time in every 100 trading days.

Trading VaR Trading VaR is a risk measure to provide further insight into the market risk exhibited by the Company s trading positions. The Company calculates Trading VaR for risk management purposes to set line of business risk limits. Trading VaR is calculated with a 1-day holding period at a 99% confidence level using a consecutive 12 month period of historical market data. Trading VaR is calculated for all trading positions classified as trading assets or trading liabilities on our balance sheet. Table 38 shows the results of the Company s Trading VaR for the quarter ended March 31, 2013. The risk categories for Trading VaR are a measure of exposure to each risk factor class.

Table of Contents

Table 38: Trading 1-Day 99% General Value-at-Risk (VaR) Metrics

		Quarter ended March 31, 2013		
(in millions)	Period end	Average	Low	High
General VaR Risk Categories				
Credit	$ 25	25	24	26
Interest rate	29	28	26	30
Equity	5	4	4	5
Commodity	2	3	2	3
Foreign exchange	2	2	1	2
Diversification benefit (1)	(40)	(38)	-	-
General VaR	23	24		

(1) The period-end VaR and average VaR were less than the sum of the VaR components described above, which is due to portfolio diversification. The diversification effect arises because the risks are not perfectly correlated causing a portfolio of positions to usually be less risky than the sum of the risks of the positions alone.

Sensitivities Sensitivity analysis is the estimated risk of loss for a single measure such as a one basis point increase in rates or a 1% increase in equity prices. We conduct and monitor sensitivity on interest rates, credit spreads, volatility, equity, commodity, and foreign exchange. Since VaR is based upon previous moves in market risk factors over recent periods, it may not provide accurate predictions of future market moves. Sensitivity analysis complements VaR as it provides an indication of risk relative to each factor irrespective of historical market moves. Sensitivities are monitored at both the business unit level and at an aggregated level on a daily basis. Our corporate market risk management function aggregates all Company exposures to monitor whether risk sensitivities are within established tolerances. Changes to the Company s sensitivities are analyzed and reported on a daily basis. The Company monitors risk exposure from a variety of perspectives, which include line of business, product, risk type and legal entity.

Stress Testing While VaR captures the risk of loss due to adverse changes in markets using recent historical data, stress testing captures the Company s exposure to extreme events. Stress testing measures the impacts from extreme, but low probability market movements. Stress scenarios estimate the risk of losses based on management s assumptions of abnormal but severe market movements such as severe credit spread widening or a large decline in equity prices. These scenarios also assume that the market moves happen instantaneously and no repositioning or hedging activity takes place to mitigate losses as events unfold. The stress scenarios are updated with recent market trends and are reviewed on a daily basis. The stress scenarios are used for business unit monitoring as well as overall company-wide estimates. Market stress results are a component of the annual Company stress test conducted by the federal regulators as part of the Comprehensive Capital Analysis and Review (CCAR).

The analyses and metrics described above are used for internal risk management purposes and are not the same as those used for calculating Market Risk Regulatory Capital as required by U.S. banking regulators.

Market Risk Regulatory Capital The U.S banking regulators have adopted Risk-Based Capital Guidelines: Market Risk, which became effective January 1, 2013. This new market risk

capital rule, commonly known as Basel 2.5, requires adjustment to the determination of risk-weighted assets for the risks inherent in certain covered trading positions. The positions that are covered by the market risk rule are a subset of our trading assets and trading liabilities, specifically those held by the Company for the purpose of short-term resale or with the intent of benefiting from actual or expected short-term price movements, or to lock in arbitrage profits. Basel 2.5 prescribes various VaR calculations (e.g., Regulatory VaR) in the determination of regulatory capital ratios. The Company s Basel 2.5 positions are predominantly concentrated in the traded assets managed within Wholesale

Banking and a small portfolio of covered positions are managed by the Wealth, Brokerage and Retirement (WBR) and Community Banking operating segments. Wholesale Banking is the predominant contributor to the overall Company VaR and manages the areas traditionally considered as trading lines of business. WBR manages trading assets for retail client accommodation, and Community Banking s covered positions are used to manage foreign exchange exposures.

Regulatory VaR The VaR measurements required by Basel 2.5 include:

Total VaR uses previous 12 months of historical data and is composed of General and Specific Risk VaR.

General VaR

Measures the risk of broad market movements such as changes in the level of interest rates, credit spreads, equity prices, foreign exchange rates, or commodity prices.

Uses historical approximation methodology based on 99% confidence level and a 10-day time horizon.

Specific Risk VaR

Measures the risk of loss that could result from factors other than broad market movement.

Uses historical simulation analysis based on a 99% confidence level and a 10-day time horizon.

Total Stressed VaR uses a period of significant historical financial stress over a continuous 12 month period using historically available market data and is composed of General and Specific Risk Stressed VaR.

General Stressed VaR see descriptions above.

Specific Risk Stressed VaR see descriptions above.

Table of Contents

Risk Management Asset/Liability Management *(continued)*

Incremental Risk Charge

Measures the risk for both default and credit migration.

Analysis based on 99.9% confidence level and a 1-year time horizon.

The historical simulation analysis approach uses historical scenarios of the risk factors from each trading day in the previous 12 months and is used to identify the critical risk driver

of each trading position with respect to interest rates, credit spreads, foreign exchange rates, and equity and commodity prices. The risk drivers for each position are updated on a daily basis.

Table 39 shows the results of the Company s Regulatory General and Specific Risk VaR measures, assuming a 1-day holding period for covered positions at a 99% confidence level, for the quarter ended March 31, 2013.

Table 39: Total Regulatory 1-Day 99% General Value-at-Risk (VaR) and Specific Risk VaR Metrics

					Quarter ended March 31, 2013		
				Period end			
(in millions)	Wholesale Banking	WBR	Community Banking	Consolidated	Average	Low	High
General VaR Risk Categories							
Credit	$ 13	1	-	13	19	13	24
Interest rate	15	-	-	16	15	11	20
Equity	4	1	-	4	3	3	5
Commodity	2	-	-	2	2	1	2
Foreign exchange	1	-	3	3	4	2	5
Diversification benefit (1)	(25)	(1)	-	(27)	(26)	-	-
General VaR	10	1	3	10	16		
Specific Risk VaR	11	-	-	11	9		
Total VaR	15	1	3	15	19		

(1) The period-end VaR and average VaR were less than the sum of the VaR components described above, which is due to portfolio diversification. The diversification effect arises because the risks are not perfectly correlated causing a portfolio of positions to usually be less risky than the sum of the risks of the positions alone.

Table of Contents

In addition to measuring Regulatory General VaR on a 1-day basis, Basel 2.5 requires measurement of the various regulatory VaR measures using a 10 business day holding period and a 99% confidence level. The 10-day holding period calculation is used for determining the regulatory market risk capital.

Table 40 shows the results of the Company s measures for regulatory capital calculations for the quarter ended March 31, 2013.

Table 40: Regulatory 10-Day 99% Value-at-Risk (VaR) Metrics

					Quarter ended March 31, 2013		
				Period end			
(in millions)	Wholesale Banking	WBR	Community Banking	Consolidated	Average	Low	High
General VaR Risk Categories							
Credit	$ 27	3	-	30	59	30	73
Interest rate	34	1	-	34	35	26	46
Equity	11	3	-	11	7	4	12
Commodity	4	-	-	4	5	3	6
Foreign exchange	3	-	8	6	10	6	15
Diversification benefit (1)	(61)	(3)	-	(64)	(76)	-	-
General VaR	18	4	8	21	40	19	63
Specific Risk VaR	36	1	-	35	30	25	37
Total VaR	**40**	**4**	**8**	**41**	**50**		
Stressed VaR							
Stressed General VaR	260	24	13	286	315	256	379
Stressed Specific Risk VaR	162	2	-	162	140	83	171
Total Stressed VaR	**306**	**24**	**13**	**329**	**345**		
Incremental Risk Charge (1 year - 99.9%)	398	20	-	408	432	372	507

(1) The period-end VaR and average VaR were less than the sum of the VaR components described above, which is due to portfolio diversification. The diversification effect arises because the risks are not perfectly correlated causing a portfolio of positions to usually be less risky than the sum of the risks of the positions alone.

Table of Contents

Risk Management Asset/Liability Management *(continued)*

VaR Backtesting Backtesting is a required form of validation of the VaR model. Backtesting is a comparison of pro forma changes in the value of the Company s covered trading positions that would have occurred were previous end-of-day covered trading positions to remain unchanged (therefore, excluding fees, commissions, net interest income, and intraday trading) with the VaR estimate. The backtesting analysis compares the daily VaR estimate for each of the trading days in the preceding 12 months with the pro forma net trading revenue for changes in the value of covered trading positions for each day. Net trading revenues related to trading positions that are not considered

covered trading positions include activity related to long-term positions held for economic hedging purposes, credit adjustments and other activity not representative of daily price changes driven by market risk factors.

Any observed loss in excess of the VaR estimate is considered an exception. No backtesting exceptions occurred in the first quarter of 2013. The number of actual backtesting exceptions is dependent on current market performance relative to historic market volatility. Table 41 shows daily Total Regulatory VaR (1-day, 99%) for the previous 12 months ended March 31, 2013.

Table 41: Daily Total Regulatory VaR (rolling 12 months)

Table of Contents

There is a separate market risk capital charge required for covered trading securitization products in Basel 2.5. Table 42 shows the aggregate net fair market value of securities and derivative securitization positions by exposure type that meet the regulatory definition of a covered trading securitization position for the quarter ended March 31, 2013. Covered trading securitizations positions under Basel 2.5 include asset-backed securities (ABS), commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), and collateralized loan and other debt obligations (CLO/CDO) positions.

Table 42: Covered Securitization Positions by Exposure Type (Market Value)

		Quarter ended March 31, 2013			
(in millions)		ABS	CMBS	RMBS	CLO/CDO
Securitization Exposure					
Securities	$	592	507	390	690
Derivatives		-	(862)	36	(77)
Total	$	592	(355)	426	613

Furthermore, the regulatory market risk capital rule requires capital for correlation trading positions. The net market value of correlation trading positions that meet the definition of a covered position for the quarter ended March 31, 2013, was $28 million. Correlation trading is a discontinued business currently in wind down mode.

MARKET RISK EQUITY INVESTMENTS We are directly and indirectly affected by changes in the equity markets. We make and manage direct equity investments in start-up businesses, emerging growth companies, management buy-outs, acquisitions and corporate recapitalizations. We also invest in non-affiliated funds that make similar private equity investments. These private equity investments are made within capital allocations approved by management and the Board. The Board s policy is to review business developments, key risks and historical returns for the private equity investment portfolio at least annually. Management reviews the valuations of these investments at least quarterly and assesses them for possible OTTI. For nonmarketable investments, the analysis is based on facts and circumstances of each individual investment and the expectations for that investment s cash flows and capital needs, the viability of its business model and our exit strategy. Nonmarketable investments include private equity investments accounted for under the cost method and equity method. Private equity investments are subject to OTTI.

As part of our business to support our customers, we trade public equities, listed/OTC equity derivatives and convertible bonds. We have parameters that govern these activities. We also have marketable equity securities in the securities available-for-sale portfolio, including securities relating to our venture capital activities. We manage these investments within capital risk limits approved by management and the Board and monitored by Corporate ALCO. Gains and losses on these securities are recognized in net income when realized and periodically include OTTI charges.

Changes in equity market prices may also indirectly affect our net income by (1) the value of third party assets under

management and, hence, fee income, (2) particular borrowers, whose ability to repay principal and/or interest may be affected by the stock market, or (3) brokerage activity, related commission income and other business activities. Each business line monitors and manages these indirect risks.

Table 43 provides information regarding our marketable and nonmarketable equity investments.

Table 43: Nonmarketable and Marketable Equity Investments

(in millions)		**Mar. 31, 2013**	Dec. 31, 2012
Nonmarketable equity investments:			
Cost method:			
Private equity investments	**$**	**2,451**	2,572
Federal bank stock		**4,198**	4,227
Total cost method		**6,649**	6,799
Equity method and other:			
LIHTC investments (1)		**4,863**	4,767
Private equity and other		**6,667**	6,156
Total equity method and other		**11,530**	10,923
Total nonmarketable equity investments (2)	**$**	**18,179**	17,722
Marketable equity securities:			
Cost	**$**	**2,263**	2,337
Net unrealized gains		**516**	448
Total marketable equity securities (3)	**$**	**2,779**	2,785

(1) Represents low income housing tax credit investments
(2) Included in other assets on the balance sheet. See Note 6 (Other Assets) to Financial Statements in this Report for additional information.
(3) Included in securities available for sale. See Note 4 (Securities Available for Sale) to Financial Statements in this Report for additional information.

Table of Contents

Risk Management Asset/Liability Management *(continued)*

LIQUIDITY AND FUNDING The objective of effective liquidity management is to ensure that we can meet customer loan requests, customer deposit maturities/withdrawals and other cash commitments efficiently under both normal operating conditions and under unpredictable circumstances of industry or market stress. To achieve this objective, the Corporate ALCO establishes and monitors liquidity guidelines that require sufficient asset-based liquidity to cover potential funding requirements and to avoid over-dependence on volatile, less reliable funding markets. We set these guidelines for both the consolidated balance sheet and for the Parent to ensure that the Parent is a source of strength for its regulated, deposit-taking banking subsidiaries.

Unencumbered debt and equity securities in the securities available-for-sale portfolio provide asset liquidity, in addition to

the immediately liquid resources of cash and due from banks and federal funds sold, securities purchased under resale agreements and other short-term investments. Asset liquidity is further enhanced by our ability to sell or securitize loans in secondary markets and to pledge loans to access secured borrowing facilities through the Federal Home Loan Banks (FHLB) and the FRB.

Core customer deposits have historically provided a sizeable source of relatively stable and low-cost funds. At March 31, 2013, core deposits were 117% of total loans, compared with 116% a year ago. Additional funding is provided by long-term debt, other foreign deposits, and short-term borrowings.

Table 44 shows selected information for short-term borrowings, which generally mature in less than 30 days.

Table 44: Short-Term Borrowings

		Quarter ended			
(in millions)	**Mar. 31, 2013**	Dec. 31, 2012	Sept. 30, 2012	June 30, 2012	Mar. 31, 2012
Balance, period end					
Commercial paper and other short-term borrowings	**$ 22,263**	22,202	20,474	19,695	17,759
Federal funds purchased and securities sold under agreements to repurchase	**38,430**	34,973	31,483	36,328	33,205
Total	**$ 60,693**	57,175	51,957	56,023	50,964
Average daily balance for period					
Commercial paper and other short-term borrowings	**$ 20,850**	20,609	19,675	18,072	18,038
Federal funds purchased and securities sold under agreements to repurchase	**34,561**	32,212	32,182	33,626	30,344
Total	**$ 55,411**	52,821	51,857	51,698	48,382
Maximum month-end balance for period					
Commercial paper and other short-term borrowings (1)	**$ 22,263**	22,202	20,474	19,695	18,323
Federal funds purchased and securities sold under agreements to repurchase (2)	**38,430**	35,941	32,766	36,328	33,205

(1) Highest month-end balance in each of the last five quarters was in March 2013 and December, September, June and January 2012.
(2) Highest month-end balance in each of the last five quarters was in March 2013 and October, July, June and March 2012.

We access domestic and international capital markets for long-term funding (generally greater than one year) through issuances of registered debt securities, private placements and asset-backed secured funding. Investors in the long-term capital markets, as well as other market participants, generally will consider, among other factors, a company s debt rating in making investment decisions. Rating agencies base their ratings on many quantitative and qualitative factors, including capital adequacy, liquidity, asset quality, business mix, the level and quality of earnings, and rating agency assumptions regarding the probability and extent of Federal financial assistance or support for certain large financial institutions. Adverse changes in these factors could result in a reduction of our credit rating; however, a reduction in credit rating would not cause us to violate any of our debt covenants. Generally, rating agencies review a firm s ratings at least annually. There were no changes to our credit ratings in first quarter 2013. See the Risk Management Asset/Liability Management and Risk Factors sections in our 2012 Form 10-K for additional information regarding our credit ratings as of December 31, 2012, and the potential impact a credit rating downgrade would have on our liquidity and operations, as well as Note 12 (Derivatives) to Financial Statements in this Report for information regarding additional

collateral and funding obligations required for certain derivative instruments in the event our credit ratings were to fall below investment grade.

On December 20, 2011, the FRB proposed enhanced liquidity risk management rules. On January 6, 2013, the Basel Committee on Bank Supervision (BCBS) endorsed a revised liquidity framework for banks. These rules have not yet been finalized and adopted by the FRB. The proposed rules would require modifications to our existing liquidity risk management processes. This includes increased frequency of liquidity reporting and stress testing, maintenance of a 30-day liquidity buffer comprised of highly-liquid assets and additional corporate governance requirements. We will continue to analyze the proposed rules and other regulatory proposals that may affect liquidity risk management, including Basel III, to determine the level of operational or compliance impact to Wells Fargo. For additional information see the Capital Management and Regulatory Reform sections in this Report and in our 2012 Form 10-K.

Parent Under SEC rules, our Parent is classified as a well-known seasoned issuer, which allows it to file a registration statement that does not have a limit on issuance capacity. In April 2012, the Parent filed a registration statement with the

Table of Contents

SEC for the issuance of senior and subordinated notes, preferred stock and other securities. The Parent s ability to issue debt and other securities under this registration statement is limited by the debt issuance authority granted by the Board. The Parent is currently authorized by the Board to issue $60 billion in outstanding short-term debt and $170 billion in outstanding long-term debt. During first quarter 2013, the Parent issued $2.1 billion of senior notes, of which $385 million were registered with the SEC. In addition, during first quarter 2013, the Parent issued $2.0 billion of registered subordinated medium term notes. Since March 31, 2013, the Parent has issued $2.0 billion of registered senior notes, and $1.8 billion of unregistered senior notes.

The Parent s proceeds from securities issued in the first quarter 2013 were used for general corporate purposes, and, unless otherwise specified in the applicable prospectus or prospectus supplement, we expect the proceeds from securities issued in the future will be used for the same purposes. Depending on market conditions, we may purchase our outstanding debt securities from time to time in privately negotiated or open market transactions, by tender offer, or otherwise.

Table 45 provides information regarding the Parent s medium-term note (MTN) programs. The Parent may issue senior and subordinated debt securities under Series L & M, and the European and Australian programmes. Under Series K, the Parent may issue senior debt securities linked to one or more indices or bearing interest at a fixed or floating rate.

Table 45: Medium-Term Note (MTN) Programs

			March 31, 2013	
(in billions)	Date established		Debt issuance authority	Available for issuance
MTN program:				
Series L & M (1)	May 2012		$ 25.0	18.9
Series K (1) (3)	April 2010		25.0	22.8
European (2) (3)	December 2009		25.0	20.2
Australian (2) (4)	June 2005	AUD	10.0	5.8

(1) SEC registered.
(2) Not registered with the SEC. May not be offered in the United States without applicable exemptions from registration.
(3) As amended in April 2012.
(4) As amended in October 2005 and March 2010.

Wells Fargo Bank, N.A. Wells Fargo Bank, N.A. is authorized by its board of directors to issue $100 billion in outstanding short-term debt and $125 billion in outstanding long-term debt. At March 31, 2013, Wells Fargo Bank, N.A. had available $100 billion in short-term debt issuance authority and $99.5 billion in long-term debt issuance authority. In March 2012, Wells Fargo Bank, N.A. established a $100 billion bank note program under which, subject to any other debt outstanding under the limits described above, it may issue $50 billion in outstanding short-term senior notes and $50 billion in outstanding long-term senior or subordinated notes. During first quarter 2013, Wells Fargo Bank, N.A. issued $3.0 billion of senior notes. At March 31, 2013, Wells Fargo Bank, N.A. had remaining issuance capacity under the bank note program of $50 billion in short-term

senior notes and $42.5 billion in long-term senior or subordinated notes.

Wells Fargo Canada Corporation In January 2012, Wells Fargo Canada Corporation (WFCC, formerly known as Wells Fargo Financial Canada Corporation), an indirect wholly owned Canadian subsidiary of the Parent, qualified with the Canadian provincial securities commissions a base shelf prospectus for the distribution from time to time in Canada of up to CAD $7.0 billion in medium-term notes. During first quarter 2013, WFCC issued CAD $500 million in medium-term notes. At March 31, 2013, CAD $3.5 billion remained available for future issuance. All medium-term notes issued by WFCC are unconditionally guaranteed by the Parent.

FEDERAL HOME LOAN BANK MEMBERSHIP We are a member of the Federal Home Loan Banks based in Dallas, Des Moines and San Francisco (collectively, the FHLBs). Each member of the FHLBs is required to maintain a minimum investment in capital stock of the applicable FHLB. The board of directors of each FHLB can increase the minimum investment requirements in the event it has concluded that additional capital is required to allow it to meet its own regulatory capital requirements. Any increase in the minimum investment requirements outside of specified ranges requires the approval of the Federal Housing Finance Board. Because the extent of any obligation to increase our investment in any of the FHLBs depends entirely upon the occurrence of a future event, potential future payments to the FHLBs are not determinable.

The FHLBs are a group of cooperatives that lending institutions use to finance housing and economic development in local communities. About 80% of U.S. lending institutions, including Wells Fargo, rely on the FHLBs for low-cost funds. We use the funds to support home mortgage lending and other community investments.

Table of Contents

Capital Management

We have an active program for managing stockholders equity and regulatory capital, and maintain a comprehensive process for assessing the Company s overall capital adequacy. We generate capital primarily through the retention of earnings net of dividends. Our objective is to maintain capital at an amount commensurate with our risk profile and risk tolerance objectives, and to meet both regulatory and market expectations. Our potential sources of stockholders equity include retained earnings and issuances of common and preferred stock. Retained earnings increased $3.6 billion from December 31, 2012, predominantly from Wells Fargo net income of $5.2 billion, less common and preferred stock dividends of $1.6 billion. During first quarter 2013, we issued approximately 39 million shares of common stock, substantially all of which related to employee benefit plans. We also issued 25 million Depositary Shares, each representing a 1/1,000th interest in a share of the Company s newly issued Non-Cumulative Perpetual Class A Preferred Stock, Series P, for an aggregate public offering price of $625 million. We also repurchased approximately 11 million shares of common stock in open market transactions and from employee benefit plans, at a net cost of $383 million, and approximately 6 million shares of common stock in settlement of a $200 million forward purchase contract entered into in fourth quarter 2012. In addition, the Company entered into a forward purchase contract in April 2013 and paid $500 million to an unrelated third party. This contract expires in third quarter 2013; however, the counterparty has the right to accelerate settlement. Also, the Company redeemed $2.8 billion of trust preferred securities in first quarter 2013 consistent with the capital plan included in the 2012 CCAR. For additional information about our forward repurchase agreements see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

Regulatory Capital Guidelines

The Company and each of our subsidiary banks are subject to various regulatory capital adequacy requirements administered by the FRB and the OCC. Risk-based capital (RBC) guidelines establish a risk-adjusted ratio relating capital to different categories of assets and off-balance sheet exposures. At March 31, 2013, the Company and each of our subsidiary banks were well-capitalized under applicable regulatory capital adequacy guidelines. See Note 19 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report for additional information.

Current regulatory RBC rules are based primarily on broad credit-risk considerations and limited market-related risks, but do not take into account other types of risk facing a financial services company. Our capital adequacy assessment process contemplates a wide range of risks that the Company is exposed to and also takes into consideration our performance under a variety of stressed economic conditions, as well as regulatory expectations and guidance, rating agency viewpoints and the view of capital markets participants.

Effective January 1, 2013, the Company implemented changes to the market risk capital rule, commonly referred to as

Basel 2.5, as required by the U.S. banking regulators. Basel 2.5 requires banking organizations with significant trading activities to adjust their capital requirements to better account for the market risks of those activities. Adoption of the market risk capital rule is reflected in the Company s calculation of risk weighted assets and negatively impacted first quarter capital ratios under Basel I by approximately 25 basis points, but did not impact our ratio under Basel III, as its impact has historically been included in our calculations. For additional information see the Risk Management Asset/Liability Management section in this Report.

In 2007, U.S. banking regulators approved a final rule adopting international guidelines for determining regulatory capital known as Basel II. Basel II incorporates three pillars that address (a) capital adequacy, (b) supervisory review, which relates to the computation of capital and internal assessment processes, and (c) market discipline, through increased disclosure requirements. We entered the parallel run phase of Basel II in July 2012. During the parallel run phase, banks must successfully complete at least a four quarter evaluation period under supervision from regulatory agencies in order to be compliant with the Basel II final rule.

In December 2010, the BCBS finalized a set of international guidelines for determining regulatory capital known as Basel III. These guidelines were developed in response to the financial crisis of 2008 and 2009 and were intended to address many of the weaknesses identified in the banking sector as contributing to the crisis including excessive leverage, inadequate and low quality capital and insufficient liquidity buffers. The guidelines, among other things, increase minimum capital requirements and when fully phased in require bank holding companies (BHCs) to maintain a minimum ratio of Tier 1 common equity to risk-weighted assets of at least 7.0% consisting of a minimum ratio of 4.5% plus a 2.5% capital conservation buffer.

The BCBS has also issued additional Tier 1 common equity surcharge requirements for global systemically important banks (G-SIBs). The surcharge ranges from 1.0% to 3.5% of risk-weighted assets depending on the bank s systemic importance, which is determined under an indicator-based approach that considers five broad categories: cross-jurisdictional activity; size; inter-connectedness; substitutability/financial institution infrastructure and complexity. These additional capital requirements for G-SIBs, which will be phased in beginning in January 2016 and become fully effective on January 1, 2019, are in addition to the minimum Basel III 7.0% Tier 1 common equity requirement finalized in December 2010. The Financial Stability Board (FSB), in an updated list published in November 2012 based on year-end 2011 data, identified the Company as one of the 28 G-SIBs and provisionally determined that the Company s surcharge would be 1.0%. The FSB may revise the list of G-SIBs and their required surcharges prior to implementation based on additional or future data.

U.S. regulatory authorities have been considering the BCBS capital guidelines and proposals, and in June 2012, the U.S. banking regulators jointly issued three notices of proposed

Table of Contents

rulemaking that are essentially intended to implement the BCBS capital guidelines for U.S. banks. Together these notices of proposed rulemaking would, among other things:

- implement in the United States the Basel III regulatory capital reforms including those that revise the definition of capital, increase minimum capital ratios, and introduce a minimum Tier 1 common equity ratio of 4.5% and a capital conservation buffer of 2.5% (for a total minimum Tier 1 common equity ratio of 7.0%) and a potential countercyclical buffer of up to 2.5%, which would be imposed by regulators at their discretion if it is determined that a period of excessive credit growth is contributing to an increase in systemic risk;
- revise Basel I rules for calculating risk-weighted assets to enhance risk sensitivity;
- modify the existing Basel II advanced approaches rules for calculating risk-weighted assets to implement Basel III; and
- comply with the Dodd-Frank Act provision prohibiting the reliance on external credit ratings.

Although the proposals contemplated an effective date of January 1, 2013, with phased in compliance requirements, the rules have not yet been finalized by the U.S. banking regulators due to the volume of comments received and concerns expressed during the comment period. The notices of proposed rulemaking did not address the BCBS capital surcharge proposals for G-SIBs or the proposed Basel III liquidity standards. U.S. regulatory authorities have indicated that these proposals will be addressed at a later date.

Although uncertainty exists regarding final capital rules, we evaluate the impact of Basel III on our capital ratios based on our interpretation of the proposed capital requirements and we estimate that our Tier 1 common equity ratio under the Basel III capital proposals exceeded the fully phased-in minimum of 7.0% by 139 basis points at March 31, 2013. The proposed Basel III capital rules and interpretations and assumptions used in estimating our Basel III calculations are subject to change depending on final promulgation of Basel III capital rulemaking.

In October 2012, the FRB issued final rules regarding stress testing requirements as required under the Dodd-Frank Act provision imposing enhanced prudential standards on large BHCs such as Wells Fargo. The OCC issued and finalized similar rules during 2012 for stress testing of large national banks. These stress testing rules, which became effective for Wells Fargo on November 15, 2012, set forth the timing and type of stress test activities large BHCs and banks must undertake as well as rules governing stress testing controls, oversight and disclosure requirements.

Table 46 and Table 47, which appear at the end of this Capital Management section, provide information regarding our Tier 1 common equity calculations under Basel I and as estimated under Basel III, respectively.

Capital Planning

Under the FRB s capital plan rule, large BHCs are required to submit capital plans annually for review to determine if the FRB had any objections before making any capital distributions. The rule requires updates to capital plans in the event of material changes in a BHC s risk profile, including as a result of any significant acquisitions.

Under the FRB s capital plan rule, our 2013 CCAR included a comprehensive capital plan supported by an assessment of expected uses and sources of capital over a given planning horizon under a range of expected and stress scenarios, similar to the process the FRB used to conduct a CCAR in 2012. As part of the 2013 CCAR, the FRB also generated a supervisory stress test driven by a sharp decline in the economy and significant decline in asset pricing using the information provided by the Company to estimate performance. The FRB reviewed the supervisory stress results both as required under the Dodd-Frank Act using a common set of capital actions for all large BHCs and by taking into account the Company s proposed capital actions. The FRB published its supervisory stress test results as required under the Dodd-Frank Act on March 7, 2013. On March 14, 2013, the FRB notified us that it did not object to our capital plan included in the 2013 CCAR. The capital plan included an increase in our second quarter 2013 common stock dividend rate to $0.30 per share, which was approved by the Board on April 23, 2013.

Securities Repurchases

From time to time the Board authorizes the Company to repurchase shares of our common stock. Although we announce when the Board authorizes share repurchases, we typically do not give any public notice before we repurchase our shares. Future stock repurchases may be private or open-market repurchases, including block transactions, accelerated or delayed block transactions, forward transactions, and similar transactions. Additionally, we may enter into plans to purchase stock that satisfy the conditions of Rule 10b5-1 of the Securities Exchange Act of 1934. Various factors determine the amount and timing of our share repurchases, including our capital requirements, the number of shares we expect to issue for employee benefit plans and acquisitions, market conditions (including the trading price of our stock), and regulatory and legal considerations, including the FRB s response to our capital plan and to changes in our risk profile.

In October 2012, the Board authorized the repurchase of 200 million shares. At March 31, 2013, we had remaining authority under this authorization to purchase approximately 181 million shares, subject to regulatory and legal conditions. For more information about share repurchases during 2013, see Part II, Item 2 of this Report.

Historically, our policy has been to repurchase shares under the safe harbor conditions of Rule 10b-18 of the Securities Exchange Act of 1934 including a limitation on the daily volume of repurchases. Rule 10b-18 imposes an additional daily volume limitation on share repurchases during a pending merger or acquisition in which shares of our stock will constitute some or all of the consideration. Our management may determine that during a pending stock merger or acquisition when the safe

Table of Contents

Capital Management ***(continued)***

harbor would otherwise be available, it is in our best interest to repurchase shares in excess of this additional daily volume limitation. In such cases, we intend to repurchase shares in compliance with the other conditions of the safe harbor, including the standing daily volume limitation that applies whether or not there is a pending stock merger or acquisition.

In connection with our participation in the Capital Purchase Program (CPP), a part of the Troubled Asset Relief Program (TARP), we issued to the U.S. Treasury Department warrants to purchase 110,261,688 shares of our common stock with an exercise price of $34.01 per share expiring on October 28, 2018. The Board authorized the repurchase by the Company of up to

$1 billion of the warrants. On May 26, 2010, in an auction by the U.S. Treasury, we purchased 70,165,963 of the warrants at a price of $7.70 per warrant. We have purchased an additional 986,426 warrants, all on the open market, since the U.S. Treasury auction. At March 31, 2013, there were 39,109,299 warrants outstanding and exercisable and $452 million of unused warrant repurchase authority. Depending on market conditions, we may purchase from time to time additional warrants in privately negotiated or open market transactions, by tender offer or otherwise.

Table 46: Tier 1 Common Equity Under Basel I (1)

(in billions)			**Mar. 31, 2013**	Dec. 31, 2012
Total equity		**$**	**163.4**	158.9
Noncontrolling interests			**(1.3)**	(1.3)
Total Wells Fargo stockholders equity			**162.1**	157.6
Adjustments:				
Preferred equity			**(12.6)**	(12.0)
Goodwill and intangible assets (other than MSRs)			**(32.5)**	(32.9)
Applicable deferred taxes			**3.1**	3.2
MSRs over specified limitations			**(0.8)**	(0.7)
Cumulative other comprehensive income			**(5.1)**	(5.6)
Other			**(0.6)**	(0.6)
Tier 1 common equity	(A)	**$**	**113.6**	109.0
Total risk-weighted assets (2)	(B)	**$**	**1,094.3**	1,077.1
Tier 1 common equity to total risk-weighted assets (2)	(A)/(B)		**10.39%**	10.12

(1) Tier 1 common equity is a non-GAAP financial measure that is used by investors, analysts and bank regulatory agencies to assess the capital position of financial services companies. Management reviews Tier 1 common equity along with other measures of capital as part of its financial analyses and has included this non-GAAP financial information, and the corresponding reconciliation to total equity, because of current interest in such information on the part of market participants. Effective January 1, 2013, we implemented changes to the market risk capital rule, commonly referred to as Basel 2.5. Adoption of Basel 2.5 negatively impacted the ratios under Basel I by approximately 25 basis points as of March 31, 2013.

(2)

Under the regulatory guidelines for risk-based capital, on-balance sheet assets and credit equivalent amounts of derivatives and off-balance sheet items are assigned to one of several broad risk categories according to the obligor or, if relevant, the guarantor or the nature of any collateral. The aggregate dollar amount in each risk category is then multiplied by the risk weight associated with that category. The resulting weighted values from each of the risk categories are aggregated for determining total risk-weighted assets.

Table of Contents

Table 47: Tier 1 Common Equity Under Basel III (Estimated) (1)(2)

(in billions)		March 31, 2013
Tier 1 common equity under Basel I		$ 113.6
Adjustments from Basel I to Basel III (3) (5):		
Cumulative other comprehensive income related to AFS securities and defined benefit pension plans		4.8
Other		0.5
Total adjustments from Basel I to Basel III		5.3
Threshold deductions, as defined under Basel III (4) (5)		(0.9)
Tier 1 common equity anticipated under Basel III	(C)	$ 118.0
Total risk-weighted assets anticipated under Basel III (6)	(D)	$ 1,406.2
Tier 1 common equity to total risk-weighted assets anticipated under Basel III	(C)/(D)	8.39%

(1) Tier 1 common equity is a non-GAAP financial measure that is used by investors, analysts and bank regulatory agencies to assess the capital position of financial services companies. Management reviews Tier 1 common equity along with other measures of capital as part of its financial analyses and has included this non-GAAP financial information, and the corresponding reconciliation to total equity, because of current interest in such information on the part of market participants.
(2) The Basel III Tier 1 common equity and risk-weighted assets are calculated based on management s current interpretation of the Basel III capital rules proposed by federal banking agencies in notices of proposed rulemaking announced in June 2012. The proposed rules and interpretations and assumptions used in estimating Basel III calculations are subject to change depending on final promulgations of Basel III capital rules.
(3) Adjustments from Basel I to Basel III represent reconciling adjustments, primarily certain components of cumulative other comprehensive income deducted for Basel I purposes, to derive Tier 1 common equity under Basel III.
(4) Threshold deductions, as defined under Basel III, include individual and aggregate limitations, as a percentage of Tier 1 common equity, with respect to MSRs (net of related deferred tax liability, which approximates the MSR book value times the applicable statutory tax rates), deferred tax assets and investments in unconsolidated financial companies.
(5) Volatility in interest rates can have a significant impact on the valuation of cumulative other comprehensive income and MSRs and therefore, may impact adjustments from Basel I to Basel III, and MSRs subject to threshold deductions, as defined under Basel III, in future reporting periods.
(6) Under current Basel proposals, risk-weighted assets incorporate different classifications of assets, with certain risk weights based on a borrower s credit rating or Wells Fargo s own risk models, along with adjustments to address a combination of credit/counterparty, operational and market risks, and other Basel III elements. The amount of risk-weighted assets anticipated under Basel III is preliminary and subject to change depending on final promulgation of Basel III capital rulemaking and interpretations thereof by regulatory authorities.

Regulatory Reform

The financial services industry is experiencing a significant increase in regulation and regulatory oversight initiatives that may substantially change how most U.S. financial services companies conduct business. Regulation mandated by the Dodd-Frank Act is the source of most current U.S. regulatory reform, and many aspects of the Dodd-Frank Act remain subject to final

rulemaking, guidance, and interpretation by regulatory authorities.

For a discussion of the significant regulations and regulatory oversight initiatives that have affected or may affect our business, we refer you to the Regulatory Reform section of our 2012 Form 10-K.

Critical Accounting Policies

Our significant accounting policies (see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2012 Form 10-K) are fundamental to understanding our results of operations and financial condition because they require that we use estimates and assumptions that may affect the value of our assets or liabilities and financial results. Six of these policies are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. These policies govern:

- the allowance for credit losses;
- PCI loans;
- the valuation of residential MSRs;
- liability for mortgage loan repurchase losses;
- the fair valuation of financial instruments; and
- income taxes.

Management has reviewed and approved these critical accounting policies and has discussed these policies with the Board s Audit and Examination Committee. These policies are described further in the Financial Review Critical Accounting Policies section and Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2012 Form 10-K.

Current Accounting Developments

There are no pending accounting pronouncements issued by the Financial Accounting Standards Board (FASB) that would impact the Company.

Table of Contents

Forward-Looking Statements

This Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as anticipates, intends, plans, seeks, believes, estimates, expects, target, projects, ou will, may, could, should, can and similar references to future periods. Examples of forward-looking statements in this Report include, but are limited to, statements we make about: (i) future results of the Company, including our outlook for future growth; (ii) our noninterest expense and efficiency ratio, including our targeted efficiency ratio range as part of our expense management initiatives; (iii) future credit quality and performance, including our expectations regarding future loan losses in our loan portfolios and life-of-loan estimates; our foreign loan exposure; the level and loss content of NPAs and nonaccrual loans; the appropriateness of the allowance for credit losses, including our current expectation of future allowance releases; the recast risk in our Pick-a-Pay portfolio; and the reduction or mitigation of risk in our loan portfolios and the effects of loan modification programs; (iv) our expectations regarding net interest income and net interest margin; (v) future capital levels and our estimated Tier 1 common equity ratio as of March 31, 2013, under proposed Basel III capital standards; (vi) our mortgage repurchase exposure and exposure relating to our mortgage practices, including foreclosures and servicing; (vii) our mortgage originations, including mortgage volume, sale or retention of our mortgage production, and gain on sale margins; (viii) our expectations regarding compliance and the anticipated impact of regulations and initiatives of federal and state government entities related to our mortgage servicing and foreclosure practices, our loan modification efforts and our refinancing activities; (ix) the expected outcome and impact of legal, regulatory and legislative developments, including the Dodd-Frank Act; (x) future common stock dividends, common share repurchases and other uses of capital; (xi) our targeted range for ROA and ROE; (xii) our full year 2013 effective income tax rate; and (xiii) the Company s plans, objectives and strategies, including our belief that we have more opportunity to increase cross-sell of our products.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you, therefore, against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. While there is no assurance that any list of risks and uncertainties or risk factors is complete, important factors that could cause actual results to differ materially from those in the forward-looking statements include the following, without limitation:

- current and future economic and market conditions, including the effects of declines in housing prices, high unemployment rates, U.S. fiscal debt, budget and tax matters, the sovereign debt crisis and economic difficulties in Europe, and the overall slowdown in global economic growth;

- our capital and liquidity requirements (including under regulatory capital standards, such as the proposed Basel III capital standards, as determined and interpreted by applicable regulatory authorities) and our ability to generate capital internally or raise capital on favorable terms;

- financial services reform and other current, pending or future legislation or regulation that could have a negative effect on our revenue and businesses, including the Dodd-Frank Act and other legislation and regulation relating to bank products and services, as well as the extent of our ability to mitigate the loss of revenue and income from financial services reform and other legislation and regulation;

- the extent of our success in our loan modification efforts, as well as the effects of regulatory requirements or guidance regarding loan modifications or changes in such requirements or guidance;

- the amount of mortgage loan repurchase demands that we receive and our ability to satisfy any such demands without having to repurchase loans related thereto or otherwise indemnify or reimburse third parties, and the credit quality of or losses on such repurchased mortgage

loans;

negative effects relating to our mortgage servicing and foreclosure practices, including our ability to meet our obligations under the settlement in principle with the Department of Justice and other federal and state government entities, as well as changes in our procedures or practices and/or industry standards or practices, regulatory or judicial requirements, penalties or fines, increased servicing and other costs or obligations, including loan modification requirements, or delays or moratoriums on foreclosures;

our ability to realize our efficiency ratio target as part of our expense management initiatives when and in the range targeted, including as a result of business and economic cyclicality, seasonality, changes in our business composition and operating environment, growth in our businesses and/or acquisitions, and unexpected expenses relating to, among other things, litigation and regulatory matters;

losses relating to Super Storm Sandy, including the result of damage or loss to our collateral for loans in our consumer and commercial loan portfolios, the extent of insurance coverage, or the level of government assistance for our borrowers;

the effect of the current low interest rate environment or changes in interest rates on our net interest income, net interest margin and our mortgage originations, MSRs and MHFS;

hedging gains or losses;
a recurrence of significant turbulence or disruption in the capital or financial markets, which could result in, among other things, reduced investor demand for mortgage loans, a reduction in the availability of funding or increased funding

Table of Contents

costs, and declines in asset values and/or recognition of OTTI on securities held in our available-for-sale portfolio due to volatility or changes in interest rates, foreign exchange rates and/or debt, equity and commodity prices;

our ability to sell more products to our existing customers through our cross-selling efforts;

the effect of a fall in stock market prices on our investment banking business and our fee income from our brokerage, asset and wealth management businesses;

changes in the value of our venture capital investments;

changes in our accounting policies or in accounting standards or in how accounting standards are to be applied or interpreted;

mergers, acquisitions and divestitures;

changes in the Company s credit ratings and changes in the credit quality of the Company s customers or counterparties;

reputational damage from negative publicity, protests, fines, penalties and other negative consequences from regulatory violations and legal actions;

a failure in or breach of our operational or security systems or infrastructure, or those of our third party vendors and other service providers, including as a result of cyber attacks;

the loss of checking and savings account deposits to other investments such as the stock market, and the resulting increase in our funding costs and impact on our net interest margin;

fiscal and monetary policies of the FRB; and

the other risk factors and uncertainties described under Risk Factors in our 2012 Form 10-K.

In addition to the above factors, we also caution that there is no assurance that our allowance for credit losses will be appropriate to cover future credit losses, especially if housing prices decline or unemployment worsens. Increases in loan charge-offs or in the allowance for credit losses and related provision expense could materially adversely affect our financial results and condition.

Any forward-looking statement made by us in this Report speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

Risk Factors

An investment in the Company involves risk, including the possibility that the value of the investment could fall substantially and that dividends or other distributions on the investment could be reduced or eliminated. For a discussion of risk factors that could adversely affect our financial results and condition, and the value of, and return on, an investment in the Company, we refer you to the Risk Factors section of our 2012 Form 10-K.

Table of Contents

Controls and Procedures

Disclosure Controls and Procedures

The Company s management evaluated the effectiveness, as of March 31, 2013, of the Company s disclosure controls and procedures. The Company s chief executive officer and chief financial officer participated in the evaluation. Based on this evaluation, the Company s chief executive officer and chief financial officer concluded that the Company s disclosure controls and procedures were effective as of March 31, 2013.

Internal Control Over Financial Reporting

Internal control over financial reporting is defined in Rule 13a-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the Company s principal executive and principal financial officers and effected by the Company s Board, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles (GAAP) and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. No change occurred during first quarter 2013 that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

Table of Contents

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Income (Unaudited)

(in millions, except per share amounts)	Quarter ended March 31, 2013	2012
Interest income		
Trading assets	**$ 327**	377
Securities available for sale	**1,925**	2,088
Mortgages held for sale	**371**	459
Loans held for sale	**3**	9
Loans	**8,861**	9,197
Other interest income	**163**	125
Total interest income	**11,650**	12,255
Interest expense		
Deposits	**369**	457
Short-term borrowings	**20**	16
Long-term debt	**697**	830
Other interest expense	**65**	64
Total interest expense	**1,151**	1,367
Net interest income	**10,499**	10,888
Provision for credit losses	**1,219**	1,995
Net interest income after provision for credit losses	**9,280**	8,893
Noninterest income		
Service charges on deposit accounts	**1,214**	1,084
Trust and investment fees	**3,202**	2,839
Card fees	**738**	654
Other fees	**1,034**	1,095
Mortgage banking	**2,794**	2,870
Insurance	**463**	519
Net gains from trading activities	**570**	640
Net gains (losses) on debt securities available for sale (1)	**45**	(7)
Net gains from equity investments (2)	**113**	364
Lease income	**130**	59
Other	**457**	631
Total noninterest income	**10,760**	10,748
Noninterest expense		
Salaries	**3,663**	3,601
Commission and incentive compensation	**2,577**	2,417
Employee benefits	**1,583**	1,608
Equipment	**528**	557
Net occupancy	**719**	704
Core deposit and other intangibles	**377**	419
FDIC and other deposit assessments	**292**	357
Other	**2,661**	3,330

Total noninterest expense		**12,400**	12,993
Income before income tax expense		**7,640**	6,648
Income tax expense		**2,420**	2,328
Net income before noncontrolling interests		**5,220**	4,320
Less: Net income from noncontrolling interests		**49**	72
Wells Fargo net income	**$**	**5,171**	4,248
Less: Preferred stock dividends and other		**240**	226
Wells Fargo net income applicable to common stock	**$**	**4,931**	4,022
Per share information			
Earnings per common share	**$**	**0.93**	0.76
Diluted earnings per common share		**0.92**	0.75
Dividends declared per common share		**0.25**	0.22
Average common shares outstanding		**5,279.0**	5,282.6
Diluted average common shares outstanding		**5,353.5**	5,337.8

(1) Total other-than-temporary impairment (OTTI) losses (gains) were $(15) million and $35 million for first quarter 2013 and 2012, respectively. Of total OTTI, losses of $34 million and $50 million were recognized in earnings, and gains of $(49) million and $(15) million were recognized as non-credit-related OTTI in other comprehensive income for first quarter 2013 and 2012, respectively.

(2) Includes OTTI losses of $44 million and $15 million for first quarter 2013 and 2012, respectively.

The accompanying notes are an integral part of these statements.

Table of Contents

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Comprehensive Income (Unaudited)

(in millions)	Quarter ended March 31, **2013**	2012
Wells Fargo net income	**$ 5,171**	4,248
Other comprehensive income, before tax:		
Foreign currency translation adjustments (1):		
Net unrealized gains (losses) arising during the period	**(18)**	10
Securities available for sale:		
Net unrealized gains (losses) arising during the period	**(634)**	1,874
Reclassification of net gains to net income	**(113)**	(226)
Derivatives and hedging activities:		
Net unrealized gains arising during the period	**7**	42
Reclassification of net gains on cash flow hedges to net income	**(87)**	(107)
Defined benefit plans adjustments:		
Net actuarial gains (losses) arising during the period	**6**	(5)
Amortization of net actuarial loss and other costs to net income	**49**	36
Other comprehensive income (loss), before tax	**(790)**	1,624
Income tax (expense) benefit related to other comprehensive income	**288**	(611)
Other comprehensive income (loss), net of tax	**(502)**	1,013
Less: Other comprehensive income from noncontrolling interests	**3**	4
Wells Fargo other comprehensive income (loss), net of tax	**(505)**	1,009
Wells Fargo comprehensive income	**4,666**	5,257
Comprehensive income from noncontrolling interests	**52**	76
Total comprehensive income	**$ 4,718**	5,333

(1) There was no sale or liquidation of an investment in a foreign entity, and therefore no reclassification adjustment for the quarters ended March 31, 2013 and 2012, respectively.

The accompanying notes are an integral part of these statements.

Table of Contents

Wells Fargo & Company and Subsidiaries

Consolidated Balance Sheet (Unaudited)

(in millions, except shares)		Mar. 31, 2013	Dec. 31, 2012
Assets			
Cash and due from banks	$	**16,217**	21,860
Federal funds sold, securities purchased under resale agreements and other short-term investments		**143,804**	137,313
Trading assets		**62,274**	57,482
Securities available for sale		**248,160**	235,199
Mortgages held for sale (includes $42,624 and $42,305 carried at fair value)		**46,702**	47,149
Loans held for sale (includes $0 and $6 carried at fair value)		**194**	110
Loans (includes $6,183 and $6,206 carried at fair value)		**799,966**	799,574
Allowance for loan losses		**(16,711)**	(17,060)
Net loans		**783,255**	782,514
Mortgage servicing rights:			
Measured at fair value		**12,061**	11,538
Amortized		**1,181**	1,160
Premises and equipment, net		**9,263**	9,428
Goodwill		**25,637**	25,637
Other assets (includes $197 and $0 carried at fair value)		**87,886**	93,578
Total assets (1)	$	**1,436,634**	1,422,968
Liabilities			
Noninterest-bearing deposits	$	**278,909**	288,207
Interest-bearing deposits		**731,824**	714,628
Total deposits		**1,010,733**	1,002,835
Short-term borrowings		**60,693**	57,175
Accrued expenses and other liabilities		**75,622**	76,668
Long-term debt (includes $0 and $1 carried at fair value)		**126,191**	127,379
Total liabilities (2)		**1,273,239**	1,264,057
Equity			
Wells Fargo stockholders equity:			
Preferred stock		**14,412**	12,883
Common stock $1-2/3 par value, authorized 9,000,000,000 shares; issued 5,481,811,474 shares and 5,481,811,474 shares		**9,136**	9,136
Additional paid-in capital		**60,136**	59,802
Retained earnings		**81,264**	77,679
Cumulative other comprehensive income		**5,145**	5,650
Treasury stock 193,038,624 shares and 215,497,298 shares		**(6,036)**	(6,610)
Unearned ESOP shares		**(1,971)**	(986)
Total Wells Fargo stockholders equity		**162,086**	157,554
Noncontrolling interests		**1,309**	1,357
Total equity		**163,395**	158,911

Total liabilities and equity	**$**	**1,436,634**	1,422,968

(1) Our consolidated assets at March 31, 2013 and December 31, 2012, include the following assets of certain variable interest entities (VIEs) that can only be used to settle the liabilities of those VIEs: Cash and due from banks, $156 million and $260 million; Trading assets, $135 million and $114 million; Securities available for sale, $2.6 billion and $2.8 billion; Mortgages held for sale, $257 million and $469 million; Net loans, $9.7 billion and $10.6 billion; Other assets, $434 million and 457 million, and Total assets, $13.2 billion and $14.6 billion, respectively.

(2) Our consolidated liabilities at March 31, 2013 and December 31, 2012, include the following VIE liabilities for which the VIE creditors do not have recourse to Wells Fargo: Short-term borrowings, $3 million and $0 million; Accrued expenses and other liabilities, $105 million and $134 million; Long-term debt, $2.9 billion and $3.5 billion; and Total liabilities, $3.0 billion and $3.6 billion, respectively.

The accompanying notes are an integral part of these statements.

Table of Contents

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Changes in Equity (Unaudited)

	Preferred stock		Common stock	
(in millions, except shares)	*Shares*	Amount	*Shares*	Amount
Balance December 31, 2011	*10,450,690*	$ 11,431	*5,262,611,636*	$ 8,931
Cumulative effect of fair value election for certain residential mortgage servicing rights				
Balance January 1, 2012	*10,450,690*	$ 11,431	*5,262,611,636*	$ 8,931
Net income				
Other comprehensive income, net of tax				
Noncontrolling interests				
Common stock issued			*38,592,451*	64
Common stock repurchased			*(7,631,609)*	
Preferred stock issued to ESOP	*940,000*	940		
Preferred stock released by ESOP				
Preferred stock converted to common shares	*(269,694)*	(270)	*7,928,700*	13
Common stock dividends				
Preferred stock dividends				
Tax benefit from stock incentive compensation				
Stock incentive compensation expense				
Net change in deferred compensation and related plans				
Net change	*670,306*	670	*38,889,542*	77
Balance March 31, 2012	*11,120,996*	$ 12,101	*5,301,501,178*	$ 9,008
Balance January 1, 2013	***10,558,865***	**$ 12,883**	***5,266,314,176***	**$ 9,136**
Net income				
Other comprehensive income (loss), net of tax				
Noncontrolling interests				
Common stock issued			***31,062,036***	
Common stock repurchased			***(16,635,291)***	
Preferred stock issued to ESOP	***1,200,000***	**1,200**		
Preferred stock released by ESOP				
Preferred stock converted to common shares	***(295,879)***	**(296)**	***8,031,929***	
Preferred stock issued	***25,000***	**625**		
Common stock dividends				
Preferred stock dividends				
Tax benefit from stock incentive compensation				
Stock incentive compensation expense				
Net change in deferred compensation and related plans				
Net change	***929,121***	**1,529**	***22,458,674***	**-**
Balance March 31, 2013	***11,487,986***	**$ 14,412**	***5,288,772,850***	**$ 9,136**

The accompanying notes are an integral part of these statements.

Table of Contents

				Wells Fargo stockholders' equity			
Additional paid-in capital	Retained earnings	Cumulative other comprehensive income	Treasury stock	Unearned ESOP shares	Total Wells Fargo stockholders' equity	Noncontrolling interests	Total equity
55,957	64,385	3,207	(2,744)	(926)	140,241	1,446	141,687
	2				2		2
55,957	64,387	3,207	(2,744)	(926)	140,243	1,446	141,689
	4,248				4,248	72	4,320
		1,009			1,009	4	1,013
(6)					(6)	(189)	(195)
815					879		879
150			(214)		(64)		(64)
88				(1,028)	-		-
(25)				295	270		270
257					-		-
12	(1,177)				(1,165)		(1,165)
	(219)				(219)		(219)
104					104		104
269					269		269
(52)					(52)		(52)
1,612	2,852	1,009	(214)	(733)	5,273	(113)	5,160
57,569	67,239	4,216	(2,958)	(1,659)	145,516	1,333	146,849
59,802	**77,679**	**5,650**	**(6,610)**	**(986)**	**157,554**	**1,357**	**158,911**
	5,171				**5,171**	**49**	**5,220**
		(505)			**(505)**	**3**	**(502)**
					-	**(100)**	**(100)**
(10)	**(10)**		**898**		**878**		**878**
200			**(583)**		**(383)**		**(383)**
108				**(1,308)**	**-**		**-**
(27)				**323**	**296**		**296**
51			**245**		**-**		**-**
(15)					**610**		**610**
17	**(1,336)**				**(1,319)**		**(1,319)**
	(240)				**(240)**		**(240)**
84					**84**		**84**
317					**317**		**317**
(391)			**14**		**(377)**		**(377)**
334	**3,585**	**(505)**	**574**	**(985)**	**4,532**	**(48)**	**4,484**
60,136	**81,264**	**5,145**	**(6,036)**	**(1,971)**	**162,086**	**1,309**	**163,395**

Table of Contents

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Cash Flows (Unaudited)

(in millions)	Quarter ended March 31, 2013	2012
Cash flows from operating activities:		
Net income before noncontrolling interests	**$ 5,220**	4,320
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	**1,219**	1,995
Changes in fair value of MSRs, MHFS and LHFS carried at fair value	**(984)**	(1,007)
Depreciation and amortization	**834**	649
Other net gains	**(2,695)**	(1,663)
Stock-based compensation	**625**	539
Excess tax benefits related to stock incentive compensation	**(86)**	(98)
Originations of MHFS	**(99,777)**	(123,671)
Proceeds from sales of and principal collected on mortgages originated for sale	**86,880**	91,464
Originations of LHFS	**-**	(5)
Proceeds from sales of and principal collected on LHFS	**92**	2,893
Purchases of LHFS	**(75)**	(2,095)
Net change in:		
Trading assets	**13,135**	43,480
Deferred income taxes	**235**	87
Accrued interest receivable	**(288)**	(113)
Accrued interest payable	**156**	184
Other assets, net	**3,110**	5,561
Other accrued expenses and liabilities, net	**1,536**	(6,615)
Net cash provided by operating activities	**9,137**	15,905
Cash flows from investing activities:		
Net change in:		
Federal funds sold, securities purchased under resale agreements and other short-term investments	**(8,186)**	(29,776)
Securities available for sale:		
Sales proceeds	**1,303**	4,242
Prepayments and maturities	**13,302**	12,317
Purchases	**(32,098)**	(18,156)
Nonmarketable equity investments:		
Sales proceeds	**283**	390
Purchases	**(467)**	(524)
Loans:		
Loans originated by banking subsidiaries, net of principal collected	**(6,252)**	(3,103)
Proceeds from sales (including participations) of loans originated for investment	**2,764**	2,193
Purchases (including participations) of loans	**(1,105)**	(2,423)
Principal collected on nonbank entities loans	**5,828**	2,003
Loans originated by nonbank entities	**(5,289)**	(1,620)
Net cash paid for acquisitions	**-**	(426)
Proceeds from sales of foreclosed assets	**2,001**	2,365
Changes in MSRs from purchases and sales	**396**	(14)
Other, net	**1,363**	(429)
Net cash used by investing activities	**(26,157)**	(32,961)
Cash flows from financing activities:		
Net change in:		
Deposits	**7,898**	10,194
Short-term borrowings	**3,507**	1,488
Long-term debt:		
Proceeds from issuance	**7,820**	8,999
Repayment	**(7,134)**	(5,237)
Preferred stock:		
Proceeds from issuance	**610**	-
Cash dividends paid	**(306)**	(286)

Common stock:		
Proceeds from issuance	**644**	879
Repurchased	**(383)**	(64)
Cash dividends paid	**(1,284)**	(1,165)
Excess tax benefits related to stock incentive compensation	**86**	98
Net change in noncontrolling interests	**(81)**	(290)
Net cash provided by financing activities	**11,377**	14,616
Net change in cash and due from banks	**(5,643)**	(2,440)
Cash and due from banks at beginning of period	**21,860**	19,440
Cash and due from banks at end of period	**$ 16,217**	17,000
Supplemental cash flow disclosures:		
Cash paid for interest	**$ 995**	1,183
Cash paid for income taxes	**377**	333

The accompanying notes are an integral part of these statements. See Note 1 for noncash activities.

Table of Contents

See the Glossary of Acronyms at the end of this Report for terms used throughout the Financial Statements and related Notes of this Form 10-Q.

Note 1: Summary of Significant Accounting Policies

Wells Fargo & Company is a diversified financial services company. We provide banking, insurance, trust and investments, mortgage banking, investment banking, retail banking, brokerage, and consumer and commercial finance through banking stores, the internet and other distribution channels to consumers, businesses and institutions in all 50 states, the District of Columbia, and in foreign countries. When we refer to Wells Fargo, the Company, we, our or us, we mean Wells Fargo & Company and Subsidiaries (consolidated). Wells Fargo & Company (the Parent) is a financial holding company and a bank holding company. We also hold a majority interest in a real estate investment trust, which has publicly traded preferred stock outstanding.

Our accounting and reporting policies conform with U.S. generally accepted accounting principles (GAAP) and practices in the financial services industry. To prepare the financial statements in conformity with GAAP, management must make estimates based on assumptions about future economic and market conditions (for example, unemployment, market liquidity, real estate prices, etc.) that affect the reported amounts of assets and liabilities at the date of the financial statements and income and expenses during the reporting period and the related disclosures. Although our estimates contemplate current conditions and how we expect them to change in the future, it is reasonably possible that actual conditions could be worse than anticipated in those estimates, which could materially affect our results of operations and financial condition. Management has made significant estimates in several areas, including allowance for credit losses and purchased credit-impaired (PCI) loans (Note 5), valuations of residential mortgage servicing rights (MSRs) (Notes 7 and 8) and financial instruments (Note 13), liability for mortgage loan repurchase losses (Note 8) and income taxes. Actual results could differ from those estimates.

These unaudited interim financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the periods presented. These adjustments are of a normal recurring nature, unless otherwise disclosed in this Form 10-Q. The results of operations in the interim financial statements do not necessarily indicate the results that may be expected for the full year. The interim financial information should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2012 (2012 Form 10-K).

Accounting Standards Adopted in 2013

In first quarter 2013, we adopted the following new accounting guidance:

- Accounting Standards Update (ASU or Update) 2011-11, *Disclosures about Offsetting Assets and Liabilities*;
- ASU 2013-01, *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*; and
- ASU 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*.

ASU 2011-11 expands the disclosure requirements for certain financial instruments and derivatives that are subject to enforceable master netting agreements or similar arrangements. The disclosures are required regardless of whether the instruments have been offset (or netted) in the statement of financial position. Under ASU 2011-11, companies must describe the nature of offsetting arrangements and provide quantitative information about those agreements, including the gross and net amounts of financial instruments that are recognized in the statement of financial position. In January 2013, the FASB issued **ASU 2013-01**, which clarifies the scope of ASU 2011-11 by limiting the disclosures to derivatives, repurchase agreements, and securities lending transactions to the extent they are subject to an enforceable master netting or similar arrangement. We adopted this guidance in first quarter 2013 with retrospective application. These Updates did not affect our consolidated financial results since they amend only the disclosure requirements for offsetting financial instruments. See Notes 10 and 12 for the new disclosures.

ASU 2013-02 requires companies to disclose the effect on net income line items from significant amounts reclassified out of accumulated other comprehensive income and entirely into net income. If reclassifications are partially or entirely capitalized on the balance sheet, then companies must provide a cross-reference to disclosures that provide information about the effect of the reclassifications. We adopted this guidance in first quarter 2013 with retrospective application. This Update did not affect our consolidated financial results as it amends only the disclosure requirements for accumulated other comprehensive income. See Note 17 for expanded disclosures on reclassification adjustments.

Private Share Repurchases

In December 2012, we entered into a private forward repurchase contract with an unrelated third party. This contract settled in first quarter 2013 for approximately 6 million shares of our common stock. We entered into this transaction to complement our open-market common stock repurchase strategies, to allow us to manage our share repurchases in a manner consistent with our capital plan submitted under the 2012 Comprehensive Capital Analysis and Review (CCAR), and to provide an economic benefit to the Company. In connection with this contract, we paid $200 million to the counterparty, which was recorded in permanent equity in the quarter paid and was not subject to re-measurement. The classification of the up-front payment as permanent equity assured that we would have appropriate repurchase timing consistent with our 2012 capital plan, which contemplated a fixed dollar amount available per quarter for share repurchases pursuant to Federal Reserve Board (FRB) supervisory guidance. In return, the counterparty agreed to deliver a variable number of shares based on a per share

Table of Contents

Note 1: Summary of Significant Accounting Policies ***(continued)***

discount to the volume-weighted average stock price over the contract period. The counterparty had the right to accelerate settlement with delivery of shares prior to the contractual settlement. There were no scenarios where the contracts would not either physically settle in shares or allow us to choose the settlement method.

In April 2013 we entered into a similar private forward repurchase contract and paid $500 million to an unrelated third party. This contract expires in third quarter 2013; however, the counterparty has the right to accelerate settlement. The amount we paid to the counterparty meets accounting requirements to be treated as a permanent equity reduction.

SUPPLEMENTAL CASH FLOW INFORMATION Noncash activities are presented below, including information on transfers affecting MHFS, LHFS, and MSRs.

	Quarter ended March 31,	
(in millions)	**2013**	2012
Transfers from (to) loans to (from) securities available for sale	**$ (108)**	588
Trading assets retained from securitization of MHFS	**17,940**	41,362
Capitalization of MSRs from sale of MHFS	**991**	1,484
Transfers from MHFS to foreclosed assets	**9**	59
Transfers from loans to MHFS	**2,475**	1,355
Transfers from loans to LHFS	**86**	36
Transfers from loans to foreclosed assets	**1,308**	2,335
Changes in consolidations (deconsolidations) of variable interest entities:		
Loans	**(304)**	(515)
Long-term debt	**(342)**	(515)

SUBSEQUENT EVENTS We have evaluated the effects of events that have occurred subsequent to period end March 31, 2013, and there have been no material events that would require recognition in our first quarter 2013 consolidated financial statements or disclosure in the Notes to the financial statements.

Table of Contents

Note 2: Business Combinations

We regularly explore opportunities to acquire financial services companies and businesses. Generally, we do not make a public announcement about an acquisition opportunity until a definitive agreement has been signed. For information on

additional contingent consideration related to acquisitions, which is considered to be a guarantee, see Note 10.

We did not complete any acquisitions in the first quarter 2013 and we had no pending business combinations as of March 31, 2013.

Note 3: Federal Funds Sold, Securities Purchased under Resale Agreements and Other Short-Term Investments

The following table provides the detail of federal funds sold, securities purchased under short-term resale agreements (generally less than one year) and other short-term investments. The majority of interest-earning deposits at March 31, 2013 and December 31, 2012, were held at the Federal Reserve.

(in millions)		**Mar. 31, 2013**	Dec. 31, 2012
Federal funds sold and securities purchased under resale agreements	**$**	**37,582**	33,884
Interest-earning deposits		**105,506**	102,408
Other short-term investments		**716**	1,021
Total	**$**	**143,804**	137,313

We have classified securities purchased under long-term resale agreements (generally one year or more), which totaled $10.5 billion and $9.5 billion at March 31, 2013 and December 31, 2012, respectively, in loans. For additional information on the collateral we receive from other entities under resale agreements and securities borrowings, see the Offsetting of Resale and Repurchase Agreements and Securities Borrowing and Lending Agreements section of Note 10.

Table of Contents

Note 4: Securities Available for Sale

The following table provides the amortized cost and fair value by major categories of securities available for sale carried at fair value. The net unrealized gains (losses) are reported on an after-tax basis as a component of cumulative OCI. There were no securities classified as held to maturity as of the periods presented.

(in millions)	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
March 31, 2013				
Securities of U.S. Treasury and federal agencies	**$ 6,862**	**34**	**(12)**	**6,884**
Securities of U.S. states and political subdivisions	**38,925**	**1,932**	**(401)**	**40,456**
Mortgage-backed securities:				
Federal agencies	**101,876**	**3,767**	**(171)**	**105,472**
Residential	**13,472**	**1,829**	**(42)**	**15,259**
Commercial	**18,492**	**1,623**	**(195)**	**19,920**
Total mortgage-backed securities	**133,840**	**7,219**	**(408)**	**140,651**
Corporate debt securities	**20,223**	**1,286**	**(60)**	**21,449**
Collateralized loan and other debt obligations (1)	**16,085**	**647**	**(69)**	**16,663**
Other (2)	**18,792**	**555**	**(69)**	**19,278**
Total debt securities	**234,727**	**11,673**	**(1,019)**	**245,381**
Marketable equity securities:				
Perpetual preferred securities	**1,930**	**357**	**(25)**	**2,262**
Other marketable equity securities	**333**	**192**	**(8)**	**517**
Total marketable equity securities	**2,263**	**549**	**(33)**	**2,779**
Total	**$ 236,990**	**12,222**	**(1,052)**	**248,160**
December 31, 2012				
Securities of U.S. Treasury and federal agencies	$ 7,099	47	-	7,146
Securities of U.S. states and political subdivisions	37,120	2,000	(444)	38,676
Mortgage-backed securities:				
Federal agencies	92,855	4,434	(4)	97,285
Residential	14,178	1,802	(49)	15,931
Commercial	18,438	1,798	(268)	19,968
Total mortgage-backed securities	125,471	8,034	(321)	133,184
Corporate debt securities	20,120	1,282	(69)	21,333
Collateralized loan and other debt obligations (1)	12,726	557	(95)	13,188
Other (2)	18,410	553	(76)	18,887
Total debt securities	220,946	12,473	(1,005)	232,414
Marketable equity securities:				
Perpetual preferred securities	1,935	281	(40)	2,176
Other marketable equity securities	402	216	(9)	609
Total marketable equity securities	2,337	497	(49)	2,785
Total	$ 223,283	12,970	(1,054)	235,199

(1) Includes collateralized debt obligations with a cost basis and fair value of $543 million and $674 million, respectively, at March 31, 2013, and $556 million and $644 million, respectively, at December 31, 2012.

(2) Included in the Other category are asset-backed securities collateralized by auto leases or loans and cash reserves with a cost basis and fair value of $5.6 billion and $5.7 billion, respectively, at March 31, 2013, and $5.9 billion each at December 31, 2012. Also included in the Other category are asset-backed securities collateralized by home equity loans with a cost basis and fair value of $626 million and $853 million, respectively, at March 31, 2013, and $695 million and $918 million, respectively, at December 31, 2012. The remaining balances primarily include asset-backed securities collateralized by credit cards and student loans.

Table of Contents

Gross Unrealized Losses and Fair Value

The following table shows the gross unrealized losses and fair value of securities in the securities available-for-sale portfolio by length of time that individual securities in each category had been in a continuous loss position. Debt securities on which we

have taken credit-related OTTI write-downs are categorized as being less than 12 months or 12 months or more in a continuous loss position based on the point in time that the fair value declined to below the cost basis and not the period of time since the credit-related OTTI write-down.

	Less than 12 months		12 months or more		Total	
(in millions)	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value
March 31, 2013						
Securities of U.S. Treasury and federal agencies	**$ (12)**	**4,369**	**-**	**-**	**(12)**	**4,369**
Securities of U.S. states and political subdivisions	**(81)**	**5,053**	**(320)**	**4,031**	**(401)**	**9,084**
Mortgage-backed securities:						
Federal agencies	**(171)**	**20,109**	**-**	**-**	**(171)**	**20,109**
Residential	**(16)**	**791**	**(26)**	**975**	**(42)**	**1,766**
Commercial	**(14)**	**1,672**	**(181)**	**2,268**	**(195)**	**3,940**
Total mortgage-backed securities	**(201)**	**22,572**	**(207)**	**3,243**	**(408)**	**25,815**
Corporate debt securities	**(15)**	**1,351**	**(45)**	**249**	**(60)**	**1,600**
Collateralized loan and other debt obligations	**(2)**	**2,879**	**(67)**	**490**	**(69)**	**3,369**
Other	**(11)**	**1,928**	**(58)**	**1,005**	**(69)**	**2,933**
Total debt securities	**(322)**	**38,152**	**(697)**	**9,018**	**(1,019)**	**47,170**
Marketable equity securities:						
Perpetual preferred securities	**(3)**	**175**	**(22)**	**446**	**(25)**	**621**
Other marketable equity securities	**(8)**	**58**	**-**	**-**	**(8)**	**58**
Total marketable equity securities	**(11)**	**233**	**(22)**	**446**	**(33)**	**679**
Total	**$ (333)**	**38,385**	**(719)**	**9,464**	**(1,052)**	**47,849**
December 31, 2012						
Securities of U.S. Treasury and federal agencies	$ -	-	-	-	-	-
Securities of U.S. states and political subdivisions	(55)	2,709	(389)	4,662	(444)	7,371
Mortgage-backed securities:						
Federal agencies	(4)	2,247	-	-	(4)	2,247
Residential	(4)	261	(45)	1,564	(49)	1,825
Commercial	(6)	491	(262)	2,564	(268)	3,055
Total mortgage-backed securities	(14)	2,999	(307)	4,128	(321)	7,127
Corporate debt securities	(14)	1,217	(55)	305	(69)	1,522
Collateralized loan and other debt obligations	(2)	1,485	(93)	798	(95)	2,283
Other	(11)	2,153	(65)	1,010	(76)	3,163
Total debt securities	(96)	10,563	(909)	10,903	(1,005)	21,466
Marketable equity securities:						
Perpetual preferred securities	(3)	116	(37)	538	(40)	654
Other marketable equity securities	(9)	48	-	-	(9)	48

Total marketable equity securities	(12)	164	(37)	538	(49)	702
Total	$ (108)	10,727	(946)	11,441	(1,054)	22,168

Table of Contents

Note 4: Securities Available for Sale *(continued)*

We do not have the intent to sell any securities included in the previous table. For debt securities included in the table, we have concluded it is more likely than not that we will not be required to sell prior to recovery of the amortized cost basis. We have assessed each security with gross unrealized losses for credit impairment. For debt securities, we evaluate, where necessary, whether credit impairment exists by comparing the present value of the expected cash flows to the securities amortized cost basis. For equity securities, we consider numerous factors in determining whether impairment exists, including our intent and ability to hold the securities for a period of time sufficient to recover the cost basis of the securities.

For complete descriptions of the factors we consider when analyzing debt securities for impairment, see Note 1 and Note 5 in our 2012 Form 10-K. There have been no material changes to our methodologies for assessing impairment in first quarter 2013.

The following table shows the gross unrealized losses and fair value of debt and perpetual preferred securities available for sale by those rated investment grade and those rated less than

investment grade, according to their lowest credit rating by Standard & Poor s Rating Services (S&P) or Moody s Investors Service (Moody s). Credit ratings express opinions about the credit quality of a security. Securities rated investment grade, that is those rated BBB- or higher by S&P or Baa3 or higher by Moody s, are generally considered by the rating agencies and market participants to be low credit risk. Conversely, securities rated below investment grade, labeled as speculative grade by the rating agencies, are considered to be distinctively higher credit risk than investment grade securities. We have also included securities not rated by S&P or Moody s in the table below based on the internal credit grade of the securities (used for credit risk management purposes) equivalent to the credit rating assigned by major credit agencies. The unrealized losses and fair value of unrated securities categorized as investment grade based on internal credit grades were $22 million and $2.5 billion, respectively, at March 31, 2013, and $19 million and $2.0 billion, respectively, at December 31, 2012. If an internal credit grade was not assigned, we categorized the security as non-investment grade.

	Investment grade		Non-investment grade	
(in millions)	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value
March 31, 2013				
Securities of U.S. Treasury and federal agencies	**$ (12)**	**4,369**	**-**	**-**
Securities of U.S. states and political subdivisions	**(346)**	**8,556**	**(55)**	**528**
Mortgage-backed securities:				
Federal agencies	**(171)**	**20,109**	**-**	**-**
Residential	**(3)**	**64**	**(39)**	**1,702**
Commercial	**(35)**	**2,993**	**(160)**	**947**
Total mortgage-backed securities	**(209)**	**23,166**	**(199)**	**2,649**
Corporate debt securities	**(23)**	**1,170**	**(37)**	**430**
Collateralized loan and other debt obligations	**(36)**	**3,183**	**(33)**	**186**
Other	**(46)**	**2,844**	**(23)**	**89**

Total debt securities	**(672)**	**43,288**	**(347)**	**3,882**
Perpetual preferred securities	**(25)**	**621**	**-**	**-**
Total	**$ (697)**	**43,909**	**(347)**	**3,882**
December 31, 2012				
Securities of U.S. Treasury and federal agencies	$ -	-	-	-
Securities of U.S. states and political subdivisions	(378)	6,839	(66)	532
Mortgage-backed securities:				
Federal agencies	(4)	2,247	-	-
Residential	(3)	78	(46)	1,747
Commercial	(31)	2,110	(237)	945
Total mortgage-backed securities	(38)	4,435	(283)	2,692
Corporate debt securities	(19)	1,112	(50)	410
Collateralized loan and other debt obligations	(49)	2,065	(46)	218
Other	(49)	3,034	(27)	129
Total debt securities	(533)	17,485	(472)	3,981
Perpetual preferred securities	(40)	654	-	-
Total	$ (573)	18,139	(472)	3,981

Table of Contents

Contractual Maturities

The following table shows the remaining contractual maturities and contractual yields (taxable-equivalent basis) of debt securities available for sale. The remaining contractual principal maturities for MBS do not consider prepayments. Remaining

expected maturities will differ from contractual maturities because borrowers may have the right to prepay obligations before the underlying mortgages mature.

			Remaining contractual maturity							
		Weighted-			After one year		After five years			
	Total	average	Within one year		through five years		through ten years		After ten years	
(in millions)	amount	yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
March 31, 2013										
Securities of U.S. Treasury and federal agencies	**$ 6,884**	**1.62 %**	**$ 386**	**0.42 %**	**$ 498**	**1.57 %**	**$ 6,000**	**1.70 %**	**$ -**	**- %**
Securities of U.S. states and political subdivisions	**40,456**	**5.22**	**2,050**	**2.49**	**11,156**	**2.15**	**3,209**	**5.57**	**24,041**	**6.82**
Mortgage-backed securities:										
Federal agencies	**105,472**	**3.64**	**3**	**3.46**	**172**	**4.97**	**988**	**3.42**	**104,309**	**3.64**
Residential	**15,259**	**4.36**	**-**	**-**	**4**	**3.14**	**533**	**2.04**	**14,722**	**4.44**
Commercial	**19,920**	**5.34**	**9**	**5.74**	**93**	**3.81**	**108**	**2.88**	**19,710**	**5.36**
Total mortgage-backed securities	**140,651**	**3.96**	**12**	**5.13**	**269**	**4.54**	**1,629**	**2.93**	**138,741**	**3.97**
Corporate debt securities	**21,449**	**4.26**	**1,564**	**4.07**	**12,373**	**3.23**	**6,159**	**6.04**	**1,353**	**5.78**
Collateralized loan and other debt obligations	**16,663**	**1.49**	**84**	**0.63**	**1,065**	**0.80**	**7,246**	**1.09**	**8,268**	**1.94**
Other	**19,278**	**1.74**	**1,973**	**1.60**	**9,035**	**1.70**	**3,242**	**1.74**	**5,028**	**1.85**
Total debt securities at fair value	**$ 245,381**	**3.78 %**	**$ 6,069**	**2.45 %**	**$ 34,396**	**2.39 %**	**$ 27,485**	**3.04 %**	**$ 177,431**	**4.21 %**
December 31, 2012										
Securities of U.S. Treasury and federal agencies	$ 7,146	1.59 %	$ 376	0.43 %	$ 661	1.24 %	$ 6,109	1.70 %	$ -	- %
Securities of U.S. states and political subdivisions	38,676	5.29	1,861	2.61	11,620	2.18	3,380	5.51	21,815	7.15
Mortgage-backed securities:										
Federal agencies	97,285	3.82	1	5.40	106	4.87	1,144	3.41	96,034	3.83
Residential	15,931	4.38	-	-	-	-	569	2.06	15,362	4.47
Commercial	19,968	5.33	-	-	78	3.69	101	2.84	19,789	5.35
Total mortgage-backed securities	133,184	4.12	1	5.40	184	4.37	1,814	2.95	131,185	4.13
Corporate debt securities	21,333	4.26	1,037	4.29	12,792	3.19	6,099	6.14	1,405	5.88
Collateralized loan and other debt obligations	13,188	1.35	44	0.96	1,246	0.71	7,376	1.01	4,522	2.08
Other	18,887	1.85	1,715	1.14	9,589	1.75	3,274	2.11	4,309	2.14

Total debt securities at fair value	$ 232,414	3.91 %	$ 5,034	2.28 %	$ 36,092	2.37 %	$ 28,052	3.07 %	$ 163,236	4.44 %

Table of Contents

Note 4: Securities Available for Sale ***(continued)***

Realized Gains and Losses

The following table shows the gross realized gains and losses on sales and OTTI write-downs related to the securities available-

for-sale portfolio, which includes marketable equity securities, as well as net realized gains and losses on nonmarketable equity investments (see Note 6 Other Assets).

	Quarter ended March 31,	
(in millions)	**2013**	2012
Gross realized gains	**$ 156**	281
Gross realized losses	**(5)**	(4)
OTTI write-downs	**(38)**	(51)
Net realized gains from securities available for sale	**113**	226
Net realized gains from private equity investments	**45**	131
Net realized gains from debt securities and equity investments	**$ 158**	357

Other-Than-Temporary Impairment

The following table shows the detail of total OTTI write-downs included in earnings for debt securities, marketable securities and nonmarketable equity investments.

	Quarter ended March 31,	
(in millions)	**2013**	2012
OTTI write-downs included in earnings		
Debt securities:		
U.S. states and political subdivisions	**$ -**	-
Mortgage-backed securities:		
Residential	**15**	14
Commercial	**15**	30
Corporate debt securities	**2**	1
Collateralized loan and other debt obligations	**-**	-
Other debt securities	**2**	5
Total debt securities	**34**	50
Equity securities:		
Marketable equity securities:		
Perpetual preferred securities	**-**	1

Other marketable equity securities		**4**	-
Total marketable equity securities		**4**	1
Total securities available for sale		**38**	51
Nonmarketable equity investments		**40**	14
Total OTTI write-downs included in earnings	**$**	**78**	65

72

Table of Contents

Other-Than-Temporarily Impaired Debt Securities

The following table shows the detail of OTTI write-downs on debt securities available for sale included in earnings and the related changes in OCI for the same securities.

(in millions)	Quarter ended March 31, **2013**	2012
OTTI on debt securities		
Recorded as part of gross realized losses:		
Credit-related OTTI	**$ 23**	50
Intent-to-sell OTTI	**11**	-
Total recorded as part of gross realized losses	**34**	50
Changes to OCI for increase (decrease) in non-credit-related OTTI (1):		
U.S. states and political subdivisions	**-**	-
Residential mortgage-backed securities	**(9)**	(9)
Commercial mortgage-backed securities	**(41)**	(6)
Corporate debt securities	**-**	(1)
Collateralized loan and other debt obligations	**(1)**	-
Other debt securities	**2**	1
Total changes to OCI for non-credit-related OTTI	**(49)**	(15)
Total OTTI losses (gains) recorded on debt securities	**$ (15)**	35

(1) Represents amounts recorded to OCI on debt securities in periods where credit-related OTTI write-downs have occurred. Increases represent initial or subsequent non-credit-related OTTI on debt securities. Decreases represent partial to full reversal of impairment due to recoveries in the fair value of securities due to factors other than credit.

The following table presents a rollforward of the credit loss component recognized in earnings for debt securities we still own (referred to as credit-impaired debt securities). The credit loss component of the amortized cost represents the difference between the present value of expected future cash flows discounted using the security s current effective interest rate and the amortized cost basis of the security prior to considering credit losses. OTTI recognized in earnings for credit-impaired debt securities is presented as additions and is classified into one of two components based upon whether the current period is the first time the debt security was credit-impaired (initial credit impairment) or if the debt security was previously credit-impaired (subsequent credit

impairments). The credit loss component is reduced if we sell, intend to sell or believe we will be required to sell previously credit-impaired debt securities. Additionally, the credit loss component is reduced if we receive or expect to receive cash flows in excess of what we previously expected to receive over the remaining life of the credit-impaired debt security, the security matures or is fully written down.

Changes in the credit loss component of credit-impaired debt securities that were recognized in earnings and related to securities that we do not intend to sell were:

(in millions)	Quarter ended March 31, 2013	2012
Credit loss component, beginning of period	**$ 1,289**	**1,272**
Additions:		
Initial credit impairments	**1**	5
Subsequent credit impairments	**22**	45
Total additions	**23**	50
Reductions:		
For securities sold	**(52)**	(12)
For recoveries of previous credit impairments (1)	**(8)**	(8)
Total reductions	**(60)**	(20)
Credit loss component, end of period	**$ 1,252**	1,302

(1) Recoveries of previous credit impairments result from increases in expected cash flows subsequent to credit loss recognition. Such recoveries are reflected prospectively as interest yield adjustments using the effective interest method.

Table of Contents

Note 4: Securities Available for Sale ***(continued)***

To determine credit impairment losses for asset-backed securities (e.g., residential MBS, commercial MBS), we estimate expected future cash flows of the security by estimating the expected future cash flows of the underlying collateral and applying those collateral cash flows, together with any credit enhancements such as subordinated interests owned by third parties, to the security. The expected future cash flows of the underlying collateral are determined using the remaining contractual cash flows adjusted for future expected credit losses (which consider current delinquencies and nonperforming assets

(NPAs), future expected default rates and collateral value by vintage and geographic region) and prepayments. The expected cash flows of the security are then discounted at the security s current effective interest rate to arrive at a present value amount. Total credit impairment losses on residential MBS that we do not intend to sell are shown in the table below. The table also presents a summary of the significant inputs considered in determining the measurement of the credit loss component recognized in earnings for residential MBS.

	Quarter ended March 31,	
($ in millions)	**2013**	2012
Credit impairment losses on residential MBS		
Non-investment grade	**$ 15**	14
Significant inputs (non-agency non-investment grade MBS)		
Expected remaining life of loan loss rate (1):		
Range (2)	**1-20 %**	1-44
Credit impairment loss rate distribution (3):		
0 - 10% range	**94**	46
10 - 20% range	**4**	11
20 - 30% range	**2**	1
Greater than 30%	**-**	42
Weighted average loss rate (4)	**6**	9
Current subordination levels (5):		
Range (2)	**0-41**	0-57
Weighted average (4)	**-**	2
Prepayment speed (annual CPR (6)):		
Range (2)	**4-18**	5-29
Weighted average (4)	**14**	15

(1) Represents future expected credit losses on each pool of loans underlying respective securities expressed as a percentage of the total current outstanding loan balance of the pool for each respective security.
(2) Represents the range of inputs/assumptions based upon the individual securities within each category.
(3) Represents distribution of credit impairment losses recognized in earnings categorized based on range of expected remaining life of loan losses. For example 94% of credit impairment losses recognized in earnings for the quarter ended March 31, 2013, had expected remaining life of loan loss assumptions of 0 to 10%.
(4) Calculated by weighting the relevant input/assumption for each individual security by current outstanding amortized cost basis of the security.
(5) Represents current level of credit protection provided by tranches subordinate to our security holdings (subordination), expressed as a percentage of total current underlying loan balance.
(6) Constant prepayment rate.

Total credit impairment losses on commercial MBS that we do not intend to sell were $6 million and $30 million for the quarters ended March 31, 2013 and 2012, respectively. Significant inputs considered in determining the credit impairment losses for commercial MBS are the expected remaining life of loan loss rates and current subordination levels. Prepayment activity on commercial MBS does not significantly impact the determination of their credit impairment because, unlike residential MBS, commercial MBS experience significantly lower prepayments due to certain contractual restrictions, impacting the borrower s ability to prepay the mortgage. The expected remaining life of loan loss rates for commercial MBS with credit impairment losses ranged from 4% to 14% and 5% to 14%, while the current subordination level ranges were 0% to 21% and 0% to 12% for the quarters ended March 31, 2013 and 2012, respectively.

Table of Contents

Note 5: Loans and Allowance for Credit Losses

The following table presents total loans outstanding by portfolio segment and class of financing receivable. Outstanding balances include a total net reduction of $7.0 billion and $7.4 billion at March 31, 2013 and December 31, 2012, respectively, for unearned income, net deferred loan fees, and unamortized

discounts and premiums. Outstanding balances also include PCI loans net of any remaining purchase accounting adjustments. Information about PCI loans is presented separately in the Purchased Credit-Impaired Loans section of this Note.

(in millions)		**Mar. 31, 2013**	Dec. 31, 2012
Commercial:			
Commercial and industrial	**$**	**185,623**	187,759
Real estate mortgage		**106,119**	106,340
Real estate construction		**16,650**	16,904
Lease financing		**12,402**	12,424
Foreign (1)		**40,920**	37,771
Total commercial		**361,714**	361,198
Consumer:			
Real estate 1-4 family first mortgage		**252,307**	249,900
Real estate 1-4 family junior lien mortgage		**72,543**	75,465
Credit card		**24,120**	24,640
Automobile		**47,259**	45,998
Other revolving credit and installment		**42,023**	42,373
Total consumer		**438,252**	438,376
Total loans	**$**	**799,966**	799,574

(1) Substantially all of our foreign loan portfolio is commercial loans. Loans are classified as foreign if the borrower s primary address is outside of the United States.

Loan Purchases, Sales, and Transfers

The following table summarizes the proceeds paid or received for purchases and sales of loans and transfers from loans held for investment to mortgages/loans held for sale at lower of cost or market. This loan activity primarily includes loans added in business combinations and asset acquisitions, as well as

purchases or sales of commercial loan participation interests, whereby we receive or transfer a portion of a loan after origination. The table excludes PCI loans and loans recorded at fair value, including loans originated for sale because their loan activity normally does not impact the allowance for credit losses.

				Quarter ended March 31,		
			2013			2012
(in millions)	**Commercial**	**Consumer**	**Total**	Commercial	Consumer	Total
Loans - held for investment:						
Purchases (1)	**$ 1,026**	**79**	**1,105**	1,956	83	2,039
Sales	**(2,016)**	**(316)**	**(2,332)**	(1,820)	(153)	(1,973)
Transfers to MHFS/LHFS (1)	**(80)**	**(7)**	**(87)**	(36)	(1)	(37)

(1) The Purchases and Transfers to MHFS/LHFS categories exclude activity in government insured/guaranteed loans. As servicer, we are able to buy delinquent insured/guaranteed loans out of the Government National Mortgage Association (GNMA) pools. These loans have different risk characteristics from the rest of our consumer portfolio, whereby this activity does not impact the allowance for loan losses in the same manner because the loans are predominantly insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA). On a net basis, such purchases net of transfers to MHFS were $2.0 billion and $3.5 billion for the quarters ended March 31, 2013 and 2012, respectively.

Commitments to Lend

A commitment to lend is a legally binding agreement to lend funds to a customer, usually at a stated interest rate, if funded, and for specific purposes and time periods. We generally require a fee to extend such commitments. Certain commitments are subject to loan agreements with covenants regarding the financial performance of the customer or borrowing base formulas on an ongoing basis that must be met before we are required to fund the commitment. We may reduce or cancel consumer commitments, including home equity lines and credit card lines, in accordance with the contracts and applicable law.

When we make commitments, we are exposed to credit risk. The maximum credit risk for these commitments will generally be lower than the contractual amount because a significant portion of these commitments are expected to expire without being used by the customer. In addition, we manage the potential risk in commitments to lend by limiting the total amount of commitments, both by individual customer and in total, by monitoring the size and maturity structure of these commitments and by applying the same credit standards for these commitments as for all of our credit activities. In some cases, we participate a portion of our interest in a commitment

Table of Contents

Note 5: Loans and Allowance for Credit Losses ***(continued)***

to others in an arrangement that reduces our contractual commitment amount. We also originate multipurpose lending commitments under which borrowers have the option to draw on the facility for different purposes in one of several forms, including a standby letter of credit. See Note 10 for information on standby letters of credit.

For certain loans and commitments to lend, we may require collateral or a guarantee, based on our assessment of a customer s credit risk. We may require various types of collateral, including commercial and consumer real estate, autos, other short-term liquid assets such as accounts receivable or inventory and long-lived asset, such as equipment and other business assets. Collateral requirements for each loan or commitment may vary according to the specific credit underwriting, including terms and structure of loans funded immediately or under a commitment to fund at a later date.

The contractual amount of our unfunded credit commitments, net of participations and net of all standby and commercial letters of credit issued under the terms of these commitments, is summarized by portfolio segment and class of financing receivable in the following table:

(in millions)		**Mar. 31, 2013**	Dec. 31, 2012
Commercial:			
Commercial and industrial	**$**	**223,784**	215,626
Real estate mortgage		**6,887**	6,165
Real estate construction		**9,328**	9,109
Foreign		**8,151**	8,423
Total commercial		**248,150**	239,323
Consumer:			
Real estate 1-4 family first mortgage		**37,064**	42,657
Real estate 1-4 family junior lien mortgage		**50,237**	50,934
Credit card		**73,911**	70,960
Other revolving credit and installment		**20,852**	19,791
Total consumer		**182,064**	184,342
Total unfunded credit commitments	**$**	**430,214**	423,665

Table of Contents

Allowance for Credit Losses

The allowance for credit losses consists of the allowance for loan losses and the allowance for unfunded credit commitments. Changes in the allowance for credit losses were:

	Quarter ended March 31,	
(in millions)	**2013**	2012
Balance, beginning of period	**$ 17,477**	19,668
Provision for credit losses	**1,219**	1,995
Interest income on certain impaired loans (1)	**(73)**	(87)
Loan charge-offs:		
Commercial:		
Commercial and industrial	**(181)**	(359)
Real estate mortgage	**(60)**	(82)
Real estate construction	**(5)**	(80)
Lease financing	**(3)**	(8)
Foreign	**(11)**	(29)
Total commercial	**(260)**	(558)
Consumer:		
Real estate 1-4 family first mortgage	**(475)**	(828)
Real estate 1-4 family junior lien mortgage	**(514)**	(820)
Credit card	**(266)**	(301)
Automobile	**(164)**	(179)
Other revolving credit and installment	**(182)**	(194)
Total consumer	**(1,601)**	(2,322)
Total loan charge-offs	**(1,861)**	(2,880)
Loan recoveries:		
Commercial:		
Commercial and industrial	**88**	103
Real estate mortgage	**31**	36
Real estate construction	**39**	13
Lease financing	**4**	6
Foreign	**8**	15
Total commercial	**170**	173
Consumer:		
Real estate 1-4 family first mortgage	**46**	37
Real estate 1-4 family junior lien mortgage	**65**	57
Credit card	**31**	59
Automobile	**88**	105
Other revolving credit and installment	**42**	54
Total consumer	**272**	312
Total loan recoveries	**442**	485
Net loan charge-offs (2)	**(1,419)**	(2,395)

Allowances related to business combinations/other	**(11)**	(52)
Balance, end of period	**$ 17,193**	19,129
Components:		
Allowance for loan losses	**$ 16,711**	18,852
Allowance for unfunded credit commitments	**482**	277
Allowance for credit losses (3)	**$ 17,193**	19,129
Net loan charge-offs (annualized) as a percentage of average total loans (2)	**0.72%**	1.25
Allowance for loan losses as a percentage of total loans (3)	**2.09**	2.46
Allowance for credit losses as a percentage of total loans (3)	**2.15**	2.50

(1) Certain impaired loans with an allowance calculated by discounting expected cash flows using the loan s effective interest rate over the remaining life of the loan recognize reductions in the allowance as interest income.
(2) For PCI loans, charge-offs are only recorded to the extent that losses exceed the purchase accounting estimates.
(3) The allowance for credit losses includes $80 million and $245 million at March 31, 2013 and 2012, respectively, related to PCI loans acquired from Wachovia. Loans acquired from Wachovia are included in total loans net of related purchase accounting net write-downs.

Table of Contents

Note 5: Loans and Allowance for Credit Losses *(continued)*

The following table summarizes the activity in the allowance for credit losses by our commercial and consumer portfolio segments.

(in millions)	Commercial	Consumer	2013 Total	Commercial	Consumer	Quarter ended March 31, 2012 Total
Balance, beginning of period	**$ 5,714**	**11,763**	**17,477**	6,358	13,310	19,668
Provision for credit losses	**192**	**1,027**	**1,219**	188	1,807	1,995
Interest income on certain impaired loans	**(19)**	**(54)**	**(73)**	(31)	(56)	(87)
Loan charge-offs	**(260)**	**(1,601)**	**(1,861)**	(558)	(2,322)	(2,880)
Loan recoveries	**170**	**272**	**442**	173	312	485
Net loan charge-offs	**(90)**	**(1,329)**	**(1,419)**	(385)	(2,010)	(2,395)
Allowance related to business combinations/other	**(11)**	**-**	**(11)**	-	(52)	(52)
Balance, end of period	**$ 5,786**	**11,407**	**17,193**	6,130	12,999	19,129

The following table disaggregates our allowance for credit losses and recorded investment in loans by impairment methodology.

(in millions)	Allowance for credit losses			Recorded investment in loans		
	Commercial	Consumer	Total	Commercial	Consumer	Total
March 31, 2013						
Collectively evaluated (1)	**$ 4,200**	**7,150**	**11,350**	**350,765**	**389,084**	**739,849**
Individually evaluated (2)	**1,533**	**4,230**	**5,763**	**7,447**	**22,941**	**30,388**
PCI (3)	**53**	**27**	**80**	**3,502**	**26,227**	**29,729**
Total	**$ 5,786**	**11,407**	**17,193**	**361,714**	**438,252**	**799,966**
December 31, 2012						
Collectively evaluated (1)	$ 3,951	7,524	11,475	349,035	389,559	738,594
Individually evaluated (2)	1,675	4,210	5,885	8,186	21,826	30,012
PCI (3)	88	29	117	3,977	26,991	30,968
Total	$ 5,714	11,763	17,477	361,198	438,376	799,574

(1) Represents loans collectively evaluated for impairment in accordance with Accounting Standards Codification (ASC) 450-20, *Loss Contingencies* (formerly FAS 5), and pursuant to amendments by ASU 2010-20 regarding allowance for non-impaired loans.
(2) Represents loans individually evaluated for impairment in accordance with ASC 310-10, *Receivables* (formerly FAS 114), and pursuant to amendments by ASU 2010-20 regarding allowance for impaired loans.

(3) Represents the allowance and related loan carrying value determined in accordance with ASC 310-30, *Receivables Loans and Debt Securities Acquired with Deteriorated Credit Quality* (formerly SOP 03-3) and pursuant to amendments by ASU 2010-20 regarding allowance for PCI loans.

Credit Quality

We monitor credit quality by evaluating various attributes and utilize such information in our evaluation of the appropriateness of the allowance for credit losses. The following sections provide the credit quality indicators we most closely monitor. The credit quality indicators are generally based on information as of our financial statement date, with the exception of updated Fair Isaac Corporation (FICO) scores and updated loan-to-value (LTV)/combined LTV (CLTV), which are obtained at least quarterly. Generally, these indicators are updated in the second month of each quarter, with updates no older than December 31, 2012. See the Purchased Credit-Impaired Loans section of this Note for credit quality information on our PCI portfolio.

COMMERCIAL CREDIT QUALITY INDICATORS In addition to monitoring commercial loan concentration risk, we manage a consistent process for assessing commercial loan credit quality. Generally, commercial loans are subject to individual risk assessment using our internal borrower and collateral quality ratings. Our ratings are aligned to Pass and Criticized categories. The Criticized category includes Special Mention, Substandard, and Doubtful categories which are defined by bank regulatory agencies.

The following table provides a breakdown of outstanding commercial loans by risk category. Of the $18.6 billion in criticized commercial real estate (CRE) loans, $4.0 billion has been placed on nonaccrual status and written down to net realizable collateral value. CRE loans have a high level of monitoring in place to manage these assets and mitigate loss exposure.

Table of Contents

(in millions)	Commercial and industrial	Real estate mortgage	Real estate construction	Lease financing	Foreign	Total
March 31, 2013						
By risk category:						
Pass	**$ 167,516**	**88,613**	**12,983**	**11,776**	**39,014**	**319,902**
Criticized	**17,916**	**15,667**	**2,900**	**626**	**1,201**	**38,310**
Total commercial loans (excluding PCI)	**185,432**	**104,280**	**15,883**	**12,402**	**40,215**	**358,212**
Total commercial PCI loans (carrying value)	**191**	**1,839**	**767**	**-**	**705**	**3,502**
Total commercial loans	**$ 185,623**	**106,119**	**16,650**	**12,402**	**40,920**	**361,714**
December 31, 2012						
By risk category:						
Pass	$ 169,293	87,183	12,224	11,787	35,380	315,867
Criticized	18,207	17,187	3,803	637	1,520	41,354
Total commercial loans (excluding PCI)	187,500	104,370	16,027	12,424	36,900	357,221
Total commercial PCI loans (carrying value)	259	1,970	877	-	871	3,977
Total commercial loans	$ 187,759	106,340	16,904	12,424	37,771	361,198

The following table provides past due information for commercial loans, which we monitor as part of our credit risk management practices.

(in millions)	Commercial and industrial	Real estate mortgage	Real estate construction	Lease financing	Foreign	Total
March 31, 2013						
By delinquency status:						
Current-29 DPD and still accruing	**$ 183,759**	**100,399**	**14,827**	**12,339**	**40,140**	**351,464**
30-89 DPD and still accruing	**433**	**619**	**139**	**38**	**12**	**1,241**
90+ DPD and still accruing	**47**	**164**	**47**	**-**	**7**	**265**
Nonaccrual loans	**1,193**	**3,098**	**870**	**25**	**56**	**5,242**
Total commercial loans (excluding PCI)	**185,432**	**104,280**	**15,883**	**12,402**	**40,215**	**358,212**
Total commercial PCI loans (carrying value)	**191**	**1,839**	**767**	**-**	**705**	**3,502**

Total commercial loans	**$ 185,623**	**106,119**	**16,650**	**12,402**	**40,920**	**361,714**
December 31, 2012						
By delinquency status:						
Current-29 DPD and still accruing	$ 185,614	100,317	14,861	12,344	36,837	349,973
30-89 DPD and still accruing	417	503	136	53	12	1,121
90+ DPD and still accruing	47	228	27	-	1	303
Nonaccrual loans	1,422	3,322	1,003	27	50	5,824
Total commercial loans (excluding PCI)	187,500	104,370	16,027	12,424	36,900	357,221
Total commercial PCI loans (carrying value)	259	1,970	877	-	871	3,977
Total commercial loans	$ 187,759	106,340	16,904	12,424	37,771	361,198

CONSUMER CREDIT QUALITY INDICATORS We have various classes of consumer loans that present unique risks. Loan delinquency, FICO credit scores and LTV for loan types are common credit quality indicators that we monitor and utilize in our evaluation of the appropriateness of the allowance for credit losses for the consumer portfolio segment.

Many of our loss estimation techniques used for the allowance for credit losses rely on delinquency-based models; therefore, delinquency is an important indicator of credit quality and the establishment of our allowance for credit losses.

Table of Contents

Note 5: Loans and Allowance for Credit Losses *(continued)*

The following table provides the outstanding balances of our consumer portfolio by delinquency status.

(in millions)	Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Credit card	Automobile	Other revolving credit and installment	Total
March 31, 2013						
By delinquency status:						
Current-29 DPD	**$ 183,532**	**70,561**	**23,527**	**46,580**	**29,766**	**353,966**
30-59 DPD	**3,071**	**521**	**163**	**532**	**162**	**4,449**
60-89 DPD	**1,340**	**284**	**124**	**103**	**97**	**1,948**
90-119 DPD	**700**	**215**	**111**	**39**	**65**	**1,130**
120-179 DPD	**960**	**300**	**193**	**5**	**24**	**1,482**
180+ DPD	**6,251**	**521**	**2**	**-**	**5**	**6,779**
Government insured/guaranteed loans (1)	**30,367**	**-**	**-**	**-**	**11,904**	**42,271**
Total consumer loans (excluding PCI)	**226,221**	**72,402**	**24,120**	**47,259**	**42,023**	**412,025**
Total consumer PCI loans (carrying value)	**26,086**	**141**	**-**	**-**	**-**	**26,227**
Total consumer loans	**$ 252,307**	**72,543**	**24,120**	**47,259**	**42,023**	**438,252**
December 31, 2012						
By delinquency status:						
Current-29 DPD	$ 179,870	73,256	23,976	44,973	29,546	351,621
30-59 DPD	3,295	577	211	798	168	5,049
60-89 DPD	1,528	339	143	164	108	2,282
90-119 DPD	853	265	122	57	73	1,370
120-179 DPD	1,141	358	187	5	28	1,719
180+ DPD	6,655	518	1	1	4	7,179
Government insured/guaranteed loans (1)	29,719	-	-	-	12,446	42,165
Total consumer loans (excluding PCI)	223,061	75,313	24,640	45,998	42,373	411,385
Total consumer PCI loans (carrying value)	26,839	152	-	-	-	26,991
Total consumer loans	$ 249,900	75,465	24,640	45,998	42,373	438,376

(1) Represents loans whose repayments are predominantly insured by the FHA or guaranteed by the VA and student loans whose repayments are predominantly guaranteed by agencies on behalf of the U.S. Department of Education under the Federal Family Education Loan Program (FFELP). Loans insured/guaranteed by the FHA/VA and 90+ DPD totaled $20.2 billion at March 31, 2013, and at December 31, 2012. Student loans 90+ DPD totaled $1.0 billion at March 31, 2013, compared with $1.1 billion at December 31, 2012.

Of the $9.4 billion of consumer loans not government insured/guaranteed that are 90 days or more past due at March 31, 2013, $1.1 billion was accruing, compared with $10.3 billion past due and $1.1 billion accruing at December 31, 2012.

Real estate 1-4 family first mortgage loans 180 days or more past due totaled $6.3 billion, or 2.8% of total first mortgages (excluding PCI), at March 31, 2013, compared with $6.7 billion, or 3.0%, at December 31, 2012.

The following table provides a breakdown of our consumer portfolio by updated FICO. We obtain FICO scores at loan origination and the scores are updated at least quarterly. The majority of our portfolio is underwritten with a FICO score of 680 and above. FICO is not available for certain loan types and may not be obtained if we deem it unnecessary due to strong collateral and other borrower attributes, primarily securities-based margin loans of $5.1 billion at March 31, 2013, and $5.4 billion at December 31, 2012.

Table of Contents

(in millions)		Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Credit card	Automobile	Other revolving credit and installment	Total
March 31, 2013							
By updated FICO:							
< 600	**$**	**17,358**	**5,935**	**2,400**	**8,506**	**1,157**	**35,356**
600-639		**10,055**	**3,576**	**1,965**	**5,716**	**976**	**22,288**
640-679		**15,852**	**6,419**	**3,693**	**8,410**	**2,049**	**36,423**
680-719		**24,669**	**11,012**	**4,846**	**8,141**	**3,787**	**52,455**
720-759		**31,648**	**15,218**	**4,898**	**5,934**	**4,986**	**62,684**
760-799		**65,842**	**20,773**	**3,843**	**5,568**	**7,086**	**103,112**
800+		**27,530**	**8,323**	**1,998**	**4,648**	**1,957**	**44,456**
No FICO available		**2,900**	**1,146**	**477**	**336**	**3,049**	**7,908**
FICO not required		**-**	**-**	**-**	**-**	**5,072**	**5,072**
Government insured/guaranteed loans (1)		**30,367**	**-**	**-**	**-**	**11,904**	**42,271**
Total consumer loans (excluding PCI)		**226,221**	**72,402**	**24,120**	**47,259**	**42,023**	**412,025**
Total consumer PCI loans (carrying value)		**26,086**	**141**	**-**	**-**	**-**	**26,227**
Total consumer loans	**$**	**252,307**	**72,543**	**24,120**	**47,259**	**42,023**	**438,252**
December 31, 2012							
By updated FICO:							
< 600	$	17,662	6,122	2,314	7,928	1,163	35,189
600-639		10,208	3,660	1,961	5,451	952	22,232
640-679		15,764	6,574	3,772	8,142	2,011	36,263
680-719		24,725	11,361	4,990	7,949	3,691	52,716
720-759		31,502	15,992	5,114	5,787	4,942	63,337
760-799		63,946	21,874	4,109	5,400	6,971	102,300
800+		26,044	8,526	2,223	4,443	1,912	43,148
No FICO available		3,491	1,204	157	898	2,882	8,632
FICO not required		-	-	-	-	5,403	5,403
Government insured/guaranteed loans (1)		29,719	-	-	-	12,446	42,165
Total consumer loans (excluding PCI)		223,061	75,313	24,640	45,998	42,373	411,385
Total consumer PCI loans (carrying value)		26,839	152	-	-	-	26,991
Total consumer loans	$	249,900	75,465	24,640	45,998	42,373	438,376

(1) Represents loans whose repayments are predominantly insured by the FHA or guaranteed by the VA and student loans whose repayments are predominantly guaranteed by agencies on behalf of the U.S. Department of Education under FFELP.

LTV refers to the ratio comparing the loan s unpaid principal balance to the property s collateral value. CLTV refers to the combination of first mortgage and junior lien mortgage (including unused line amounts for credit line products) ratios. LTVs and CLTVs are updated quarterly using a cascade approach which first uses values provided by automated valuation models (AVMs) for the property. If an AVM is not available, then the value is estimated using the original appraised value adjusted by the change in Home Price Index (HPI) for the property location. If an HPI is not available, the original appraised value is used. The HPI value is normally the only method considered for high value properties, generally with an original value of $1 million or more, as the AVM values have proven less accurate for these properties.

The following table shows the most updated LTV and CLTV distribution of the real estate 1-4 family first and junior lien mortgage loan portfolios. In recent years, the residential real estate markets experienced significant declines in property values and several markets, particularly California and Florida have experienced more significant declines than the national decline. These trends are considered in the way that we monitor credit risk and establish our allowance for credit losses. LTV does not necessarily reflect the likelihood of performance of a given loan, but does provide an indication of collateral value. In the event of a default, any loss should be limited to the portion of the loan amount in excess

of the net realizable value of the underlying real estate collateral value. Certain loans do not have an LTV or CLTV primarily due to industry data availability and portfolios acquired from or serviced by other institutions.

Table of Contents

Note 5: Loans and Allowance for Credit Losses ***(continued)***

	March 31, 2013			December 31, 2012		
(in millions)	**Real estate 1-4 family first mortgage by LTV**	**Real estate 1-4 family junior lien mortgage by CLTV**	**Total**	Real estate 1-4 family first mortgage by LTV	Real estate 1-4 family junior lien mortgage by CLTV	Total
By LTV/CLTV:						
0-60%	**$ 58,559**	**11,626**	**70,185**	56,247	12,170	68,417
60.01-80%	**70,413**	**14,796**	**85,209**	69,759	15,168	84,927
80.01-100%	**36,406**	**17,464**	**53,870**	34,830	18,038	52,868
100.01-120% (1)	**16,626**	**13,259**	**29,885**	17,004	13,576	30,580
> 120% (1)	**12,268**	**13,675**	**25,943**	13,529	14,610	28,139
No LTV/CLTV available	**1,582**	**1,582**	**3,164**	1,973	1,751	3,724
Government insured/guaranteed loans (2)	**30,367**	**-**	**30,367**	29,719	-	29,719
Total consumer loans (excluding PCI)	**226,221**	**72,402**	**298,623**	223,061	75,313	298,374
Total consumer PCI loans (carrying value)	**26,086**	**141**	**26,227**	26,839	152	26,991
Total consumer loans	**$ 252,307**	**72,543**	**324,850**	249,900	75,465	325,365

(1) Reflects total loan balances with LTV/CLTV amounts in excess of 100%. In the event of default, the loss content would generally be limited to only the amount in excess of 100% LTV/CLTV.
(2) Represents loans whose repayments are predominantly insured by the FHA or guaranteed by the VA.

NONACCRUAL LOANS The following table provides loans on nonaccrual status. PCI loans are excluded from this table due to the existence of the accretable yield.

(in millions)	**Mar. 31, 2013**	Dec. 31, 2012
Commercial:		
Commercial and industrial	**$ 1,193**	1,422
Real estate mortgage	**3,098**	3,322
Real estate construction	**870**	1,003
Lease financing	**25**	27
Foreign	**56**	50
Total commercial (1)	**5,242**	5,824
Consumer:		
Real estate 1-4 family first mortgage (2)	**11,320**	11,455
Real estate 1-4 family junior lien mortgage	**2,712**	2,922
Automobile	**220**	245
Other revolving credit and installment	**32**	40
Total consumer	**14,284**	14,662
Total nonaccrual loans (excluding PCI)	**$ 19,526**	20,486

(1) Includes LHFS of $15 million and $16 million at March 31, 2013 and December 31, 2012, respectively.
(2) Includes MHFS of $368 million and $336 million at March 31, 2013 and December 31, 2012, respectively.

Table of Contents

LOANS 90 DAYS OR MORE PAST DUE AND STILL ACCRUING Certain loans 90 days or more past due as to interest or principal are still accruing, because they are (1) well-secured and in the process of collection or (2) real estate 1-4 family mortgage loans or consumer loans exempt under regulatory rules from being classified as nonaccrual until later delinquency, usually 120 days past due. PCI loans of $5.8 billion at March 31, 2013, and $6.0 billion at December 31, 2012, are not included in these past due and still accruing loans even though they are 90 days or more contractually past due. These PCI loans are considered to be accruing due to the existence of the accretable yield and not based on consideration given to contractual interest payments. Loans 90 days or more past due and still accruing whose repayments are predominantly insured by the FHA or guaranteed by the VA for mortgages and the U.S. Department of Education for student loans under the FFELP were $21.7 billion at March 31, 2013, down from $21.8 billion at December 31, 2012.

The following table shows non-PCI loans 90 days or more past due and still accruing by class for loans not government insured/guaranteed.

(in millions)		**Mar. 31, 2013**	Dec. 31, 2012
Loan 90 days or more past due and still accruing:			
Total (excluding PCI):	**$**	**23,082**	23,245
Less: FHA insured/guaranteed by the VA (1)(2)		**20,745**	20,745
Less: Student loans guaranteed under the FFELP (3)		**977**	1,065
Total, not government insured/guaranteed	**$**	**1,360**	1,435
By segment and class, not government insured/guaranteed:			
Commercial:			
Commercial and industrial	**$**	**47**	47
Real estate mortgage		**164**	228
Real estate construction		**47**	27
Foreign		**7**	1
Total commercial		**265**	303
Consumer:			
Real estate 1-4 family first mortgage (2)		**563**	564
Real estate 1-4 family junior lien mortgage (2)		**112**	133
Credit card		**306**	310
Automobile		**33**	40
Other revolving credit and installment		**81**	85
Total consumer		**1,095**	1,132
Total, not government insured/guaranteed	**$**	**1,360**	1,435

(1) Represents loans whose repayments are predominantly insured by the FHA or guaranteed by the VA.
(2) Includes mortgage loans held for sale 90 days or more past due and still accruing.
(3) Represents loans whose repayments are predominantly guaranteed by agencies on behalf of the U.S. Department of Education under the FFELP.

Table of Contents

Note 5: Loans and Allowance for Credit Losses ***(continued)***

IMPAIRED LOANS The table below summarizes key information for impaired loans. Our impaired loans predominantly include loans on nonaccrual status in the commercial portfolio segment and loans modified in a TDR, whether on accrual or nonaccrual status. These impaired loans generally have estimated losses

which are included in the allowance for credit losses. Impaired loans exclude PCI loans. The table below includes trial modifications that totaled $723 million at March 31, 2013, and $705 million at December 31, 2012.

(in millions)	Unpaid principal balance	Impaired loans	Recorded investment Impaired loans with related allowance for credit losses	Related allowance for credit losses
March 31, 2013				
Commercial:				
Commercial and industrial	**$ 2,851**	**1,821**	**1,732**	**305**
Real estate mortgage	**5,567**	**4,371**	**4,249**	**984**
Real estate construction	**1,701**	**1,181**	**1,166**	**228**
Lease financing	**50**	**35**	**35**	**10**
Foreign	**104**	**39**	**22**	**6**
Total commercial (1)	**10,273**	**7,447**	**7,204**	**1,533**
Consumer:				
Real estate 1-4 family first mortgage	**22,547**	**19,610**	**15,116**	**3,063**
Real estate 1-4 family junior lien mortgage	**2,911**	**2,523**	**2,143**	**942**
Credit card	**502**	**501**	**501**	**203**
Automobile	**331**	**279**	**162**	**21**
Other revolving credit and installment	**34**	**27**	**21**	**1**
Total consumer	**26,325**	**22,940**	**17,943**	**4,230**
Total impaired loans (excluding PCI)	**$ 36,598**	**30,387**	**25,147**	**5,763**
December 31, 2012				
Commercial:				
Commercial and industrial	$ 3,331	2,086	2,086	353
Real estate mortgage	5,766	4,673	4,537	1,025
Real estate construction	1,975	1,345	1,345	276
Lease financing	54	39	39	11
Foreign	109	43	43	9
Total commercial (1)	11,235	8,186	8,050	1,674
Consumer:				
Real estate 1-4 family first mortgage	21,293	18,472	15,224	3,074
Real estate 1-4 family junior lien mortgage	2,855	2,483	2,070	859
Credit card	531	531	531	244
Automobile	314	314	314	27
Other revolving credit and installment	27	26	26	6
Total consumer	25,020	21,826	18,165	4,210

Total impaired loans (excluding PCI)	$ 36,255	30,012	26,215	5,884

(1) Excludes the unpaid principal balance for loans with zero recorded investment.

Table of Contents

Commitments to lend additional funds on loans whose terms have been modified in a TDR amounted to $409 million at March 31, 2013, and $421 million at December 31, 2012.

The following tables provide the average recorded investment in impaired loans and the amount of interest income recognized on impaired loans by portfolio segment and class.

			Quarter ended March 31,	
	2013		2012	
(in millions)	**Average recorded investment**	**Recognized interest income**	Average recorded investment	Recognized interest income
Commercial:				
Commercial and industrial	**$ 1,943**	**26**	2,888	39
Real estate mortgage	**4,421**	**32**	5,135	17
Real estate construction	**1,271**	**12**	2,197	10
Lease financing	**37**	**-**	63	-
Foreign	**32**	**-**	30	-
Total commercial	**7,704**	**70**	10,313	66
Consumer:				
Real estate 1-4 family first mortgage	**18,944**	**251**	14,501	189
Real estate 1-4 family junior lien mortgage	**2,482**	**35**	2,054	22
Credit card	**517**	**15**	594	14
Automobile	**298**	**10**	309	18
Other revolving credit and installment	**26**	**1**	23	-
Total consumer (1)	**22,267**	**312**	17,481	243
Total impaired loans (excluding PCI)	**$ 29,971**	**382**	27,794	309
Interest income:				
Cash basis of accounting		**$ 123**		49
Other (2)		**259**		260
Total interest income		**$ 382**		309

(1) Quarter ended March 31, 2013, reflects the OCC guidance issued in third quarter 2012, which requires consumer loans discharged in bankruptcy to be classified as TDRs, as well as written down to net realizable collateral value.

(2) Includes interest recognized on accruing TDRs, interest recognized related to certain impaired loans which have an allowance calculated using discounting, and amortization of purchase accounting adjustments related to certain impaired loans. See footnote 1 to the table of changes in the allowance for credit losses.

TROUBLED DEBT RESTRUCTURINGS (TDRs) When, for economic or legal reasons related to a borrower s financial difficulties, we grant a concession for other than an insignificant period of time to a borrower that we would not otherwise consider, the related loan is classified as a TDR. We do not consider any loans modified through a loan resolution such as foreclosure or short sale to be a TDR.

We may require some borrowers experiencing financial difficulty to make trial payments generally for a period of three to four months, according to the terms of a planned permanent modification, to determine if they can perform according to those terms. These arrangements represent trial modifications, which we classify and account for as TDRs. While loans are in trial payment programs, their original terms are not considered modified and they continue to advance through delinquency status and accrue interest according to their original terms. The planned

modifications for these arrangements predominantly involve interest rate reductions or other interest rate concessions; however, the exact concession type and resulting financial effect are usually not finalized and do not take effect until the loan is permanently modified. The trial period terms are developed in accordance with our proprietary programs or the U.S. Treasury s Making Homes Affordable programs for real estate 1-4 family first lien (i.e. Home Affordable Modification Program HAMP) and junior lien (i.e. Second Lien Modification Program 2MP) mortgage loans.

At March 31, 2013, the loans in trial modification period were $395 million under HAMP, $47 million under 2MP and $281 million under proprietary programs, compared with $402 million, $45 million and $258 million at December 31, 2012, respectively. Trial modifications with a recorded investment of $306 million at March 31, 2013, and $429 million at December 31, 2012, were accruing loans and $417 million and $276 million, respectively, were nonaccruing loans. Our recent experience is that most of the mortgages that enter a trial payment period program are successful in completing the program requirements and are then permanently modified at the end of the trial period. As previously discussed, our allowance process considers the impact of those modifications that are probable to occur including the associated credit cost and related re-default risk.

The following table summarizes our TDR modifications for the periods presented by primary modification type and includes the financial effects of these modifications. For those loans that may be modified more than once, the table reflects each modification.

Table of Contents

Note 5: Loans and Allowance for Credit Losses *(continued)*

		Primary modification type (1)				Financial effects of modifications	
(in millions)	Principal (2)	Interest rate reduction	Other interest rate concessions (3)	Total	Charge-offs (4)	Weighted average interest rate reduction	Recorded investment related to interest rate reduction (5)
Quarter ended March 31, 2013							
Commercial:							
Commercial and industrial	**$ -**	**67**	**327**	**394**	**1**	**7.60 %**	**$ 67**
Real estate mortgage	**24**	**75**	**422**	**521**	**5**	**1.82**	**75**
Real estate construction	**-**	**-**	**109**	**109**	**4**	**-**	**-**
Lease financing	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Foreign	**15**	**-**	**-**	**15**	**-**	**-**	**-**
Total commercial	**39**	**142**	**858**	**1,039**	**10**	**4.54**	**142**
Consumer:							
Real estate 1-4 family first mortgage	**344**	**379**	**1,381**	**2,104**	**97**	**2.43**	**623**
Real estate 1-4 family junior lien mortgage	**27**	**48**	**168**	**243**	**15**	**3.24**	**72**
Credit card	**-**	**46**	**-**	**46**	**-**	**10.73**	**46**
Automobile	**1**	**6**	**24**	**31**	**8**	**6.39**	**6**
Other revolving credit and installment	**-**	**2**	**3**	**5**	**-**	**3.89**	**2**
Trial modifications (6)	**-**	**-**	**32**	**32**	**-**	**-**	**-**
Total consumer	**372**	**481**	**1,608**	**2,461**	**120**	**3.06**	**749**
Total	**$ 411**	**623**	**2,466**	**3,500**	**130**	**3.29 %**	**$ 891**
Quarter ended March 31, 2012							
Commercial:							
Commercial and industrial	$ 1	8	401	410	3	1.28 %	$ 9
Real estate mortgage	4	52	485	541	-	1.90	53
Real estate construction	-	2	107	109	8	1.06	1
Lease financing	-	-	1	1	-	-	-
Foreign	-	-	2	2	-	-	-
Total commercial	5	62	996	1,063	11	1.79	63
Consumer:							
Real estate 1-4 family first mortgage	306	297	199	802	59	2.83	540
Real estate 1-4 family junior lien mortgage	19	70	34	123	9	4.02	86
Credit card	-	74	-	74	-	10.88	74
Automobile	2	19	22	43	6	7.51	20
Other revolving credit and installment	-	-	1	1	-	-	-
Trial modifications (6)	-	-	577	577	-	-	-
Total consumer	327	460	833	1,620	74	3.93	720
Total	$ 332	522	1,829	2,683	85	3.76 %	$ 783

(1) Amounts represent the recorded investment in loans after recognizing the effects of the TDR, if any. TDRs with multiple types of concessions are presented only once in the table in the first category type based on the order presented.

(2) Principal modifications include principal forgiveness at the time of the modification, contingent principal forgiveness granted over the life of the loan based on borrower performance, and principal that has been legally separated and deferred to the end of the loan, with a zero percent contractual interest rate.

(3) Other interest rate concessions include loans modified to an interest rate that is not commensurate with the credit risk, even though the rate may have been increased. These modifications would include renewals, term extensions and other interest adjustments, but exclude modifications that also forgive principal and/or reduce the interest rate. Quarter ended March 31, 2013, includes $1.3 billion of consumer loans resulting from the OCC guidance issued in third

quarter 2012, which requires consumer loans discharged in bankruptcy to be classified as TDRs, as well as written down to net realizable collateral value.

(4) Charge-offs include write-downs of the investment in the loan in the period it is contractually modified. The amount of charge-off will differ from the modification terms if the loan has been charged down prior to the modification based on our policies. In addition, there may be cases where we have a charge-off/down with no legal principal modification. Modifications resulted in legally forgiving principal (actual, contingent or deferred) of $134 million and $92 million for quarters ended March 31, 2013 and 2012, respectively.

(5) Reflects the effect of reduced interest rates on loans with principal or interest rate reduction primary modification type.

(6) Trial modifications are granted a delay in payments due under the original terms during the trial payment period. However, these loans continue to advance through delinquency status and accrue interest according to their original terms. Any subsequent permanent modification generally includes interest rate related concessions; however, the exact concession type and resulting financial effect are usually not known until the loan is permanently modified. Trial modifications for the period are presented net of previously reported trial modifications that became permanent in the current period.

Table of Contents

The table below summarizes permanent modification TDRs that have defaulted in the current period within 12 months of their permanent modification date. We are reporting these defaulted TDRs based on a payment default definition of 90 days past due for the commercial portfolio segment and 60 days past due for the consumer portfolio segment.

(in millions)	Recorded investment of defaults Quarter ended March 31, 2013	2012
Commercial:		
Commercial and industrial	$ **21**	110
Real estate mortgage	**61**	252
Real estate construction	**28**	155
Total commercial	**110**	517
Consumer:		
Real estate 1-4 family first mortgage	**83**	147
Real estate 1-4 family junior lien mortgage	**10**	20
Credit card	**16**	27
Automobile	**4**	6
Total consumer	**113**	200
Total	$ **223**	717

Purchased Credit-Impaired Loans

Substantially all of our PCI loans were acquired from Wachovia on December 31, 2008. The following table presents PCI loans net of any remaining purchase accounting adjustments. Real estate 1-4 family first mortgage PCI loans are predominantly Pick-a-Pay loans.

(in millions)	**March 31, 2013**	December 31, 2012	2008
Commercial:			
Commercial and industrial	$ **191**	259	4,580
Real estate mortgage	**1,839**	1,970	5,803
Real estate construction	**767**	877	6,462
Foreign	**705**	871	1,859
Total commercial	**3,502**	3,977	18,704
Consumer:			
Real estate 1-4 family first mortgage	**26,086**	26,839	39,214
Real estate 1-4 family junior lien mortgage	**141**	152	728

Automobile		**-**	-	151
Total consumer		**26,227**	26,991	40,093
Total PCI loans (carrying value)	**$**	**29,729**	30,968	58,797
Total PCI loans (unpaid principal balance)	**$**	**42,971**	45,174	98,182

Table of Contents

Note 5: Loans and Allowance for Credit Losses ***(continued)***

ACCRETABLE YIELD The excess of cash flows expected to be collected over the carrying value of PCI loans is referred to as the accretable yield and is recognized in interest income using an effective yield method over the remaining life of the loan, or pools of loans. The accretable yield is affected by:

- changes in interest rate indices for variable rate PCI loans — expected future cash flows are based on the variable rates in effect at the time of the regular evaluations of cash flows expected to be collected;
- changes in prepayment assumptions — prepayments affect the estimated life of PCI loans which may change the amount of interest income, and possibly principal, expected to be collected; and
- changes in the expected principal and interest payments over the estimated life — updates to expected cash flows are driven by the credit outlook and actions taken with borrowers. Changes in expected future cash flows from loan modifications are included in the regular evaluations of cash flows expected to be collected.

The change in the accretable yield related to PCI loans is presented in the following table.

(in millions)

Balance, December 31, 2008	$	10,447
Addition of accretable yield due to acquisitions		131
Accretion into interest income (1)		(9,351)
Accretion into noninterest income due to sales (2)		(242)
Reclassification from nonaccretable difference for loans with improving credit-related cash flows		5,354
Changes in expected cash flows that do not affect nonaccretable difference (3)		12,209
Balance, December 31, 2012		**18,548**
Addition of accretable yield due to acquisitions		**-**
Accretion into interest income (1)		**(447)**
Accretion into noninterest income due to sales (2)		**(151)**
Reclassification from nonaccretable difference for loans with improving credit-related cash flows		**31**
Changes in expected cash flows that do not affect nonaccretable difference (3)		**(16)**
Balance, March 31, 2013	**$**	**17,965**

(1) Includes accretable yield released as a result of settlements with borrowers, which is included in interest income.
(2) Includes accretable yield released as a result of sales to third parties, which is included in noninterest income.
(3) Represents changes in cash flows expected to be collected due to the impact of modifications, changes in prepayment assumptions, changes in interest rates on variable rate PCI loans and sales to third parties.

Table of Contents

PCI ALLOWANCE Based on our regular evaluation of estimates of cash flows expected to be collected, we may establish an allowance for a PCI loan or pool of loans, with a charge to income though the provision for losses. The following table summarizes the changes in allowance for PCI loan losses.

(in millions)	Commercial	Pick-a-Pay	Other consumer	Total
Balance, December 31, 2008	$ -	-	-	-
Provision for losses due to credit deterioration	1,693	-	123	1,816
Charge-offs	(1,605)	-	(94)	(1,699)
Balance, December 31, 2012	**88**	**-**	**29**	**117**
Reversal of provision for losses	**(32)**	**-**	**-**	**(32)**
Charge-offs	**(3)**	**-**	**(2)**	**(5)**
Balance, March 31, 2013	**$ 53**	**-**	**27**	**80**

COMMERCIAL PCI CREDIT QUALITY INDICATORS The following table provides a breakdown of commercial PCI loans by risk category.

(in millions)	Commercial and industrial	Real estate mortgage	Real estate construction	Foreign	Total
March 31, 2013					
By risk category:					
Pass	**$ 96**	**341**	**222**	**8**	**667**
Criticized	**95**	**1,498**	**545**	**697**	**2,835**
Total commercial PCI loans	**$ 191**	**1,839**	**767**	**705**	**3,502**
December 31, 2012					
By risk category:					
Pass	$ 95	341	207	255	898
Criticized	164	1,629	670	616	3,079
Total commercial PCI loans	$ 259	1,970	877	871	3,977

Table of Contents

Note 5: Loans and Allowance for Credit Losses ***(continued)***

The following table provides past due information for commercial PCI loans.

(in millions)	Commercial and industrial	Real estate mortgage	Real estate construction	Foreign	Total
March 31, 2013					
By delinquency status:					
Current-29 DPD and still accruing	**$ 187**	**1,703**	**608**	**533**	**3,031**
30-89 DPD and still accruing	**2**	**57**	**28**	**-**	**87**
90+ DPD and still accruing	**2**	**79**	**131**	**172**	**384**
Total commercial PCI loans	**$ 191**	**1,839**	**767**	**705**	**3,502**
December 31, 2012					
By delinquency status:					
Current-29 DPD and still accruing	$ 235	1,804	699	704	3,442
30-89 DPD and still accruing	1	26	51	-	78
90+ DPD and still accruing	23	140	127	167	457
Total commercial PCI loans	$ 259	1,970	877	871	3,977

CONSUMER PCI CREDIT QUALITY INDICATORS Our consumer PCI loans were aggregated into several pools of loans at acquisition. Below, we have provided credit quality indicators based on the unpaid principal balance (adjusted for write-downs)

of the individual loans included in the pool, but we have not allocated the remaining purchase accounting adjustments, which were established at a pool level. The following table provides the delinquency status of consumer PCI loans.

	March 31, 2013			December 31, 2012		
(in millions)	**Real estate 1-4 family first mortgage**	**Real estate 1-4 family junior lien mortgage**	**Total**	Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Total
By delinquency status:						
Current-29 DPD and still accruing	**$ 21,608**	**188**	**21,796**	22,304	198	22,502
30-59 DPD and still accruing	**2,341**	**9**	**2,350**	2,587	11	2,598
60-89 DPD and still accruing	**1,243**	**5**	**1,248**	1,361	7	1,368
90-119 DPD and still accruing	**555**	**3**	**558**	650	6	656
120-179 DPD and still accruing	**706**	**7**	**713**	804	7	811

180+ DPD and still accruing		**5,245**	**109**	**5,354**	5,356	116	5,472
Total consumer PCI loans (adjusted unpaid principal balance)	**$**	**31,698**	**321**	**32,019**	33,062	345	33,407
Total consumer PCI loans (carrying value)	**$**	**26,086**	**141**	**26,227**	26,839	152	26,991

90

Table of Contents

The following table provides FICO scores for consumer PCI loans.

(in millions)	March 31, 2013 Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Total	December 31, 2012 Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Total
By FICO:						
< 600	**$ 12,638**	**134**	**12,772**	13,163	144	13,307
600-639	**6,388**	**64**	**6,452**	6,673	68	6,741
640-679	**6,358**	**69**	**6,427**	6,602	73	6,675
680-719	**3,443**	**35**	**3,478**	3,635	39	3,674
720-759	**1,675**	**10**	**1,685**	1,757	11	1,768
760-799	**840**	**5**	**845**	874	6	880
800+	**192**	**1**	**193**	202	1	203
No FICO available	**164**	**3**	**167**	156	3	159
Total consumer PCI loans (adjusted unpaid principal balance)	**$ 31,698**	**321**	**32,019**	33,062	345	33,407
Total consumer PCI loans (carrying value)	**$ 26,086**	**141**	**26,227**	26,839	152	26,991

The following table shows the distribution of consumer PCI loans by LTV for real estate 1-4 family first mortgages and by CLTV for real estate 1-4 family junior lien mortgages.

(in millions)	March 31, 2013 Real estate 1-4 family first mortgage by LTV	Real estate 1-4 family junior lien mortgage by CLTV	Total	December 31, 2012 Real estate 1-4 family first mortgage by LTV	Real estate 1-4 family junior lien mortgage by CLTV	Total
By LTV/CLTV:						
0-60%	**$ 1,414**	**21**	**1,435**	1,374	21	1,395
60.01-80%	**4,484**	**30**	**4,514**	4,119	30	4,149
80.01-100%	**9,987**	**59**	**10,046**	9,576	61	9,637
100.01-120% (1)	**7,617**	**90**	**7,707**	8,084	93	8,177
> 120% (1)	**8,150**	**120**	**8,270**	9,889	138	10,027
No LTV/CLTV available	**46**	**1**	**47**	20	2	22
Total consumer PCI loans (adjusted unpaid principal balance)	**$ 31,698**	**321**	**32,019**	33,062	345	33,407
Total consumer PCI loans (carrying value)	**$ 26,086**	**141**	**26,227**	26,839	152	26,991

(1) Reflects total loan balances with LTV/CLTV amounts in excess of 100%. In the event of default, the loss content would generally be limited to only the amount in excess of 100% LTV/CLTV.

Table of Contents

Note 6: Other Assets

The components of other assets were:

(in millions)		Mar. 31, 2013	Dec. 31, 2012
Nonmarketable equity investments:			
Cost method:			
Private equity investments	$	**2,451**	2,572
Federal bank stock		**4,198**	4,227
Total cost method		**6,649**	6,799
Equity method and other:			
LIHTC investments (1)		**4,863**	4,767
Private equity and other (2)		**6,667**	6,156
Total equity method and other		**11,530**	10,923
Total nonmarketable equity investments		**18,179**	17,722
Corporate/bank-owned life insurance		**18,721**	18,649
Accounts receivable		**24,091**	25,828
Interest receivable		**5,294**	5,006
Core deposit intangibles		**5,605**	5,915
Customer relationship and other amortized intangibles		**1,284**	1,352
Foreclosed assets:			
GNMA (3)		**969**	1,509
Other		**2,381**	2,514
Operating lease assets		**1,984**	2,001
Due from customers on acceptances		**275**	282
Other		**9,103**	12,800
Total other assets	$	**87,886**	93,578

(1) Represents low income housing tax credit investments.
(2) March 31, 2013, includes $197 million in nonmarketable equity investments that are measured at fair value. See Note 13 for additional information.
(3) These are foreclosed real estate securing GNMA loans. Both principal and interest for government insured/guaranteed loans secured by the foreclosed real estate are collectible because the loans are insured by the FHA or guaranteed by the VA.

Income related to nonmarketable equity investments was:

		Quarter ended March 31,	
(in millions)		**2013**	2012
Net realized gains from private equity investments	$	**45**	131
All other		**37**	21
Total	$	**82**	152

92

Table of Contents

Note 7: Securitizations and Variable Interest Entities

Involvement with SPEs

In the normal course of business, we enter into various types of on- and off-balance sheet transactions with special purpose entities (SPEs), which are corporations, trusts or partnerships that are established for a limited purpose. Generally, SPEs are formed in connection with securitization transactions. In a securitization transaction, assets from our balance sheet are transferred to an SPE, which then issues to investors various forms of interests in those assets and may also enter into derivative transactions. In a securitization transaction, we typically receive cash and/or other interests in an SPE as proceeds for the assets we transfer. Also, in certain transactions, we may retain the right to service the transferred receivables and to repurchase those receivables from the SPE if the outstanding balance of the receivables falls to a level where the cost exceeds the benefits of servicing such receivables. In addition, we may purchase the right to service loans in an SPE that were transferred to the SPE by a third party.

In connection with our securitization activities, we have various forms of ongoing involvement with SPEs, which may include:

- underwriting securities issued by SPEs and subsequently making markets in those securities;
- providing liquidity facilities to support short-term obligations of SPEs issued to third party investors;
- providing credit enhancement on securities issued by SPEs or market value guarantees of assets held by SPEs through the use of letters of credit, financial guarantees, credit default swaps and total return swaps;
- entering into other derivative contracts with SPEs;
- holding senior or subordinated interests in SPEs;
- acting as servicer or investment manager for SPEs; and
- providing administrative or trustee services to SPEs.

SPEs are generally considered variable interest entities (VIEs). A VIE is an entity that has either a total equity investment that is insufficient to finance its activities without additional subordinated financial support or whose equity investors lack the ability to control the entity s activities. A VIE is consolidated by its primary beneficiary, the party that has both the power to direct the activities that most significantly impact the VIE and a variable interest that could potentially be significant to the VIE. A variable interest is a contractual, ownership or other interest that changes with changes in the fair value of the VIE s net assets. To determine whether or not a variable interest we hold could potentially be significant to the VIE, we consider both qualitative and quantitative factors regarding the nature, size and form of our involvement with the VIE. We assess whether or not we are the primary beneficiary of a VIE on an on-going basis.

We have segregated our involvement with VIEs between those VIEs which we consolidate, those which we do not consolidate and those for which we account for the transfers of financial assets as secured borrowings. Secured borrowings are transactions involving transfers of our financial assets to third parties that are accounted for as financings with the assets pledged as collateral. Accordingly, the transferred assets remain recognized on our balance sheet. Subsequent tables within this Note further segregate these transactions by structure type.

Table of Contents

Note 7: Securitizations and Variable Interest Entities *(continued)*

The classifications of assets and liabilities in our balance sheet associated with our transactions with VIEs follow:

(in millions)	VIEs that we do not consolidate	VIEs that we consolidate	Transfers that we account for as secured borrowings	Total
March 31, 2013				
Cash	**$ -**	**156**	**8**	**164**
Trading assets	**2,034**	**135**	**215**	**2,384**
Securities available for sale (1)	**20,586**	**2,600**	**14,711**	**37,897**
Mortgages held for sale	**-**	**257**	**-**	**257**
Loans	**9,686**	**9,660**	**6,900**	**26,246**
Mortgage servicing rights	**11,688**	**-**	**-**	**11,688**
Other assets	**5,058**	**434**	**172**	**5,664**
Total assets	**49,052**	**13,242**	**22,006**	**84,300**
Short-term borrowings	**-**	**2,067** (2)	**12,305**	**14,372**
Accrued expenses and other liabilities	**3,938**	**834** (2)	**7**	**4,779**
Long-term debt	**-**	**2,973** (2)	**6,379**	**9,352**
Total liabilities	**3,938**	**5,874**	**18,691**	**28,503**
Noncontrolling interests	**-**	**25**	**-**	**25**
Net assets	**$ 45,114**	**7,343**	**3,315**	**55,772**
December 31, 2012				
Cash	$ -	260	30	290
Trading assets	1,902	114	218	2,234
Securities available for sale (1)	19,900	2,772	14,848	37,520
Mortgages held for sale	-	469	-	469
Loans	9,841	10,553	7,088	27,482
Mortgage servicing rights	11,114	-	-	11,114
Other assets	4,993	457	161	5,611
Total assets	47,750	14,625	22,345	84,720
Short-term borrowings	-	2,059 (2)	13,228	15,287
Accrued expenses and other liabilities	3,441	901 (2)	20	4,362
Long-term debt	-	3,483 (2)	6,520	10,003
Total liabilities	3,441	6,443	19,768	29,652

Noncontrolling interests	-	48	-	48
Net assets	$ 44,309	8,134	2,577	55,020

(1) Excludes certain debt securities related to loans serviced for the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC) and GNMA.
(2) Includes the following VIE liabilities at March 31, 2013 and December 31, 2012, respectively, with recourse to the general credit of Wells Fargo: Short-term borrowings, $2.1 billion and $2.1 billion; Accrued expenses and other liabilities, $729 million and $767 million; and Long-term debt, $29 million and $29 million.

Transactions with Unconsolidated VIEs

Our transactions with VIEs include securitizations of residential mortgage loans, CRE loans, student loans and auto loans and leases; investment and financing activities involving CDOs backed by asset-backed and CRE securities, collateralized loan obligations (CLOs) backed by corporate loans, and other types of structured financing. We have various forms of involvement with VIEs, including holding senior or subordinated interests, entering into liquidity arrangements, credit default swaps and other derivative contracts. Involvements with these unconsolidated VIEs are recorded on our balance sheet primarily in trading assets, securities available for sale, loans, MSRs, other assets and other liabilities, as appropriate.

The following tables provide a summary of unconsolidated VIEs with which we have significant continuing involvement, but we are not the primary beneficiary. We do not consider our

continuing involvement in an unconsolidated VIE to be significant when it relates to third-party sponsored VIEs for which we were not the transferor or if we were the sponsor but do not have any other significant continuing involvement.

Significant continuing involvement includes transactions where we were the sponsor or transferor and have other significant forms of involvement. Sponsorship includes transactions with unconsolidated VIEs where we solely or materially participated in the initial design or structuring of the entity or marketing of the transaction to investors. When we transfer assets to a VIE and account for the transfer as a sale, we are considered the transferor. We consider investments in securities held outside of trading, loans, guarantees, liquidity agreements, written options and servicing of collateral to be other forms of involvement that may be significant. We have excluded certain transactions with unconsolidated VIEs from the

Table of Contents

balances presented in the table below where we have determined that our continuing involvement is not significant due to the temporary nature and size of our variable interests, because we

were not the transferor or because we were not involved in the design or operations of the unconsolidated VIEs.

(in millions)	Total VIE assets	Debt and equity interests (1)	Servicing assets	Derivatives	Other commitments and guarantees	Net assets
March 31, 2013						
					Carrying value - asset (liability)	
Residential mortgage loan securitizations:						
Conforming	$ 1,274,961	3,712	10,970	-	(1,931)	12,751
Other/nonconforming	46,968	2,119	258	-	(33)	2,344
Commercial mortgage securitizations	174,917	7,809	433	373	-	8,615
Collateralized debt obligations:						
Debt securities	6,737	12	-	422	(138)	296
Loans (2)	8,102	7,920	-	-	-	7,920
Asset-based finance structures	11,623	7,437	-	(94)	-	7,343
Tax credit structures	21,047	5,256	-	-	(1,624)	3,632
Collateralized loan obligations	5,618	1,233	-	-	-	1,233
Investment funds	4,409	53	-	-	-	53
Other (3)	9,994	980	27	(41)	(39)	927
Total	$ 1,564,376	36,531	11,688	660	(3,765)	45,114
					Maximum exposure to loss	
Residential mortgage loan securitizations:						
Conforming		$ 3,712	10,970	-	5,458	20,140
Other/nonconforming		2,119	258	-	353	2,730
Commercial mortgage securitizations		7,809	433	426	-	8,668
Collateralized debt obligations:						
Debt securities		12	-	422	138	572
Loans (2)		7,920	-	-	-	7,920
Asset-based finance structures		7,437	-	94	1,974	9,505
Tax credit structures		5,256	-	-	387	5,643
Collateralized loan obligations		1,233	-	-	261	1,494
Investment funds		53	-	-	24	77
Other (3)		980	27	214	119	1,340
Total		$ 36,531	11,688	1,156	8,714	58,089

(continued on following page)

Table of Contents

Note 7: Securitizations and Variable Interest Entities *(continued)*

(continued from previous page)

(in millions)	Total VIE assets	Debt and equity interests (1)	Servicing assets	Derivatives	Other commitments and guarantees	Net assets
December 31, 2012						
					Carrying value - asset (liability)	
Residential mortgage loan securitizations:						
Conforming	$ 1,268,494	3,620	10,336	-	(1,690)	12,266
Other/nonconforming	49,794	2,188	284	-	(53)	2,419
Commercial mortgage securitizations	168,126	7,081	466	404	-	7,951
Collateralized debt obligations:						
Debt securities	6,940	13	-	471	144	628
Loans (2)	8,155	7,962	-	-	-	7,962
Asset-based finance structures	10,404	7,155	-	(104)	-	7,051
Tax credit structures	20,098	5,180	-	-	(1,657)	3,523
Collateralized loan obligations	6,641	1,439	-	1	-	1,440
Investment funds	4,771	49	-	-	-	49
Other (3)	10,401	977	28	14	1	1,020
Total	$ 1,553,824	35,664	11,114	786	(3,255)	44,309
					Maximum exposure to loss	
Residential mortgage loan securitizations:						
Conforming		$ 3,620	10,336	-	5,061	19,017
Other/nonconforming		2,188	284	-	353	2,825
Commercial mortgage securitizations		7,081	466	446	-	7,993
Collateralized debt obligations:						-
Debt securities		13	-	471	144	628
Loans (2)		7,962	-	-	-	7,962
Asset-based finance structures		7,155	-	104	1,967	9,226
Tax credit structures		5,180	-	-	247	5,427
Collateralized loan obligations		1,439	-	1	261	1,701
Investment funds		49	-	-	27	76
Other (3)		977	28	318	119	1,442
Total		$ 35,664	11,114	1,340	8,179	56,297

(1) Includes total equity interests of $5.9 billion and $5.8 billion at March 31, 2013 and December 31, 2012, respectively. Also includes debt interests in the form of both loans and securities. Excludes certain debt securities held related to loans serviced for FNMA, FHLMC and GNMA.

(2) Represents senior loans to trusts that are collateralized by asset-backed securities. The trusts invest primarily in senior tranches from a diversified pool of primarily U.S. asset securitizations, of which all are current, and over 77% and 83% were rated as investment grade by the primary rating agencies at March 31, 2013 and December 31, 2012, respectively. These senior loans are accounted for at amortized cost and are subject to the Company s allowance and credit charge-off policies.

(3) Includes structured financing, student loan securitizations, auto loan and lease securitizations and credit-linked note structures. Also contains investments in auction rate securities (ARS) issued by VIEs that we do not sponsor and, accordingly, are unable to obtain the total assets of the entity.

96

Table of Contents

In the two preceding tables, Total VIE assets represents the remaining principal balance of assets held by unconsolidated VIEs using the most current information available. For VIEs that obtain exposure to assets synthetically through derivative instruments, the remaining notional amount of the derivative is included in the asset balance. Carrying value is the amount in our consolidated balance sheet related to our involvement with the unconsolidated VIEs. Maximum exposure to loss from our involvement with off-balance sheet entities, which is a required disclosure under GAAP, is determined as the carrying value of our involvement with off-balance sheet (unconsolidated) VIEs plus the remaining undrawn liquidity and lending commitments, the notional amount of net written derivative contracts, and generally the notional amount of, or stressed loss estimate for, other commitments and guarantees. It represents estimated loss that would be incurred under severe, hypothetical circumstances, for which we believe the possibility is extremely remote, such as where the value of our interests and any associated collateral declines to zero, without any consideration of recovery or offset from any economic hedges. Accordingly, this required disclosure is not an indication of expected loss.

For complete descriptions of our types of transactions with unconsolidated VIEs with which we have significant continuing involvement, but we are not the primary beneficiary, see Note 8 in our 2012 Form 10-K.

OTHER TRANSACTIONS WITH VIEs In 2008, legacy Wachovia reached an agreement to purchase auction rate securities (ARS) at par that were sold to third-party investors by certain of its subsidiaries. ARS are debt instruments with long-term maturities, but which re-price more frequently, and preferred equities with no maturity. We purchased all outstanding ARS that were issued by VIEs and subject to the agreement. At March 31, 2013, we held in our securities available-for-sale portfolio $358 million of ARS issued by VIEs redeemed pursuant to this agreement, compared with $357 million at December 31, 2012.

In 2009, we reached agreements to purchase additional ARS from eligible investors who bought ARS through one of our broker-dealer subsidiaries. We purchased all outstanding ARS that were issued by VIEs and subject to the agreement. As of March 31, 2013, we held in our securities available-for-sale portfolio $336 million of ARS issued by VIEs redeemed pursuant

to this agreement, compared with $329 million at December 31, 2012.

We do not consolidate the VIEs that issued the ARS because we do not have power over the activities of the VIEs.

TRUST PREFERRED SECURITIES In addition to the involvements disclosed in the preceding table, through the issuance of trust preferred securities we had junior subordinated debt financing with a carrying value of $2.1 billion at March 31, 2013, and $4.9 billion at December 31, 2012 and $2.5 billion of preferred stock at both March 31, 2013, and December 31, 2012. In these transactions, VIEs that we wholly own issue debt securities or preferred equity to third party investors. All of the proceeds of the issuance are invested in debt securities or preferred equity that we issue to the VIEs. The VIEs operations and cash flows relate only to the issuance, administration and repayment of the securities held by third parties. We do not consolidate these VIEs because the sole assets of the VIEs are receivables from us. This is the case even though we own all of the voting equity shares of the VIEs, have fully guaranteed the obligations of the VIEs and may have the right to redeem the third party securities under certain circumstances. We report the debt securities issued to the VIEs as long-term junior subordinated debt and the preferred equity securities issued to the VIEs as preferred stock in our consolidated balance sheet.

In first quarter 2013, we redeemed $2.8 billion of trust preferred securities that will no longer count as Tier 1 capital under the Dodd-Frank Act and the Basel Committee recommendations known as the Basel III standards.

Securitization Activity Related to Unconsolidated VIEs

We use VIEs to securitize consumer and CRE loans and other types of financial assets, including student loans and auto loans. We typically retain the servicing rights from these sales and may continue to hold other beneficial interests in the VIEs. We may also provide liquidity to investors in the beneficial interests and credit enhancements in the form of standby letters of credit. Through these securitizations we may be exposed to liability under limited amounts of recourse as well as standard representations and warranties we make to purchasers and issuers. We had the following cash flows with our securitization trusts that were involved in transfers accounted for as sales.

(in millions)		**2013 Mortgage loans**	**2013 Other financial assets**	2012 Mortgage loans	2012 Other financial assets
Quarter ended March 31,					
Sales proceeds from securitizations (1)	**$**	**106,306**	**-**	143,105	-
Servicing fees		**1,076**	**2**	1,111	3
Other interests held		**406**	**27**	426	49
Purchases of delinquent assets		**9**	**-**	-	-
Net servicing advances		**802**	**-**	14	-

(1) Represents cash flow data for all loans securitized in the period presented.

Table of Contents

Note 7: Securitizations and Variable Interest Entities ***(continued)***

In first quarter 2013 and 2012, we recognized net gains of $64 million and $11 million, respectively, from transfers accounted for as sales of financial assets in securitizations. These net gains primarily relate to commercial mortgage securitizations and residential mortgage securitizations where the loans were not already carried at fair value.

Sales with continuing involvement during the first quarter of 2013 and 2012 predominantly related to conforming residential mortgage securitizations. During the first quarter of 2013 and 2012 we transferred $100.7 billion and $139.4 billion respectively, in fair value of conforming residential mortgages to unconsolidated VIEs and recorded the transfers as sales. Substantially all of these transfers did not result in a gain or loss because the loans were already carried at fair value. In connection with all of these transfers, in the first quarter of 2013 we recorded a $935 million servicing asset, measured at fair value using a Level 3 measurement technique, and a $59 million liability for probable repurchase losses. In the first quarter of 2012, we recorded a $1.5 billion servicing asset and a $62 million liability.

We used the following key weighted-average assumptions to measure mortgage servicing assets at the date of securitization:

	Residential mortgage servicing rights	
	2013	2012
Quarter ended March 31,		
Prepayment speed (1)	**11.9%**	13.1
Discount rate	**7.1**	7.1
Cost to service ($ per loan) (2)	**$ 178**	119

(1) The prepayment speed assumption for residential mortgage servicing rights includes a blend of prepayment speeds and default rates. Prepayment speed assumptions are influenced by mortgage interest rate inputs as well as our estimation of drivers of borrower behavior.

(2) Includes costs to service and unreimbursed foreclosure costs.

During first quarter 2013 we transferred $1.7 billion in fair value of commercial mortgages to unconsolidated VIEs and recorded the transfers as sales. These transfers resulted in a gain of $62 million in first quarter 2013 because the loans were carried at LOCOM. In connection with these transfers, in first quarter 2013 we recorded a servicing asset of $5 million, initially measured at fair value using a Level 3 measurement technique, and securities available for sale of $23 million, classified as Level 2. In first quarter 2012, we did not transfer commercial mortgages to unconsolidated VIEs.

Table of Contents

The following table provides key economic assumptions and the sensitivity of the current fair value of residential mortgage servicing rights and other retained interests to immediate adverse changes in those assumptions. Other interests held relate predominantly to residential and commercial mortgage loan securitizations. Residential mortgage-backed securities retained in securitizations issued through GSEs, such as FNMA, FHLMC and GNMA, are excluded from the table because these securities have a remote risk of credit loss due to the GSE guarantee. These securities also have economic characteristics similar to GSE mortgage-backed securities that we purchase, which are not included in the table. Subordinated interests include only those bonds whose credit rating was below AAA by a major rating agency at issuance. Senior interests include only those bonds whose credit rating was AAA by a major rating agency at issuance. The information presented excludes trading positions held in inventory.

			Other interests held				
	Residential mortgage servicing	Interest-only		Consumer	Commercial (2)		
($ in millions, except cost to service amounts)	rights (1)	strips	Subordinated bonds	Senior bonds	Subordinated bonds	Senior bonds	
Fair value of interests held at March 31, 2013	**$ 12,061**	**176**	**42**	**-**	**252**	**988**	
Expected weighted-average life (in years)	**5.2**	**4.0**	**6.0**	**-**	**4.6**	**5.7**	
Key economic assumptions:							
Prepayment speed assumption (3)	**14.2 %**	**10.4**	**6.7**	**-**			
Decrease in fair value from:							
10% adverse change	**$ 862**	**5**	**-**	**-**			
25% adverse change	**2,030**	**11**	**-**	**-**			
Discount rate assumption	**7.3 %**	**17.3**	**3.8**	**-**	**2.8**	**3.2**	
Decrease in fair value from:							
100 basis point increase	**$ 619**	**4**	**2**	**-**	**10**	**47**	
200 basis point increase	**1,175**	**8**	**4**	**-**	**19**	**90**	
Cost to service assumption ($ per loan)	**216**						
Decrease in fair value from:							
10% adverse change	**626**						
25% adverse change	**1,566**						
Credit loss assumption			**0.4 %**	**-**	**8.4**	**-**	
Decrease in fair value from:							
10% higher losses			**$ -**	**-**	**9**	**-**	
25% higher losses			**-**	**-**	**15**	**-**	
Fair value of interests held at December 31, 2012	$ 11,538	187	40	-	249	982	
Expected weighted-average life (in years)	4.8	4.1	5.9	-	4.7	5.3	
Key economic assumptions:							
Prepayment speed assumption (3)	15.7 %	10.6	6.8	-			
Decrease in fair value from:							
10% adverse change	$ 869	5	-	-			
25% adverse change	2,038	12	-	-			
Discount rate assumption	7.4 %	16.9	8.9	-	3.5	2.2	
Decrease in fair value from:							
100 basis point increase	$ 562	4	2	-	12	43	
200 basis point increase	1,073	8	4	-	21	84	
Cost to service assumption ($ per loan)	219						
Decrease in fair value from:							
10% adverse change	615						
25% adverse change	1,537						
Credit loss assumption			0.4 %	-	10.0	-	

Decrease in fair value from:				
10% higher losses	$ -	-	12	-
25% higher losses	-	-	19	-

(1) See narrative following this table for a discussion of commercial mortgage servicing rights.
(2) Prepayment speed assumptions do not significantly impact the value of commercial mortgage securitization bonds as the underlying commercial mortgage loans experience significantly lower prepayments due to certain contractual restrictions, impacting the borrower s ability to prepay the mortgage.
(3) The prepayment speed assumption for residential mortgage servicing rights includes a blend of prepayment speeds and default rates. Prepayment speed assumptions are influenced by mortgage interest rate inputs as well as our estimation of drivers of borrower behavior.

Table of Contents

Note 7: Securitizations and Variable Interest Entities *(continued)*

In addition to residential mortgage servicing rights (MSRs) included in the previous table, we have a small portfolio of commercial MSRs with a fair value of $1.4 billion at March 31, 2013, and December 31, 2012. The nature of our commercial MSRs, which are carried at LOCOM, is different from our residential MSRs. Prepayment activity on serviced loans does not significantly impact the value of commercial MSRs because, unlike residential mortgages, commercial mortgages experience significantly lower prepayments due to certain contractual restrictions, impacting the borrower s ability to prepay the mortgage. Additionally, for our commercial MSR portfolio, we are typically master/primary servicer, but not the special servicer, who is separately responsible for the servicing and workout of delinquent and foreclosed loans. It is the special servicer, similar to our role as servicer of residential mortgage loans, who is affected by higher servicing and foreclosure costs due to an increase in delinquent and foreclosed loans. Accordingly, prepayment speeds and costs to service are not key assumptions for commercial MSRs as they do not significantly impact the valuation. The primary economic driver impacting the fair value of our commercial MSRs is forward interest rates, which are derived from market observable yield curves used to price capital markets instruments. Market interest rates most significantly affect interest earned on custodial deposit balances. The sensitivity of the current fair value to an immediate adverse 25% change in the assumption about interest earned on deposit balances at March 31, 2013, and December 31, 2012, results in a

decrease in fair value of $143 million and $139 million, respectively. See Note 8 for further information on our commercial MSRs.

The sensitivities in the preceding paragraph and table are hypothetical and caution should be exercised when relying on this data. Changes in value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in the assumption to the change in value may not be linear. Also, the effect of a variation in a particular assumption on the value of the other interests held is calculated independently without changing any other assumptions. In reality, changes in one factor may result in changes in others (for example, changes in prepayment speed estimates could result in changes in the credit losses), which might magnify or counteract the sensitivities.

The following table presents information about the principal balances of off-balance sheet securitized loans, including residential mortgages sold to FNMA, FHLMC, GNMA and securitizations where servicing is our only form of continuing involvement. Delinquent loans include loans 90 days or more past due and still accruing interest as well as nonaccrual loans. In securitizations where servicing is our only form of continuing involvement, we would only experience a loss if required to repurchase a delinquent loan due to a breach in representations and warranties associated with our loan sale or servicing contracts.

		Total loans		Delinquent loans		Net charge-offs Three months ended Mar. 31,	
(in millions)	**Mar. 31, 2013**	Dec. 31, 2012	**Mar. 31, 2013**	Dec. 31, 2012	**2013**	2012
Commercial:						
Real estate mortgage	**$ 118,408**	128,564	**9,049**	12,216	**72**	54
Total commercial	**118,408**	128,564	**9,049**	12,216	**72**	54
Consumer:						
Real estate 1-4 family first mortgage	**1,283,304**	1,283,504	**20,574**	21,574	**255**	286
Real estate 1-4 family junior lien mortgage	**1**	1	**-**	-	**-**	-
Other revolving credit and installment	**1,980**	2,034	**101**	110	**-**	-
Total consumer	**1,285,285**	1,285,539	**20,675**	21,684	**255**	286
Total off-balance sheet securitized loans (1)	**$ 1,403,693**	1,414,103	**29,724**	33,900	**327**	340

(1) At March 31, 2013 and December 31, 2012, the table includes total loans of $1.3 trillion and $1.3 trillion, respectively, and delinquent loans of $16.9 billion and $17.4 billion, respectively for FNMA, FHLMC and GNMA. Net charge-offs exclude loans sold to FNMA, FHLMC and GNMA as we do not service or manage the underlying real estate upon foreclosure and, as such, do not have access to net charge-off information.

Table of Contents

Transactions with Consolidated VIEs and Secured Borrowings

The following table presents a summary of transfers of financial assets accounted for as secured borrowings and involvements with consolidated VIEs. Consolidated assets are presented using GAAP measurement methods, which may include fair value, credit impairment or other adjustments, and therefore in

some instances will differ from Total VIE assets. For VIEs that obtain exposure synthetically through derivative instruments, the remaining notional amount of the derivative is included in Total VIE assets. On the consolidated balance sheet, we separately disclose the consolidated assets of certain VIEs that can only be used to settle the liabilities of those VIEs.

(in millions)		Total VIE assets	Consolidated assets	Third party liabilities	Carrying value Noncontrolling interests	Carrying value Net assets
March 31, 2013						
Secured borrowings:						
Municipal tender option bond securitizations	**$**	**16,726**	**15,001**	**(12,313)**	**-**	**2,688**
Commercial real estate loans		**897**	**897**	**(642)**	**-**	**255**
Residential mortgage securitizations		**5,672**	**6,108**	**(5,736)**	**-**	**372**
Total secured borrowings		**23,295**	**22,006**	**(18,691)**	**-**	**3,315**
Consolidated VIEs:						
Nonconforming residential mortgage loan securitizations		**8,165**	**7,264**	**(2,761)**	**-**	**4,503**
Multi-seller commercial paper conduit		**2,064**	**2,050**	**(2,061)**	**-**	**(11)**
Structured asset finance		**64**	**64**	**(17)**	**-**	**47**
Investment funds		**1,749**	**1,749**	**(36)**	**-**	**1,713**
Other		**2,220**	**2,115**	**(999)**	**(25)**	**1,091**
Total consolidated VIEs		**14,262**	**13,242**	**(5,874)**	**(25)**	**7,343**
Total secured borrowings and consolidated VIEs	**$**	**37,557**	**35,248**	**(24,565)**	**(25)**	**10,658**
December 31, 2012						
Secured borrowings:						
Municipal tender option bond securitizations	$	16,782	15,130	(13,248)	-	1,882
Commercial real estate loans		975	975	(696)	-	279
Residential mortgage securitizations		5,757	6,240	(5,824)	-	416
Total secured borrowings		23,514	22,345	(19,768)	-	2,577
Consolidated VIEs:						
Nonconforming residential mortgage loan securitizations		8,633	7,707	(2,933)	-	4,774
Multi-seller commercial paper conduit		2,059	2,036	(2,053)	-	(17)
Structured asset finance		71	71	(17)	-	54
Investment funds		1,837	1,837	(2)	-	1,835
Other		3,454	2,974	(1,438)	(48)	1,488
Total consolidated VIEs		16,054	14,625	(6,443)	(48)	8,134
Total secured borrowings and consolidated VIEs	$	39,568	36,970	(26,211)	(48)	10,711

In addition to the transactions included in the previous table, at both March 31, 2013, and December 31, 2012, we had approximately $6.0 billion of private placement debt financing issued through a consolidated VIE. The issuance is classified as long-term debt in our consolidated financial statements. At March 31, 2013, and December 31, 2012, we pledged approximately $6.6 billion and $6.4 billion in loans (principal and interest eligible to be capitalized), $147 million and $179 million in securities available for sale, and $180 million and $138 million in cash and cash equivalents to collateralize the VIE s borrowings, respectively. These assets were not transferred to the VIE, and accordingly we have excluded the VIE from the previous table.

For complete descriptions of our accounting for transfers accounted for as secured borrowings and involvements with consolidated VIEs see Note 8 in our 2012 Form 10-K.

Table of Contents

Note 8: Mortgage Banking Activities

Mortgage banking activities, included in the Community Banking and Wholesale Banking operating segments, consist of residential and commercial mortgage originations, sale activity and servicing.

We apply the amortization method to all commercial MSRs and apply the fair value method to only residential MSRs. The changes in MSRs measured using the fair value method were:

	Quarter ended March 31,	
(in millions)	**2013**	2012
Fair value, beginning of period	**$ 11,538**	12,603
Servicing from securitizations or asset transfers (1)	**935**	1,776
Sales	**(423)**	-
Net additions	**512**	1,776
Changes in fair value:		
Due to changes in valuation model inputs or assumptions:		
Mortgage interest rates (2)	**1,030**	147
Servicing and foreclosure costs (3)	**(58)**	(54)
Discount rates (4)	**-**	(344)
Prepayment estimates and other (5)	**(211)**	93
Net changes in valuation model inputs or assumptions	**761**	(158)
Other changes in fair value (6)	**(750)**	(643)
Total changes in fair value	**11**	(801)
Fair value, end of period	**$ 12,061**	13,578

(1) Quarter ended March 31, 2012, includes $315 million residential MSRs transferred from amortized MSRs that we elected to carry at fair value effective January 1, 2012.
(2) Primarily represents prepayment speed changes due to changes in mortgage interest rates, but also includes other valuation changes due to changes in mortgage interest rates (such as changes in estimated interest earned on custodial deposit balances).
(3) Includes costs to service and unreimbursed foreclosure costs.
(4) Reflects discount rate assumption change, excluding portion attributable to changes in mortgage interest rates; the first quarter 2012 change reflects increased capital return requirements from market participants.
(5) Represents changes driven by other valuation model inputs or assumptions including prepayment speed estimation changes and other assumption updates. Prepayment speed estimation changes are influenced by observed changes in borrower behavior that occur independent of interest rate changes.
(6) Represents changes due to collection/realization of expected cash flows over time.

The changes in amortized MSRs were:

(in millions)	Quarter ended March 31, 2013	2012
Balance, beginning of period	$ 1,160	1,445
Purchases	27	14
Servicing from securitizations or asset transfers (1)	56	(327)
Amortization	(62)	(58)
Balance, end of period	1,181	1,074
Valuation allowance:		
Balance, beginning of period	-	(37)
Reversal of provision for MSRs in excess of fair value	-	37
Balance, end of period (2)	-	-
Amortized MSRs, net	$ 1,181	1,074
Fair value of amortized MSRs (3):		
Beginning of period	$ 1,400	1,756
End of period	1,404	1,263

(1) Quarter ended March 31, 2012, is net of $350 million ($313 million after valuation allowance) of residential MSRs that we elected to carry at fair value effective January 1, 2012. A cumulative adjustment of $2 million to fair value was recorded in retained earnings at January 1, 2012.
(2) Commercial amortized MSRs are evaluated for impairment purposes by the following risk strata: agency (GSEs) and non-agency. There was no valuation allowance recorded for the periods presented on the commercial amortized MSRs. Residential amortized MSRs are evaluated for impairment purposes by the following risk strata: mortgages sold to GSEs (FHLMC and FNMA) and mortgages sold to GNMA, each by interest rate stratifications. For quarter ended March 31, 2012, valuation allowance of $37 million for residential MSRs was reversed upon election to carry at fair value.
(3) Represent commercial amortized MSRs. The beginning of period balance for quarter ended March 31, 2012 also includes fair value of $316 million in residential amortized MSRs.

Table of Contents

We present the components of our managed servicing portfolio in the following table at unpaid principal balance for loans serviced and subserviced for others and at book value for owned loans serviced.

(in billions)		Mar. 31, 2013	Dec. 31, 2012
Residential mortgage servicing:			
Serviced for others	$	**1,486**	1,498
Owned loans serviced		**367**	368
Subservicing		**7**	7
Total residential servicing		**1,860**	1,873
Commercial mortgage servicing:			
Serviced for others		**404**	408
Owned loans serviced		**106**	106
Subservicing		**14**	13
Total commercial servicing		**524**	527
Total managed servicing portfolio	$	**2,384**	2,400
Total serviced for others	$	**1,890**	1,906
Ratio of MSRs to related loans serviced for others		**0.70%**	0.67

The components of mortgage banking noninterest income were:

(in millions)		Quarter ended March 31, 2013	2012
Servicing income, net:			
Servicing fees			
Contractually specified servicing fees	$	**1,125**	1,148
Late charges		**60**	66
Ancillary fees		**82**	77
Unreimbursed direct servicing costs (1)		**(270)**	(280)
Net servicing fees		**997**	1,011
Changes in fair value of MSRs carried at fair value:			
Due to changes in valuation model inputs or assumptions (2)		**761**	(158)
Other changes in fair value (3)		**(750)**	(643)
Total changes in fair value of MSRs carried at fair value		**11**	(801)
Amortization		**(62)**	(58)

Net derivative gains (losses) from economic hedges (4)		**(632)**	100
Total servicing income, net		**314**	252
Net gains on mortgage loan origination/sales activities		**2,480**	2,618
Total mortgage banking noninterest income	**$**	**2,794**	2,870
Market-related valuation changes to MSRs, net of hedge results (2) + (4)	**$**	**129**	(58)

(1) Primarily associated with foreclosure expenses and other interest costs.
(2) Refer to the changes in fair value of MSRs table in this Note for more detail.
(3) Represents changes due to collection/realization of expected cash flows over time.
(4) Represents results from free-standing derivatives (economic hedges) used to hedge the risk of changes in fair value of MSRs. See Note 12 Free-Standing Derivatives for additional discussion and detail.

Table of Contents

Note 8: Mortgage Banking Activities ***(continued)***

The table below summarizes the changes in our liability for mortgage loan repurchase losses. This liability is in Accrued expenses and other liabilities in our consolidated financial statements and the provision for repurchase losses reduces net gains on mortgage loan origination/sales activities. Because the level of mortgage loan repurchase losses depends upon economic factors, investor demand strategies and other external conditions that may change over the life of the underlying loans, the level of the liability for mortgage loan repurchase losses is difficult to estimate and requires considerable management judgment. We maintain regular contact with the GSEs, the Federal Housing Finance Agency (FHFA), and other significant investors to monitor their repurchase demand practices and issues as part of our process to update our repurchase liability estimate as new information becomes available. Because of the uncertainty in the various estimates underlying the mortgage repurchase liability, there is a range of losses in excess of the recorded mortgage repurchase liability that is reasonably possible. The estimate of the range of possible loss for representations and warranties does not represent a probable loss, and is based on currently available information, significant judgment, and a number of assumptions that are subject to change. The high end of this range of reasonably possible losses in excess of our recorded liability was $2.2 billion at March 31, 2013, and was determined based upon modifying the assumptions (particularly to assume significant changes in investor repurchase demand practices) utilized in our best estimate of probable loss to reflect what we believe to be the high end of reasonably possible adverse assumptions.

(in millions)		2013	Quarter ended March 31, 2012
Balance, beginning of period	$	**2,206**	1,326
Provision for repurchase losses:			
Loan sales		**59**	62
Change in estimate (1)		**250**	368
Total additions		**309**	430
Losses		**(198)**	(312)
Balance, end of period	$	**2,317**	1,444

(1) Results from such factors as changes in investor demand and mortgage insurer practices, credit deterioration and changes in the financial stability of correspondent lenders.

Table of Contents

Note 9: Intangible Assets

The gross carrying value of intangible assets and accumulated amortization was:

(in millions)	March 31, 2013 Gross carrying value	Accumulated amortization	Net carrying value	December 31, 2012 Gross carrying value	Accumulated amortization	Net carrying value
Amortized intangible assets (1):						
MSRs (2)	**$ 2,400**	**(1,219)**	**1,181**	2,317	(1,157)	1,160
Core deposit intangibles	**12,834**	**(7,229)**	**5,605**	12,836	(6,921)	5,915
Customer relationship and other intangibles	**3,146**	**(1,862)**	**1,284**	3,147	(1,795)	1,352
Total amortized intangible assets	**$ 18,380**	**(10,310)**	**8,070**	18,300	(9,873)	8,427
Unamortized intangible assets:						
MSRs (carried at fair value) (2)	**$ 12,061**			11,538		
Goodwill	**25,637**			25,637		
Trademark	**14**			14		

(1) Excludes fully amortized intangible assets.
(2) See Note 8 for additional information on MSRs.

The following table provides the current year-to-date period and estimated future amortization expense for amortized intangible assets. We based our projections of amortization expense shown below on existing asset balances at March 31, 2013. Future amortization expense may vary from these projections.

(in millions)	Amortized MSRs	Core deposit intangibles	Customer relationship and other intangibles	Total
Three months ended March 31, 2013 (actual)	**$ 62**	**310**	**68**	**440**
Estimate for the remainder of 2013	**$ 180**	**931**	**199**	**1,310**
Estimate for year ended December 31,				
2014	212	1,113	250	1,575
2015	186	1,022	227	1,435
2016	153	919	212	1,284

2017	109	851	195	1,155
2018	78	769	184	1,031

For our goodwill impairment analysis, we allocate all of the goodwill to the individual operating segments. We identify reporting units that are one level below an operating segment (referred to as a component), and distinguish these reporting units based on how the segments and components are managed, taking into consideration the economic characteristics, nature of

the products and customers of the components. We allocate goodwill to reporting units based on relative fair value, using certain performance metrics. See Note 18 for further information on management reporting.

The following table shows the allocation of goodwill to our operating segments for purposes of goodwill impairment testing.

(in millions)	Community Banking	Wholesale Banking	Wealth, Brokerage and Retirement	Consolidated Company
December 31, 2011	$ 17,924	6,820	371	25,115
Goodwill from business combinations	(2)	27	-	25
March 31, 2012	$ 17,922	6,847	371	25,140
December 31, 2012 and March 31, 2013	**$ 17,922**	**7,344**	**371**	**25,637**

Table of Contents

Note 10: Guarantees, Pledged Assets and Collateral

Guarantees are contracts that contingently require us to make payments to a guaranteed party based on an event or a change in an underlying asset, liability, rate or index. Guarantees are generally in the form of standby letters of credit, securities lending and other indemnifications, liquidity agreements,

written put options, recourse obligations, residual value guarantees, and contingent consideration. The following table shows carrying value, maximum exposure to loss on our guarantees and the related non-investment grade amounts.

		March 31, 2013					
		Maximum exposure to loss					
(in millions)	**Carrying value**	**Expires in one year or less**	**Expires after one year through three years**	**Expires after three years through five years**	**Expires after five years**	**Total**	**Non-investment grade**
Standby letters of credit (1)	**$ 43**	**17,231**	**11,455**	**5,161**	**2,977**	**36,824**	**9,717**
Securities lending and other indemnifications	**-**	**2**	**17**	**11**	**3,101**	**3,131**	**75**
Liquidity agreements (2)	**-**	**-**	**-**	**-**	**46**	**46**	**3**
Written put options (2)(3)	**1,037**	**3,462**	**3,844**	**2,324**	**2,555**	**12,185**	**3,563**
Loans and MHFS sold with recourse	**93**	**226**	**350**	**788**	**4,757**	**6,121**	**3,739**
Contingent consideration	**33**	**10**	**75**	**34**	**-**	**119**	**119**
Other guarantees	**3**	**688**	**22**	**1**	**730**	**1,441**	**3**
Total guarantees	**$ 1,209**	**21,619**	**15,763**	**8,319**	**14,166**	**59,867**	**17,219**

		December 31, 2012					
		Maximum exposure to loss					
(in millions)	Carrying value	Expires in one year or less	Expires after one year through three years	Expires after three years through five years	Expires after five years	Total	Non-investment grade
Standby letters of credit (1)	$ 42	19,463	11,782	6,531	1,983	39,759	11,331
Securities lending and other indemnifications	-	3	7	20	2,511	2,541	118
Liquidity agreements (2)	-	-	-	-	3	3	3
Written put options (2)(3)	1,427	2,951	3,873	2,475	2,575	11,874	3,953
Loans and MHFS sold with recourse	99	443	357	647	4,426	5,873	3,905
Contingent consideration	35	11	24	94	-	129	129
Other guarantees	3	677	26	1	717	1,421	4
Total guarantees	$ 1,606	23,548	16,069	9,768	12,215	61,600	19,443

(1) Total maximum exposure to loss includes direct pay letters of credit (DPLCs) of $18.2 billion and $18.5 billion at March 31, 2013 and December 31, 2012, respectively. We issue DPLCs to provide credit enhancements for certain bond issuances. Beneficiaries (bond trustees) may draw upon these instruments to make scheduled principal and interest payments, redeem all outstanding bonds because a default event has occurred, or for other reasons as permitted by the agreement. We also originate multipurpose lending commitments under which borrowers have the option to draw on the facility in one of several forms, including as a standby letter of credit. Total maximum exposure to loss includes the portion of these facilities for which we have issued standby letters of credit under the commitments.

(2) Certain of these agreements included in this table are related to off-balance sheet entities and, accordingly, are also disclosed in Note 7.

(3) Written put options, which are in the form of derivatives, are also included in the derivative disclosures in Note 12.

Maximum exposure to loss and Non-investment grade are required disclosures under GAAP. Non-investment grade represents those guarantees on which we have a higher risk of being required to perform under the terms of the guarantee. If the underlying assets under the guarantee are non-investment grade (that is, an external rating that is below investment grade or an internal credit default grade that is equivalent to a below investment grade external rating), we consider the risk of performance to be high. Internal credit default grades are determined based upon the same credit policies that we use to evaluate the risk of payment or performance when making loans and other extensions of credit. These credit policies are further described in Note 5.

Maximum exposure to loss represents the estimated loss that would be incurred under an assumed hypothetical circumstance, despite what we believe is its extremely remote possibility, where the value of our interests and any associated collateral declines to zero. Maximum exposure to loss estimates in the table above do not reflect economic hedges or collateral we could use to offset or recover losses we may incur under our guarantee agreements. Accordingly, this required disclosure is not an indication of expected loss. We believe the carrying value, which is either fair value for derivative related products or the allowance for lending related commitments, is more representative of our exposure to loss than maximum exposure to loss.

Table of Contents

STANDBY LETTERS OF CREDIT We issue standby letters of credit, which include performance and financial guarantees, for customers in connection with contracts between our customers and third parties. Standby letters of credit are agreements where we are obligated to make payment to a third party on behalf of a customer in the event the customer fails to meet their contractual obligations. We consider the credit risk in standby letters of credit and commercial and similar letters of credit in determining the allowance for credit losses. Standby letters of credit include direct pay letters of credit we issue to provide credit enhancements for certain bond issuances.

SECURITIES LENDING AND OTHER INDEMNIFICATIONS As a securities lending agent, we lend debt and equity securities from participating institutional clients portfolios to third-party borrowers. These arrangements are for an indefinite period of time whereby we indemnify our clients against default by the borrower in returning these lent securities. This indemnity is supported by collateral received from the borrowers and is generally in the form of cash or highly liquid securities that are marked to market daily. There was $454 million at March 31, 2013 and $443 million at December 31, 2012, in collateral supporting loaned securities with values of $443 million and $436 million, respectively.

We use certain third party clearing agents to clear and settle transactions on behalf of some of our institutional brokerage customers. We indemnify the clearing agents against loss that could occur for non-performance by our customers on transactions that are not sufficiently collateralized. Transactions subject to the indemnifications may include customer obligations related to the settlement of margin accounts and short positions, such as written call options and securities borrowing transactions. Outstanding customer obligations and related collateral were $741 million and $3.6 billion, respectively, as of March 31, 2013. Our estimate of maximum exposure to loss, which requires judgement regarding the range and likelihood of future events, was $2.7 billion as of March 31, 2013.

We enter into other types of indemnification agreements in the ordinary course of business under which we agree to indemnify third parties against any damages, losses and expenses incurred in connection with legal and other proceedings arising from relationships or transactions with us. These relationships or transactions include those arising from service as a director or officer of the Company, underwriting agreements relating to our securities, acquisition agreements and various other business transactions or arrangements. Because the extent of our obligations under these agreements depends entirely upon the occurrence of future events, we are unable to determine our potential future liability under these agreements. We do, however, record a liability for residential mortgage loans that we expect to repurchase pursuant to various representations and warranties. See Note 8 for additional information on the liability for mortgage loan repurchase losses.

LIQUIDITY AGREEMENTS We provide liquidity facilities on all commercial paper issued by the conduit we administer. We also

provide liquidity to certain off-balance sheet entities that hold securitized fixed-rate municipal bonds and consumer or commercial assets that are partially funded with the issuance of money market and other short-term notes. See Note 7 for additional information on these arrangements.

WRITTEN PUT OPTIONS Written put options are contracts that give the counterparty the right to sell to us an underlying instrument held by the counterparty at a specified price, and include options, floors, caps and credit default swaps. These written put option contracts generally permit net settlement. While these derivative transactions expose us to risk in the event the option is exercised, we manage this risk by entering into offsetting trades or by taking short positions in the underlying instrument. We offset substantially all put options written to customers with purchased options. Additionally, for certain of these contracts, we require the counterparty to pledge the underlying instrument as collateral for the transaction. Our ultimate obligation under written put options is based on future market conditions and is only quantifiable at settlement. See Note 7 for additional information regarding transactions with VIEs and Note 12 for additional information regarding written derivative contracts.

LOANS AND MHFS SOLD WITH RECOURSE In certain loan sales or securitizations, we provide recourse to the buyer whereby we are required to indemnify the buyer for any loss on the loan up to par value plus accrued interest. We provide recourse, predominantly to the GSEs, on loans sold under various programs and arrangements. Primarily all of these programs and arrangements require that we share in the loans credit exposure for their remaining life by providing recourse to the GSE, up to 33.33% of actual losses incurred on a pro-rata basis, in the event of borrower default. Under the remaining recourse programs and arrangements, if certain events occur within a specified period of time from transfer date, we have to provide limited recourse to the buyer to indemnify them for losses incurred for the remaining life of the loans. The maximum exposure to loss reported in the accompanying table represents the outstanding principal balance of the loans sold or securitized that are subject to recourse provisions or the maximum losses per the contractual agreements. However, we believe the likelihood of loss of the entire balance due to these recourse agreements is remote and amounts paid can be recovered in whole or in part from the sale of collateral. In first quarter 2013, we repurchased $11 million of loans associated with these agreements. We also provide representation and warranty guarantees on loans sold under the various recourse programs and arrangements. Our loss exposure relative to these guarantees is separately considered and provided for, as necessary, in determination of our liability for loan repurchases due to breaches of representation and warranties. See Note 8 for additional information on the liability for mortgage loan repurchase losses.

CONTINGENT CONSIDERATION In connection with certain brokerage, asset management, insurance agency and other acquisitions we have made, the terms of the acquisition agreements provide for deferred payments or additional consideration, based on certain performance

targets.

Table of Contents

Note 10: Guarantees, Pledged Assets and Collateral ***(continued)***

OTHER GUARANTEES We are members of exchanges and clearing houses that we use to clear our trades and those of our customers. It is common that all members in these organizations are required to collectively guarantee the performance of other members. Our obligations under the guarantees are based on either a fixed amount or a multiple of the collateral we are required to maintain with these organizations. We have not recorded a liability for these arrangements as of the dates presented in the previous table because we believe the likelihood of loss is remote.

We also have contingent performance arrangements related to various customer relationships and lease transactions. We are required to pay the counterparties to these agreements if third parties default on certain obligations.

Pledged Assets

As part of our liquidity management strategy, we pledge assets to secure trust and public deposits, borrowings from the FHLB and FRB, securities sold under agreements to repurchase (repurchase agreements), and for other purposes as required or permitted by law. The types of collateral we pledge include securities issued by federal agencies, government-sponsored entities (GSEs), domestic and foreign companies and various commercial and consumer loans. The following table provides the total carrying amount of pledged assets by asset type, of which substantially all are pursuant to agreements that do not permit the secured party to sell or repledge the collateral. The table excludes pledged consolidated VIE assets of $13.2 billion and $14.6 billion at March 31, 2013 and December 31, 2012, respectively, which can only be used to settle the liabilities of those entities. See Note 7 for additional information on consolidated VIE assets.

		Mar. 31	Dec. 31,
(in millions)		**2013**	2012
Trading assets and other (1)	**$**	**32,397**	28,031
Securities available for sale (2)		**92,788**	96,018
Loans (3)		**379,711**	360,171
Total pledged assets	**$**	**504,896**	484,220

(1) Represent assets pledged to collateralize repurchase agreements and other securities financings. Balance includes $31.4 billion and $27.4 billion at March 31, 2013, and December 31, 2012, respectively, under agreements that permit the secured parties to sell or repledge the collateral.
(2) Includes $8.6 billion and $8.4 billion in collateral for repurchase agreements at March 31, 2013, and December 31, 2012, respectively, which are pledged under agreements that do not permit the secured parties to sell or repledge the collateral.
(3) Represent loans carried at amortized cost, which are pledged under agreements that do not permit the secured parties to sell or repledge the collateral.

Table of Contents

Offsetting of Resale and Repurchase Agreements and Securities Borrowing and Lending Agreements

The table below presents resale and repurchase agreements subject to master repurchase agreements (MRA) and securities borrowing and lending agreements subject to master securities lending agreements (MSLA). We account for transactions subject to these agreements as collateralized financings and those with a single counterparty are presented net on our balance sheet, provided certain criteria are met that permit balance sheet netting under U.S. GAAP. Most transactions subject to these agreements do not meet those criteria and thus are not eligible for balance sheet netting.

Collateral we pledged consists of non-cash instruments, such as securities or loans, and is not netted on the balance sheet against the related collateralized liability. Collateral we received

includes securities or loans and is not recognized on our balance sheet. Collateral received or pledged may be increased or decreased over time to maintain certain contractual thresholds as the assets underlying each arrangement fluctuate in value. Generally, these agreements require collateral to exceed the asset or liability recognized on the balance sheet. The following table includes the amount of collateral pledged or received related to exposures subject to enforceable MRAs or MSLAs. While these agreements are typically over-collateralized, U.S. GAAP requires disclosure in this table to limit the amount of such collateral to the amount of the related recognized asset or liability for each counterparty.

In addition to the amounts included in the table below, we also have balance sheet netting related to derivatives that are disclosed within Note 12.

		Mar. 31,	Dec. 31,
(in millions)		**2013**	2012
Assets:			
Resale and securities borrowing agreements			
Gross amounts recognized	**$**	**50,645**	45,847
Gross amounts offset in consolidated balance sheet (1)		**(2,586)**	(2,561)
Net amounts in consolidated balance sheet (2)		**48,059**	43,286
Noncash collateral not recognized in consolidated balance sheet (3)		**(47,474)**	(42,920)
Net amount (4)	**$**	**585**	366
Liabilities:			
Repurchase and securities lending agreements			
Gross amounts recognized	**$**	**39,782**	35,876
Gross amounts offset in consolidated balance sheet (1)		**(2,586)**	(2,561)
Net amounts in consolidated balance sheet (5)		**37,196**	33,315
Noncash collateral pledged but not netted in consolidated balance sheet (6)		**(36,926)**	(33,050)
Net amount (7)	**$**	**270**	265

(1) Represents recognized amount of resale and repurchase agreements with counterparties subject to enforceable MRAs or MSLAs that have been offset in the consolidated balance sheet.
(2) At March 31, 2013 and December 31, 2012, includes $37.6 billion and $33.8 billion, respectively, classified on our consolidated balance sheet in Federal Funds Sold, Securities Purchased under Resale Agreements and Other Short-Term Investments and $10.5 billion and $9.5 billion, respectively, in Loans.
(3) Represents the fair value of non-cash collateral we have received under enforceable MRAs or MSLAs, limited for table presentation purposes to the amount of the recognized asset due from each counterparty. At March 31, 2013 and December 31, 2012, we have received total collateral with a fair value of $52.0 billion and $46.6 billion, respectively, all of which, we have the right to sell or repledge. These amounts include securities we have sold or repledged to others with a fair value of $34.0 billion at March 31, 2013 and $29.7 billion at December 31, 2012.
(4) Represents the amount of our exposure that is not collateralized and/or is not subject to an enforceable MRA or MSLA.
(5) Amount is classified in Short-Term Borrowings on our consolidated balance sheet.
(6)

Represents the fair value of non-cash collateral we have pledged, related to enforceable MRAs or MSLAs, limited for table presentation purposes to the amount of the recognized liability owed to each counterparty. At March 31, 2013 and December 31, 2012, we have pledged total collateral with a fair value of $41.0 billion and $36.4 billion, respectively, of which, the counterparty does not have the right to sell or repledge $9.6 billion as of March 31, 2013 and $9.1 billion as of December 31, 2012.

(7) Represents the amount of our exposure that is not covered by pledged collateral and/or is not subject to an enforceable MRA or MSLA.

Table of Contents

Note 11: Legal Actions

The following supplements our discussion of certain matters previously reported in Part I, Item 3 (Legal Proceedings) of our 2012 Form 10-K for events occurring during first quarter 2013.

FHA INSURANCE LITIGATION On October 9, 2012, the United States filed a complaint, captioned *United States of America v. Wells Fargo Bank, N.A.*, in the U.S. District Court for the Southern District of New York. The complaint makes claims with respect to Wells Fargo s Federal Housing Administration (FHA) lending program for the period 2001 to 2010. The complaint alleges, among other allegations, that Wells Fargo improperly certified certain FHA mortgage loans for United States Department of Housing and Urban Development (HUD) insurance that did not qualify for the program, and therefore Wells Fargo should not have received insurance proceeds from HUD when some of the loans later defaulted. The complaint further alleges Wells Fargo knew some of the mortgages did not qualify for insurance and did not disclose the deficiencies to HUD before making insurance claims. On December 1, 2012, Wells Fargo filed a motion in the U.S. District Court for the District of Columbia seeking to enforce a release of Wells Fargo given by the United States, which was denied on February 12, 2013. On April 11, 2013, Wells Fargo filed a notice of appeal. On December 14, 2012, the United States filed an amended complaint. On January 16, 2013, Wells Fargo filed a motion in the Southern District of New York to dismiss the amended complaint. Oral argument of the motion was held on April 17, 2013.

MEDICAL CAPITAL CORPORATION LITIGATION Wells Fargo Bank, N.A. served as indenture trustee for debt issued by affiliates of Medical Capital Corporation, which was placed in receivership at the request of the Securities and Exchange Commission (SEC) in August 2009. Since September 2009, Wells Fargo has been named as a defendant in various class and mass actions brought by holders of Medical Capital Corporation s debt, alleging that Wells Fargo breached contractual and other legal obligations owed to them and seeking unspecified damages. On April 16, 2013, the parties reached a settlement in principle of all claims which provides for Wells Fargo to pay $105 million to the plaintiffs. The settlement is subject to Court approval.

MARYLAND MORTGAGE LENDING LITIGATION On July 8, 2008, a class action complaint captioned *Stacey and Bradley Petry, et al., v. Wells Fargo Bank, N.A., et al*., was filed. The complaint alleges that Wells Fargo and others violated the Maryland Finder s Fee Act in the closing of mortgage loans in Maryland. On March 13, 2013, the Court held the plaintiff class did not have sufficient evidence to proceed to trial, which was previously set for March 18, 2013. The Court is considering whether to dismiss the case or to certify an appellate question to the Maryland Court of Appeals.

MORTGAGE-BACKED CERTIFICATES LITIGATION Several securities law based putative class actions were consolidated in

the U.S. District Court for the Northern District of California on July 16, 2009, under the caption *In re Wells Fargo Mortgage-Backed Certificates Litigation*. The case asserted claims against several Wells Fargo mortgage-backed securities trusts, Wells Fargo Bank, N.A. and other affiliated entities, individual employee defendants, along with various underwriters and rating agencies. The plaintiffs alleged that the offering documents contain untrue statements of material fact, or omit to state material facts necessary to make the registration statements and accompanying prospectuses not misleading. The parties agreed to settle the case on May 27, 2011, for $125 million. Final approval of the settlement was entered on November 14, 2011. Some class members opted out of the settlement. Wells Fargo settled the opt out claims of Federal National Mortgage Association for an amount that was within a previously established accrual.

OUTLOOK When establishing a liability for contingent litigation losses, the Company determines a range of potential losses for each matter that is both probable and estimable, and records the amount it considers to be the best estimate within the range. The high end of the range of reasonably possible potential litigation losses in excess of the Company s liability for probable and estimable losses was $1.1 billion as of March 31, 2013. For these matters and others where an unfavorable outcome is reasonably possible but not probable, there may be a range of possible losses in excess of the established liability that cannot be estimated. Based on information currently available, advice of counsel, available insurance coverage and established reserves, Wells Fargo believes that the eventual outcome of the actions against Wells Fargo and/or its subsidiaries, including the matters described above, will not, individually or in the aggregate, have a material adverse effect on Wells Fargo s consolidated financial position. However, in the event of unexpected future developments, it is possible that the ultimate resolution of those matters, if unfavorable, may be material to Wells Fargo s results of operations for any particular period.

110

Table of Contents

Note 12: Derivatives

We primarily use derivatives to manage exposure to market risk, including interest rate risk, credit risk and foreign currency risk, and to assist customers with their risk management objectives. We designate derivatives either as hedging instruments in a qualifying hedge accounting relationship (fair value or cash flow hedge) or as free-standing derivatives. Free-standing derivatives include economic hedges that do not qualify for hedge accounting and derivatives held for customer accommodation or other trading purposes.

Our asset/liability management approach to interest rate, foreign currency and certain other risks includes the use of derivatives. Such derivatives are typically designated as fair value or cash flow hedges, or economic hedges. This helps minimize significant, unplanned fluctuations in earnings, fair values of assets and liabilities, and cash flows caused by interest rate, foreign currency and other market value volatility. This approach involves modifying the repricing characteristics of certain assets and liabilities so that changes in interest rates, foreign currency and other exposures do not have a significantly adverse effect on the net interest margin, cash flows and earnings. As a result of fluctuations in these exposures, hedged assets and liabilities will gain or lose market value. In a fair value or economic hedge, the effect of this unrealized gain or loss will generally be offset by the gain or loss on the derivatives linked to the hedged assets and liabilities. In a cash flow hedge, where we manage the variability of cash payments due to interest rate fluctuations by the effective use of derivatives linked to hedged assets and liabilities, the unrealized gain or loss on the derivatives or the hedged asset or liability is generally reflected in other comprehensive income and not in earnings.

We also offer various derivatives, including interest rate, commodity, equity, credit and foreign exchange contracts, to our customers as part of our trading businesses but usually offset our exposure from such contracts by entering into other financial contracts. These derivative transactions are conducted in an effort to help customers manage their market price risks. The customer accommodations and any offsetting derivative contracts are treated as free-standing derivatives. To a much lesser extent, we take positions executed for our own account based on market expectations or to benefit from price differentials between financial instruments and markets. Additionally, free-standing derivatives include embedded derivatives that are required to be accounted for separately from their host contracts.

The following table presents the total notional or contractual amounts and fair values for our derivatives. Derivative transactions can be measured in terms of the notional amount, but this amount is not recorded on the balance sheet and is not, when viewed in isolation, a meaningful measure of the risk profile of the instruments. The notional amount is generally not exchanged, but is used only as the basis on which interest and other payments are determined. Derivatives designated as qualifying hedge contracts and free-standing derivatives (economic hedges) are recorded on the balance sheet at fair value in other assets or other liabilities. Customer accommodation, trading and other free-standing derivatives are recorded on the balance sheet at fair value in trading assets, other assets or other liabilities.

Table of Contents

Note 12: Derivatives ***(continued)***

	March 31, 2013			December 31, 2012		
(in millions)	**Notional or contractual amount**	**Fair value Asset derivatives**	**Fair value Liability derivatives**	Notional or contractual amount	Fair value Asset derivatives	Fair value Liability derivatives
Derivatives designated as hedging instruments						
Interest rate contracts (1)	**$ 91,096**	**6,507**	**2,509**	92,004	7,284	2,696
Foreign exchange contracts	**28,386**	**1,538**	**404**	27,382	1,808	274
Total derivatives designated as qualifying hedging instruments		**8,045**	**2,913**		9,092	2,970
Derivatives not designated as hedging instruments						
Free-standing derivatives (economic hedges):						
Interest rate contracts (2)	**297,491**	**527**	**767**	334,555	450	694
Equity contracts	**611**	**64**	**65**	75	-	50
Foreign exchange contracts	**2,208**	**5**	**19**	3,074	3	64
Credit contracts - protection purchased	**6**	**-**	**3**	16	-	-
Other derivatives	**2,234**	**-**	**52**	2,296	-	78
Subtotal		**596**	**906**		453	886
Customer accommodation, trading and other free-standing derivatives:						
Interest rate contracts	**3,056,974**	**54,959**	**56,619**	2,774,783	63,617	65,305
Commodity contracts	**94,106**	**2,962**	**3,045**	90,732	3,456	3,590
Equity contracts	**74,770**	**4,543**	**4,861**	71,958	3,783	4,114
Foreign exchange contracts	**175,322**	**3,795**	**3,422**	166,061	3,713	3,241
Credit contracts - protection sold	**24,351**	**311**	**2,307**	26,455	315	2,623
Credit contracts - protection purchased	**26,651**	**1,277**	**314**	29,021	1,495	329
Subtotal		**67,847**	**70,568**		76,379	79,202
Total derivatives not designated as hedging instruments		**68,443**	**71,474**		76,832	80,088
Total derivatives before netting		**76,488**	**74,387**		85,924	83,058
Netting (3)		**(59,572)**	**(66,419)**		(62,108)	(71,116)
Total		**$ 16,916**	**7,968**		23,816	11,942

(1) Notional amounts presented exclude $2.7 billion at March 31, 2013, and $4.7 billion at December 31, 2012, of basis swaps that are combined with receive fixed-rate/pay floating-rate swaps and designated as one hedging instrument.
(2) Includes free-standing derivatives (economic hedges) used to hedge the risk of changes in the fair value of residential MSRs, MHFS, loans and other interests held.
(3) Represents balance sheet netting of derivative asset and liability balances, and related cash collateral. See the next table in this Note for further information.

The following table provides information on the gross fair values of derivative assets and liabilities, the balance sheet netting adjustments and the resulting net fair value amount recorded on our balance sheet, as well as the non-cash collateral associated with such arrangements. We execute substantially all of our derivative transactions under master netting arrangements. We reflect all derivative balances and related cash collateral subject to enforceable master netting arrangements on a net basis within the balance sheet.

We determine the balance sheet netting adjustments based on the terms specified within each master netting arrangement. We disclose the balance sheet netting amounts within the column titled Gross amounts offset in consolidated balance sheet . Balance sheet netting adjustments are determined at the counterparty level for which there may be multiple contract types. For disclosure purposes, we allocate these adjustments to the contract type for each counterparty proportionally based upon the Gross amounts recognized by counterparty. As a result, the net amounts

disclosed by contract type may not represent the actual exposure upon settlement of the contracts.

Balance sheet netting does not include

non-cash collateral that we pledge. For disclosure purposes, we present these amounts in the column Gross amounts not offset in consolidated balance sheet (Disclosure-only netting) within the next table. We determine and allocate the Disclosure-only netting amounts in the same manner as balance sheet netting amounts.

The Net amounts column within the following table represents the aggregate of our net exposure to each counterparty after considering the balance sheet and Disclosure-only netting adjustments. We manage derivative exposure by monitoring the credit risk associated with each counterparty using counterparty specific credit risk limits, the use of master netting arrangements and obtaining collateral. Derivative contracts executed in over the counter markets are typically bilateral contractual arrangements that are not cleared through a central clearing party and are subject to master netting arrangements. The percentage of derivatives executed in such markets, based on gross fair value, is provided within the next table. In addition to the netting amounts included in the table, we also have balance sheet netting related to resale and repurchase agreements that are disclosed within Note 10.

Table of Contents

(in millions)	Gross amounts recognized (1)	Gross amounts offset in consolidated balance sheet (2)	Net amounts in consolidated balance sheet (3)	Gross amounts not offset in consolidated balance sheet (Disclosure-only netting) (4)	Net amounts	Percent exchanged in over-the-counter market (5)
March 31, 2013						
Derivative assets						
Interest rate contracts	**$ 61,993**	**(50,559)**	**11,434**	**(1,202)**	**10,232**	**92%**
Commodity contracts	**2,962**	**(1,031)**	**1,931**	**(60)**	**1,871**	**55**
Equity contracts	**4,607**	**(2,287)**	**2,320**	**(24)**	**2,296**	**86**
Foreign exchange contracts	**5,338**	**(4,394)**	**944**	**(8)**	**936**	**100**
Credit contracts-protection sold	**311**	**(276)**	**35**	**-**	**35**	**98**
Credit contracts-protection purchased	**1,277**	**(1,025)**	**252**	**(34)**	**218**	**100**
Total derivative assets	**$ 76,488**	**(59,572)**	**16,916**	**(1,328)**	**15,588**	
Derivative liabilities						
Interest rate contracts	**$ 59,895**	**(57,681)**	**2,214**	**(187)**	**2,027**	**90%**
Commodity contracts	**3,045**	**(1,369)**	**1,676**	**(7)**	**1,669**	**76**
Equity contracts	**4,926**	**(2,779)**	**2,147**	**(107)**	**2,040**	**95**
Foreign exchange contracts	**3,845**	**(2,102)**	**1,743**	**-**	**1,743**	**100**
Credit contracts-protection sold	**2,307**	**(2,199)**	**108**	**-**	**108**	**100**
Credit contracts-protection purchased	**317**	**(289)**	**28**	**-**	**28**	**97**
Other contracts	**52**	**-**	**52**	**-**	**52**	**100**
Total derivative liabilities	**$ 74,387**	**(66,419)**	**7,968**	**(301)**	**7,667**	
December 31, 2012						
Derivative assets						
Interest rate contracts	$ 71,351	(53,708)	17,643	(2,692)	14,951	94%
Commodity contracts	3,456	(1,080)	2,376	(27)	2,349	48
Equity contracts	3,783	(2,428)	1,355	-	1,355	89
Foreign exchange contracts	5,524	(3,449)	2,075	(105)	1,970	100
Credit contracts-protection sold	315	(296)	19	(4)	15	100
Credit contracts-protection purchased	1,495	(1,147)	348	(56)	292	100
Total derivative assets	$ 85,924	(62,108)	23,816	(2,884)	20,932	
Derivative liabilities						
Interest rate contracts	$ 68,695	(62,559)	6,136	(287)	5,849	92%
Commodity contracts	3,590	(1,394)	2,196	-	2,196	79
Equity contracts	4,164	(2,618)	1,546	-	1,546	95
Foreign exchange contracts	3,579	(1,804)	1,775	(55)	1,720	100
Credit contracts-protection sold	2,623	(2,450)	173	-	173	100
Credit contracts-protection purchased	329	(291)	38	-	38	100
Other contracts	78	-	78	-	78	100
Total derivative liabilities	$ 83,058	(71,116)	11,942	(342)	11,600	

(1) Includes $61.9 billion and $68.1 billion of gross derivative assets and liabilities, respectively, at March 31, 2013, and $68.9 billion and $75.8 billion, respectively, at December 31, 2012, with counterparties subject to enforceable master netting arrangements that are carried on the balance sheet net of offsetting amounts.

(2) Represents amounts with counterparties subject to enforceable master netting arrangements that have been offset in the consolidated balance sheet, including related cash collateral and portfolio level counterparty valuation adjustments. Counterparty valuation adjustments were $288 million and $352 million related to derivative assets and $69 million and $68 million related to derivative liabilities as of March 31, 2013, and December 31, 2012, respectively. Cash collateral totaled $6.6 billion and $13.6 billion, netted against derivative assets and liabilities, respectively, at March 31, 2013, and $5.0 billion and $14.5 billion, respectively, at December 31, 2012.

(3) Net derivative assets of $15.1 billion and $18.3 billion are classified in Trading assets as of March 31, 2013, and December 31, 2012, respectively. $1.9 billion and $5.5 billion are classified in Other assets in the consolidated balance sheet as of March 31, 2013, and December 31, 2012, respectively. Net derivative liabilities are classified in Accrued expenses and other liabilities in the consolidated balance sheet.

(4) Represents non-cash collateral pledged and received against derivative assets and liabilities with the same counterparty that are subject to enforceable master netting arrangements. U.S. GAAP does not permit netting of such non-cash collateral balances in the consolidated balance sheet but requires disclosure of these amounts.

(5) Calculated based on Gross amounts recognized as of the respective balance sheet date. The remaining percentage represents exchange-traded derivatives and derivatives cleared through central clearinghouses.

Table of Contents

Note 12: Derivatives ***(continued)***

Fair Value Hedges

We use interest rate swaps to convert certain of our fixed-rate long-term debt and CDs to floating rates to hedge our exposure to interest rate risk. We also enter into cross-currency swaps, cross-currency interest rate swaps and forward contracts to hedge our exposure to foreign currency risk and interest rate risk associated with the issuance of non-U.S. dollar denominated long-term debt. In addition, we use interest rate swaps, cross-currency swaps, cross-currency interest rate swaps and forward contracts to hedge against changes in fair value of certain investments in available-for-sale debt securities due to changes in interest rates, foreign currency rates, or both. We also use interest rate swaps to hedge against changes in fair value for certain mortgages held for sale. The entire derivative gain or loss is included in the assessment of hedge effectiveness for all fair value hedge relationships, except for those involving foreign-currency denominated securities available for sale and long-term

debt hedged with foreign currency forward derivatives for which the time value component of the derivative gain or loss related to the changes in the difference between the spot and forward price is excluded from the assessment of hedge effectiveness.

We use statistical regression analysis to assess hedge effectiveness, both at inception of the hedging relationship and on an ongoing basis. The regression analysis involves regressing the periodic change in fair value of the hedging instrument against the periodic changes in fair value of the asset or liability being hedged due to changes in the hedged risk(s). The assessment includes an evaluation of the quantitative measures of the regression results used to validate the conclusion of high effectiveness.

The following table shows the net gains (losses) recognized in the income statement related to derivatives in fair value hedging relationships.

	Interest rate contracts hedging:			Foreign exchange contracts hedging:		Total net gains
(in millions)	Securities available for sale	Mortgages held for sale	Long-term debt	Securities available for sale	Long-term debt	(losses) on fair value hedges
Quarter ended March 31, 2013						
Gains (losses) recorded in net interest income	**$ (125)**	**1**	**397**	**-**	**68**	**341**
Gains (losses) recorded in noninterest income						
Recognized on derivatives	**304**	**2**	**(728)**	**208**	**(773)**	**(987)**
Recognized on hedged item	**(288)**	**(5)**	**688**	**(203)**	**771**	**963**
Recognized on fair value hedges (ineffective portion) (1)	**$ 16**	**(3)**	**(40)**	**5**	**(2)**	**(24)**
Quarter ended March 31, 2012						
Gains (losses) recorded in net interest income	$ (112)	-	419	(3)	71	375
Gains (losses) recorded in noninterest income						
Recognized on derivatives	302	5	(868)	41	566	46
Recognized on hedged item	(296)	(6)	802	(14)	(648)	(162)
Recognized on fair value hedges (ineffective portion) (1)	$ 6	(1)	(66)	27	(82)	(116)

(1) Includes $(3) million and $(1) million, respectively, for the quarters ended March 31, 2013 and 2012, of losses on forward derivatives hedging foreign currency securities available for sale and long-term debt, representing the portion of derivative gains (losses) excluded from the assessment of hedge

effectiveness.

Table of Contents

Cash Flow Hedges

We hedge floating-rate debt against future interest rate increases by using interest rate swaps, caps, floors and futures to limit variability of cash flows due to changes in the benchmark interest rate. We also use interest rate swaps and floors to hedge the variability in interest payments received on certain floating-rate commercial loans, due to changes in the benchmark interest rate. We use forward contracts to hedge our exposure to foreign currency risk associated with certain non-U.S. dollar denominated operating expenses. Gains and losses on derivatives that are reclassified from OCI to interest income, interest expense and noninterest expense in the current period are included in the line item in which the hedged item s effect on earnings is recorded. All parts of gain or loss on these derivatives are included in the assessment of hedge effectiveness. We assess hedge effectiveness using regression analysis, both at inception of the hedging relationship and on an ongoing basis. The regression analysis involves regressing the periodic

changes in cash flows of the hedging instrument against the periodic changes in cash flows of the forecasted transaction being hedged due to changes in the hedged risk(s). The assessment includes an evaluation of the quantitative measures of the regression results used to validate the conclusion of high effectiveness.

Based upon current interest rates, we estimate that $416 million (pre tax) of deferred net gains on derivatives in OCI at March 31, 2013, will be reclassified into interest income and interest expense during the next twelve months. Future changes to interest rates may significantly change actual amounts reclassified to earnings. We are hedging our exposure to the variability of future cash flows for all forecasted transactions for a maximum of 5 years for both hedges of floating-rate debt and floating-rate commercial loans.

The following table shows the net gains recognized related to derivatives in cash flow hedging relationships. None of the change in value of the derivatives was excluded from the assessment of hedge effectiveness.

	Quarter ended March 31,	
(in millions)	**2013**	2012
Gains (pre tax) recognized in OCI on derivatives	**$ 7**	42
Gains (pre tax) reclassified from cumulative OCI into net income (1)	**87**	107

(1) Amounts were recorded in net interest income and noninterest expense.

Free-Standing Derivatives

We use free-standing derivatives (economic hedges) to hedge the risk of changes in the fair value of certain residential MHFS, certain loans held for investment, residential MSRs measured at fair value, derivative loan commitments and other interests held. The resulting gain or loss on these economic hedges is reflected in mortgage banking noninterest income and other noninterest income.

The derivatives used to hedge MSRs measured at fair value, which include swaps, swaptions, constant maturity mortgages, forwards, Eurodollar and Treasury futures and options contracts, resulted in net derivative losses of $632 million in first quarter 2013 and net derivative gains of $100 million in first quarter 2012, which are included in mortgage banking noninterest income. The aggregate fair value of these derivatives was a net asset of $113 million and $87 million at March 31, 2013 and December 31, 2012, respectively. The change in fair value of these derivatives for each period end is due to changes in the underlying market indices and interest rates as well as the purchase and sale of derivative financial instruments throughout the period as part of our dynamic MSR risk management process.

Interest rate lock commitments for residential mortgage loans that we intend to sell are considered free-standing derivatives. Our interest rate exposure on these derivative loan commitments, as well as substantially all residential MHFS, is hedged with free-standing derivatives (economic hedges) such as swaps, forwards and options, Eurodollar futures and options, and Treasury futures, forwards and options contracts. The commitments, free-standing derivatives and residential MHFS are carried at fair value with changes in fair value included in

mortgage banking noninterest income. For the fair value measurement of interest rate lock commitments we include, at inception and during the life of the loan commitment, the expected net future cash flows related to the associated servicing of the loan. Fair value changes subsequent to inception are based on changes in fair value of the underlying loan resulting from the exercise of the commitment and changes in the probability that the loan will not fund within the terms of the commitment (referred to as a fall-out factor). The value of the underlying loan is affected primarily by changes in interest rates and the passage of time. However, changes in investor demand can also cause changes in the value of the underlying loan value that cannot be hedged. The aggregate fair value of derivative loan commitments in the balance sheet was a net asset of $415 million and $497 million at March 31, 2013 and December 31, 2012, respectively, and is included in the caption Interest rate contracts under Customer accommodation, trading and other free-standing derivatives in the first table in this Note.

We also enter into various derivatives primarily to provide derivative products to customers. To a lesser extent, we take positions based on market expectations or to benefit from price differentials between financial instruments and markets. These derivatives are not linked to specific assets and liabilities in the balance sheet or to forecasted transactions in an accounting hedge relationship and, therefore, do not qualify for hedge accounting. We also enter into free-standing derivatives for risk management that do not otherwise qualify for hedge accounting. They are carried at fair value with changes in fair value recorded as other noninterest income.

Free-standing derivatives also include embedded derivatives that are required to be accounted for separately from their host

Table of Contents

Note 12: Derivatives ***(continued)***

contract. We periodically issue hybrid long-term notes and CDs where the performance of the hybrid instrument notes is linked to an equity, commodity or currency index, or basket of such indices. These notes contain explicit terms that affect some or all of the cash flows or the value of the note in a manner similar to a derivative instrument and therefore are considered to contain an embedded derivative instrument. The indices on which the performance of the hybrid instrument is calculated are not clearly and closely related to the host debt instrument. The embedded derivative is separated from the host contract and

accounted for as a free-standing derivative. Additionally, we may invest in hybrid instruments that contain embedded derivatives, such as credit derivatives, that are not clearly and closely related to the host contract. In such instances, we either elect fair value option for the hybrid instrument or separate the embedded derivative from the host contract and account for the host contract and derivative separately.

The following table shows the net gains recognized in the income statement related to derivatives not designated as hedging instruments.

	Quarter ended March 31,	
(in millions)	**2013**	2012
Net gains (losses) recognized on free-standing derivatives (economic hedges):		
Interest rate contracts		
Recognized in noninterest income:		
Mortgage banking (1)	**$ 381**	(196)
Other (2)	**24**	42
Equity contracts (3)	**(14)**	**-**
Foreign exchange contracts (2)	**8**	(85)
Credit contracts (2)	**(4)**	(5)
Subtotal	**395**	(244)
Net gains (losses) recognized on customer accommodation, trading and other free-standing derivatives:		
Interest rate contracts		
Recognized in noninterest income:		
Mortgage banking (4)	**270**	1,071
Other (5)	**205**	240
Commodity contracts (5)	**161**	(23)
Equity contracts (5)	**(250)**	(285)
Foreign exchange contracts (5)	**277**	129
Credit contracts (5)	**(48)**	59
Other (5)	**-**	(1)
Subtotal	**615**	1,190
Net gains recognized related to derivatives not designated as hedging instruments	**$ 1,010**	946

(1) Predominantly mortgage banking noninterest income including gains (losses) on the derivatives used as economic hedges of MSRs measured at fair value, interest rate lock commitments and mortgages held for sale.
(2) Predominantly included in other noninterest income.
(3) Predominantly included in net gains (losses) from equity investments.
(4) Predominantly mortgage banking noninterest income including gains (losses) on interest rate lock commitments.
(5) Predominantly included in net gains from trading activities in noninterest income.

Credit Derivatives

We use credit derivatives primarily to assist customers with their risk management objectives. We may also use credit derivatives in structured product transactions or liquidity agreements written to special purpose vehicles. The maximum exposure of sold credit derivatives is managed through posted collateral, purchased credit derivatives and similar products in order to achieve our desired credit risk profile. This credit risk

management provides an ability to recover a significant portion of any amounts that would be paid under the sold credit derivatives. We would be required to perform under the noted credit derivatives in the event of default by the referenced obligors. Events of default include events such as bankruptcy, capital restructuring or lack of principal and/or interest payment. In certain cases, other triggers may exist, such as the credit downgrade of the referenced obligors or the inability of the special purpose vehicle for which we have provided liquidity to obtain funding.

Table of Contents

The following table provides details of sold and purchased credit derivatives.

(in millions)	Fair value liability	Notional amount: Protection sold (A)	Protection sold - non-investment grade	Protection purchased with identical underlyings (B)	Net protection sold (A) - (B)	Other protection purchased	Range of maturities
March 31, 2013							
Credit default swaps on:							
Corporate bonds	**$ 133**	**14,301**	**7,252**	**7,872**	**6,429**	**7,725**	**2013-2021**
Structured products	**1,596**	**2,720**	**2,342**	**954**	**1,766**	**837**	**2016-2056**
Credit protection on:							
Default swap index	**11**	**2,737**	**267**	**2,374**	**363**	**525**	**2013-2018**
Commercial mortgage-backed securities index	**510**	**1,334**	**318**	**667**	**667**	**626**	**2049-2063**
Asset-backed securities index	**56**	**63**	**63**	**4**	**59**	**92**	**2037-2046**
Other	**1**	**3,196**	**3,196**	**29**	**3,167**	**4,946**	**2013-2056**
Total credit derivatives	**$ 2,307**	**24,351**	**13,438**	**11,900**	**12,451**	**14,751**	
December 31, 2012							
Credit default swaps on:							
Corporate bonds	$ 240	15,845	8,448	9,636	6,209	7,701	2013-2021
Structured products	1,787	2,433	2,039	948	1,485	393	2016-2056
Credit protection on:							
Default swap index	4	3,520	348	3,444	76	616	2013-2017
Commercial mortgage-backed securities index	531	1,249	861	790	459	524	2049-2052
Asset-backed securities index	57	64	64	6	58	92	2037-2046
Other	4	3,344	3,344	106	3,238	4,655	2013-2056
Total credit derivatives	$ 2,623	26,455	15,104	14,930	11,525	13,981	

Protection sold represents the estimated maximum exposure to loss that would be incurred under an assumed hypothetical circumstance, where the value of our interests and any associated collateral declines to zero, without any consideration of recovery or offset from any economic hedges. We believe this hypothetical circumstance to be an extremely remote possibility and accordingly, this required disclosure is not an indication of expected loss. The amounts under non-investment grade represent the notional amounts of those credit derivatives on which we have a higher risk of being required to perform under the terms of the credit derivative and are a function of the underlying assets.

We consider the risk of performance to be high if the underlying assets under the credit derivative have an external rating that is below investment grade or an internal credit default grade that is equivalent thereto. We believe the net protection sold, which is representative of the net notional amount of protection sold and purchased with identical underlyings, in combination with other protection purchased, is more representative of our exposure to loss than either non-investment grade or protection sold. Other protection purchased represents additional protection, which may offset the exposure to loss for protection sold, that was not purchased with an identical underlying of the protection sold.

Table of Contents

Note 12: Derivatives ***(continued)***

Credit-Risk Contingent Features

Certain of our derivative contracts contain provisions whereby if the credit rating of our debt were to be downgraded by certain major credit rating agencies, the counterparty could demand additional collateral or require termination or replacement of derivative instruments in a net liability position. The aggregate fair value of all derivative instruments with such credit-risk-related contingent features that are in a net liability position was $15.1 billion at March 31, 2013, and $16.2 billion at December 31, 2012, respectively, for which we posted $12.8 billion and $14.3 billion, respectively, in collateral in the normal course of business. If the credit rating of our debt had been downgraded below investment grade, which is the credit-risk-related contingent feature that if triggered requires the maximum amount of collateral to be posted, on March 31, 2013, or December 31, 2012, we would have been required to post additional collateral of $2.2 billion or $1.9 billion, respectively, or potentially settle the contract in an amount equal to its fair value.

Counterparty Credit Risk

By using derivatives, we are exposed to counterparty credit risk if counterparties to the derivative contracts do not perform as expected. If a counterparty fails to perform, our counterparty credit risk is equal to the amount reported as a derivative asset on our balance sheet. The amounts reported as a derivative asset are derivative contracts in a gain position, and to the extent subject to legally enforceable master netting arrangements, net of derivatives in a loss position with the same counterparty and cash collateral received. We minimize counterparty credit risk through credit approvals, limits, monitoring procedures, executing master netting arrangements and obtaining collateral, where appropriate. To the extent the master netting arrangements and other criteria meet the applicable requirements, including determining the legal enforceability of the arrangement, it is our policy to present derivatives balances and related cash collateral amounts net in the balance sheet. Counterparty credit risk related to derivatives is considered in determining fair value and our assessment of hedge effectiveness. Credit valuation adjustments (CVA) are taken to reflect the counterparty credit risk of each counterparty in the valuation of derivatives. CVA adjustments are necessary when the market price (or parameter) is not indicative of the credit quality of the counterparty.

Table of Contents

Note 13: Fair Values of Assets and Liabilities

We use fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Trading assets (excluding derivatives), securities available for sale, derivatives, substantially all residential MHFS, certain commercial LHFS, certain loans held for investment, fair value MSRs and securities sold but not yet purchased (short sale liabilities) are recorded at fair value on a recurring basis. Additionally, from time to time, we may be required to record at fair value other assets on a nonrecurring basis, such as certain residential and commercial MHFS, certain LHFS, loans held for investment and certain other assets. These nonrecurring fair value adjustments typically involve application of lower-of-cost-or-market accounting or write-downs of individual assets.

See Note 1 in our 2012 Form 10-K for discussion of how we determine fair value and classify assets and liabilities within the fair value hierarchy. For descriptions of the valuation methodologies we use for assets and liabilities recorded at fair value on a recurring or nonrecurring basis and for estimating fair value for financial instruments not recorded at fair value, see Note 17 in our 2012 Form 10-K.

Level 3 Asset and Liability Valuation Processes

We generally determine fair value of our Level 3 assets and liabilities by using internally developed models and, to a lesser extent, prices obtained from third-party pricing services or brokers (collectively, vendors). Our valuation processes vary depending on which approach is utilized.

INTERNAL MODEL VALUATIONS Our internally developed models primarily consist of discounted cash flow techniques. Use of such techniques requires determining relevant inputs, some of which are unobservable. Unobservable inputs are generally derived from historic performance of similar assets or determined from previous market trades in similar instruments. These unobservable inputs usually consist of discount rates, default rates, loss severity upon default, volatilities, correlations and prepayment rates, which are inherent within our Level 3 instruments. Such inputs can be correlated to similar portfolios with known historic experience or recent trades where particular unobservable inputs may be implied; but due to the nature of various inputs being reflected within a particular trade, the value of each input is considered unobservable. We attempt to correlate each unobservable input to historic experience and other third party data where available.

Internal valuation models are subject to review prescribed within our model risk management policies and procedures which includes model validation. The purpose of model validation includes ensuring the model is appropriate for its intended use and the appropriate controls exist to help mitigate risk of invalid valuations. Model validation assesses the adequacy and appropriateness of the model, including reviewing its key components such as inputs, processing components, logic or theory, output results and supporting model documentation. Validation also includes ensuring significant unobservable model inputs are appropriate given observable market transactions or other market data within the same or similar

asset classes. This ensures modeled approaches are appropriate given similar product valuation techniques and are in line with their intended purpose.

We have ongoing monitoring procedures in place for our Level 3 assets and liabilities that use such internal valuation models. These procedures, which are designed to provide reasonable assurance that models continue to perform as expected after approved, include:

- ongoing analysis and benchmarking to market transactions and other independent market data (including pricing vendors, if available);
- back-testing of modeled fair values to actual realized transactions; and
- review of modeled valuation results against expectations, including review of significant or unusual value fluctuations.

We update model inputs and methodologies periodically to reflect these monitoring procedures. Additionally, procedures and controls are in place to ensure existing models are subject to periodic reviews, and we perform full model revalidations as necessary.

All internal valuation models are subject to ongoing review by business-unit-level management. More complex models are subject to additional oversight by a corporate-level risk management department. Corporate oversight responsibilities include evaluating adequacy of business unit risk management programs, maintaining company-wide model validation policies and standards and reporting the results of these activities to management and our Enterprise Risk Management Committee (ERMC). The ERMC, which consists of senior executive management and

reports on top risks to the Company s Board of Directors, monitors all company-wide risks, including credit risk, market risk, and reputational risk.

VENDOR-DEVELOPED VALUATIONS In certain limited circumstances we obtain pricing from third party vendors for the value of our Level 3 assets or liabilities. We have processes in place to approve such vendors to ensure information obtained and valuation techniques used are appropriate. Once these vendors are approved to provide pricing information, we monitor and review the results to ensure the fair values are reasonable and in line with market experience in similar asset classes. While the input amounts used by the pricing vendor in determining fair value are not provided, and therefore unavailable for our review, we do perform one or more of the following procedures to validate the prices received:

comparison to other pricing vendors (if available);
variance analysis of prices;
corroboration of pricing by reference to other independent market data such as market transactions and relevant benchmark indices;
review of pricing by Company personnel familiar with market liquidity and other market-related conditions; and

Table of Contents

Note 13: Fair Values of Assets and Liabilities ***(continued)***

investigation of prices on a specific instrument-by-instrument basis.

Fair Value Measurements from Brokers or Third Party Pricing Services

For certain assets and liabilities, we obtain fair value measurements from brokers or third party pricing services and record the unadjusted fair value in our financial statements. The detail by level is shown in the table below. Fair value measurements obtained from brokers or third party pricing services that we have adjusted to determine the fair value recorded in our financial statements are not included in the following table.

			Brokers		Third party pricing services	
(in millions)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
March 31, 2013						
Trading assets (excluding derivatives)	**$ -**	**664**	**7**	**1,335**	**813**	**-**
Securities available for sale:						
Securities of U.S. Treasury and federal agencies	**-**	**-**	**-**	**716**	**6,168**	**-**
Securities of U.S. states and political subdivisions	**-**	**161**	**-**	**-**	**36,630**	**-**
Mortgage-backed securities	**-**	**365**	**4**	**-**	**139,882**	**283**
Other debt securities	**-**	**14,839**	**2,588**	**-**	**29,621**	**73**
Total debt securities	**-**	**15,365**	**2,592**	**716**	**212,301**	**356**
Total marketable equity securities	**-**	**3**	**-**	**-**	**810**	**-**
Total securities available for sale	**-**	**15,368**	**2,592**	**716**	**213,111**	**356**
Derivatives (trading and other assets)	**-**	**8**	**-**	**-**	**591**	**2**
Derivatives (liabilities)	**-**	**71**	**-**	**-**	**593**	**-**
Other liabilities	**6**	**218**	**-**	**-**	**41**	**-**
December 31, 2012						
Trading assets (excluding derivatives)	$ -	406	8	1,314	1,016	-
Securities available for sale:						
Securities of U.S. Treasury and federal agencies	-	-	-	915	6,231	-
Securities of U.S. states and political subdivisions	-	-	-	-	35,036	-
Mortgage-backed securities	-	138	4	-	121,703	292
Other debt securities	-	1,516	12,465	-	28,314	149
Total debt securities	-	1,654	12,469	915	191,284	441
Total marketable equity securities	-	3	-	29	774	-
Total securities available for sale	-	1,657	12,469	944	192,058	441
Derivatives (trading and other assets)	-	8	-	-	602	-
Derivatives (liabilities)	-	26	-	-	634	-
Other liabilities	-	121	-	-	104	-

Table of Contents

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following two tables present the balances of assets and liabilities measured at fair value on a recurring basis.

(in millions)	Level 1	Level 2	Level 3	Netting	Total
March 31, 2013					
Trading assets (excluding derivatives)					
Securities of U.S. Treasury and federal agencies	$ 8,378	4,318	-	-	12,696
Securities of U.S. states and political subdivisions	-	3,758	36	-	3,794
Collateralized loan and other debt obligations (1)	-	202	505	-	707
Corporate debt securities	-	8,018	29	-	8,047
Mortgage-backed securities	-	12,805	5	-	12,810
Asset-backed securities	-	708	143	-	851
Equity securities	4,089	55	-	-	4,144
Total trading securities (2)	12,467	29,864	718	-	43,049
Other trading assets	2,190	1,900	70	-	4,160
Total trading assets (excluding derivatives)	14,657	31,764	788	-	47,209
Securities of U.S. Treasury and federal agencies	716	6,168	-	-	6,884
Securities of U.S. states and political subdivisions	-	36,927	3,529 (3)	-	40,456
Mortgage-backed securities:					
Federal agencies	-	105,472	-	-	105,472
Residential	-	15,164	95	-	15,259
Commercial	-	19,728	192	-	19,920
Total mortgage-backed securities	-	140,364	287	-	140,651
Corporate debt securities	104	21,064	281	-	21,449
Collateralized loan and other debt obligations (4)	-	13,725	2,938 (3)	-	16,663
Asset-backed securities:					
Auto loans and leases	-	18	5,704 (3)	-	5,722
Home equity loans	-	853	-	-	853
Other asset-backed securities	-	8,383	3,436 (3)	-	11,819
Total asset-backed securities	-	9,254	9,140	-	18,394
Other debt securities	-	884	-	-	884
Total debt securities	820	228,386	16,175	-	245,381
Marketable equity securities:					
Perpetual preferred securities (5)	659	796	807 (3)	-	2,262
Other marketable equity securities	475	42	-	-	517
Total marketable equity securities	1,134	838	807	-	2,779
Total securities available for sale	1,954	229,224	16,982	-	248,160
Mortgages held for sale	-	39,437	3,187	-	42,624
Loans	-	208	5,975	-	6,183
Mortgage servicing rights (residential)	-	-	12,061	-	12,061
Derivative assets:					
Interest rate contracts	6	61,054	933	-	61,993
Commodity contracts	-	2,928	34	-	2,962
Equity contracts	621	3,081	905	-	4,607
Foreign exchange contracts	36	5,297	5	-	5,338
Credit contracts	-	1,009	579	-	1,588
Other derivative contracts	-	-	-	-	-
Netting	-	-	-	(59,572) (6)	(59,572)
Total derivative assets (7)	663	73,369	2,456	(59,572)	16,916
Other assets	324	5	348	-	677
Total assets recorded at fair value	$ 17,598	374,007	41,797	(59,572)	373,830
Derivative liabilities:					
Interest rate contracts	$ (32)	(59,488)	(375)	-	(59,895)

Commodity contracts	**-**	**(3,008)**	**(37)**	**-**	**(3,045)**
Equity contracts	**(271)**	**(3,621)**	**(1,034)**	**-**	**(4,926)**
Foreign exchange contracts	**(14)**	**(3,792)**	**(39)**	**-**	**(3,845)**
Credit contracts	**-**	**(1,020)**	**(1,604)**	**-**	**(2,624)**
Other derivative contracts	**-**	**-**	**(52)**	**-**	**(52)**
Netting	**-**	**-**	**-**	**66,419** (6)	**66,419**
Total derivative liabilities (7)	**(317)**	**(70,929)**	**(3,141)**	**66,419**	**(7,968)**
Short sale liabilities:					
Securities of U.S. Treasury and federal agencies	**(6,915)**	**(1,370)**	**-**	**-**	**(8,285)**
Securities of U.S. states and political subdivisions	**-**	**(18)**	**-**	**-**	**(18)**
Corporate debt securities	**-**	**(4,801)**	**-**	**-**	**(4,801)**
Equity securities	**(1,731)**	**-**	**-**	**-**	**(1,731)**
Other securities	**(1)**	**(147)**	**(8)**	**-**	**(156)**
Total short sale liabilities	**(8,647)**	**(6,336)**	**(8)**	**-**	**(14,991)**
Other liabilities	**-**	**(31)**	**(48)**	**-**	**(79)**
Total liabilities recorded at fair value	**$ (8,964)**	**(77,296)**	**(3,197)**	**66,419**	**(23,038)**

(1) Includes collateralized debt obligations of $8 million that are classified as trading assets.
(2) Net gains (losses) from trading activities recognized in the income statement include $(141) million and $138 million in net unrealized gains (losses) on trading securities held at March 31, 2013 and 2012, respectively.
(3) Balances consist of securities that are predominantly investment grade based on ratings received from the ratings agencies or internal credit grades categorized as investment grade if external ratings are not available. The securities are classified as Level 3 due to limited market activity.
(4) Includes collateralized debt obligations of $674 million that are classified as securities available for sale.
(5) Perpetual preferred securities include ARS and corporate preferred securities. See Note 7 for additional information.
(6) Derivatives are reported net of cash collateral received and paid and, to the extent that the criteria of the accounting guidance covering the offsetting of amounts related to certain contracts are met, positions with the same counterparty are netted as part of a legally enforceable master netting agreement.
(7) Derivative assets and derivative liabilities include contracts qualifying for hedge accounting, economic hedges, and derivatives included in trading assets and trading liabilities, respectively.

(continued on following page)

Table of Contents

Note 13: Fair Values of Assets and Liabilities ***(continued)***

(continued from previous page)

(in millions)	Level 1	Level 2	Level 3	Netting	Total
December 31, 2012					
Trading assets (excluding derivatives)					
Securities of U.S. Treasury and federal agencies	$ 5,104	3,774	-	-	8,878
Securities of U.S. states and political subdivisions	-	1,587	46	-	1,633
Collateralized loans and other debt obligations (1)	-	-	742	-	742
Corporate debt securities	-	6,664	52	-	6,716
Mortgage-backed securities	-	13,380	6	-	13,386
Asset-backed securities	-	722	138	-	860
Equity securities	3,481	356	3	-	3,840
Total trading securities(2)	8,585	26,483	987	-	36,055
Other trading assets	2,150	887	76	-	3,113
Total trading assets (excluding derivatives)	10,735	27,370	1,063	-	39,168
Securities of U.S. Treasury and federal agencies	915	6,231	-	-	7,146
Securities of U.S. states and political subdivisions	-	35,045	3,631 (3)	-	38,676
Mortgage-backed securities:					
Federal agencies	-	97,285	-	-	97,285
Residential	-	15,837	94	-	15,931
Commercial	-	19,765	203	-	19,968
Total mortgage-backed securities	-	132,887	297	-	133,184
Corporate debt securities	125	20,934	274	-	21,333
Collateralized loan and other debt obligations (4)	-	-	13,188 (3)	-	13,188
Asset-backed securities:					
Auto loans and leases	-	7	5,921 (3)	-	5,928
Home equity loans	-	867	51	-	918
Other asset-backed securities	-	7,828	3,283 (3)	-	11,111
Total asset-backed securities	-	8,702	9,255	-	17,957
Other debt securities	-	930	-	-	930
Total debt securities	1,040	204,729	26,645	-	232,414
Marketable equity securities:					
Perpetual preferred securities (5)	629	753	794 (3)	-	2,176
Other marketable equity securities	554	55	-	-	609
Total marketable equity securities	1,183	808	794	-	2,785
Total securities available for sale	2,223	205,537	27,439	-	235,199
Mortgages held for sale	-	39,055	3,250	-	42,305
Loans held for sale	-	6	-	-	6
Loans	-	185	6,021	-	6,206
Mortgage servicing rights (residential)	-	-	11,538	-	11,538
Derivative assets:					
Interest rate contracts	16	70,277	1,058	-	71,351
Commodity contracts	-	3,386	70	-	3,456
Equity contracts	432	2,747	604	-	3,783
Foreign exchange contracts	19	5,481	24	-	5,524
Credit contracts	-	1,160	650	-	1,810
Other derivative contracts	-	-	-	-	-
Netting	-	-	-	(62,108) (6)	(62,108)
Total derivative assets (7)	467	83,051	2,406	(62,108)	23,816
Other assets	136	123	162	-	421
Total assets recorded at fair value	$ 13,561	355,327	51,879	(62,108)	358,659
Derivative liabilities:					
Interest rate contracts	$ (52)	(68,244)	(399)	-	(68,695)
Commodity contracts	-	(3,541)	(49)	-	(3,590)
Equity contracts	(199)	(3,239)	(726)	-	(4,164)
Foreign exchange contracts	(23)	(3,553)	(3)	-	(3,579)
Credit contracts	-	(1,152)	(1,800)	-	(2,952)
Other derivative contracts	-	-	(78)	-	(78)

Netting	-	-	-	71,116 (6)	71,116
Total derivative liabilities (7)	(274)	(79,729)	(3,055)	71,116	(11,942)
Short sale liabilities:					
Securities of U.S. Treasury and federal agencies	(4,225)	(875)	-	-	(5,100)
Securities of U.S. states and political subdivisions	-	(9)	-	-	(9)
Corporate debt securities	-	(3,941)	-	-	(3,941)
Equity securities	(1,233)	(35)	-	-	(1,268)
Other securities	-	(47)	-	-	(47)
Total short sale liabilities	(5,458)	(4,907)	-	-	(10,365)
Other liabilities	-	(34)	(49)	-	(83)
Total liabilities recorded at fair value	$ (5,732)	(84,670)	(3,104)	71,116	(22,390)

(1) Includes collateralized debt obligations of $21 million that are classified as trading assets.
(2) Net gains from trading activities recognized in the income statement include $305 million in net unrealized gains on trading securities we held at December 31, 2012.
(3) Balances consist of securities that are predominantly investment grade based on ratings received from the ratings agencies or internal credit grades categorized as investment grade if external ratings are not available. The securities are classified as Level 3 due to limited market activity.
(4) Includes collateralized debt obligations of $644 million that are classified as securities available for sale.
(5) Perpetual preferred securities include ARS and corporate preferred securities. See Note 7 for additional information.
(6) Derivatives are reported net of cash collateral received and paid and, to the extent that the criteria of the accounting guidance covering the offsetting of amounts related to certain contracts are met, positions with the same counterparty are netted as part of a legally enforceable master netting agreement.
(7) Derivative assets and derivative liabilities include contracts qualifying for hedge accounting, economic hedges, and derivatives included in trading assets and trading liabilities, respectively.

Table of Contents

Changes in Fair Value Levels

We monitor the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy and transfer between Level 1, Level 2, and Level 3 accordingly. Observable market data includes but is not limited to quoted prices and market transactions. Changes in economic conditions or market liquidity generally will drive changes in availability of observable market data. Changes in

availability of observable market data, which also may result in changing the valuation technique used, are generally the cause of transfers between Level 1, Level 2, and Level 3.

All current period transfers into and out of Level 1, Level 2, and Level 3 are provided within the following table. The amounts reported as transfers represent the fair value as of the beginning of the quarter in which the transfer occurred.

	Transfers Between Fair Value Levels						
	Level 1		Level 2		Level 3 (1)		
(in millions)	In	Out	In	Out	In	Out	Total
Quarter ended March 31, 2013							
Trading securities (2)	**$ -**	**-**	**202**	**(25)**	**25**	**(202)**	**-**
Securities available for sale (2)	**17**	**-**	**10,676**	**(17)**	**-**	**(10,676)**	**-**
Mortgages held for sale	**-**	**-**	**93**	**(97)**	**97**	**(93)**	**-**
Loans	**-**	**-**	**48**	**-**	**-**	**(48)**	**-**
Net derivative assets and liabilities	**-**	**-**	**(21)**	**-**	**-**	**21**	**-**
Total transfers	**$ 17**	**-**	**10,998**	**(139)**	**122**	**(10,998)**	**-**
Quarter ended March 31, 2012							
Trading securities	$ -	-	10	(14)	14	(10)	-
Securities available for sale	-	-	93	(43)	43	(93)	-
Mortgages held for sale	-	-	86	(87)	87	(86)	-
Loans	-	-	-	-	-	-	-
Net derivative assets and liabilities	-	-	12	8	(8)	(12)	-
Total transfers	$ -	-	201	(136)	136	(201)	-

(1) All transfers in and out of Level 3 are disclosed within the recurring level 3 rollforward table in this Note.
(2) For quarter ended March 31, 2013, consists of $202 million of collateralized loan obligations classified as trading assets and $10.6 billion classified as securities available for sale that we transferred from Level 3 to Level 2 as a result of increased observable market data in the valuation of such instruments.

Table of Contents

Note 13: Fair Values of Assets and Liabilities ***(continued)***

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the quarter ended March 31, 2013, are summarized as follows:

(in millions)	Balance, beginning of period	Total net gains (losses) included in Net income	Other compre-hensive income	Purchases, sales, issuances and settlements, net (1)	Transfers into Level 3	Transfers out of Level 3	Balance, end of period	Net unrealized gains (losses) included in income related to assets and liabilities held at period end (2)
Quarter ended March 31, 2013								
Trading assets (excluding derivatives):								
Securities of U.S. states and political subdivisions	**$ 46**	**3**	**-**	**(13)**	**-**	**-**	**36**	**1**
Collateralized loan and other debt obligations	**742**	**39**	**-**	**(74)**	**-**	**(202)**	**505**	**4**
Corporate debt securities	**52**	**2**	**-**	**(25)**	**-**	**-**	**29**	**2**
Mortgage-backed securities	**6**	**-**	**-**	**(1)**	**-**	**-**	**5**	**-**
Asset-backed securities	**138**	**5**	**-**	**(25)**	**25**	**-**	**143**	**-**
Equity securities	**3**	**-**	**-**	**(3)**	**-**	**-**	**-**	**-**
Total trading securities	**987**	**49**	**-**	**(141)**	**25**	**(202)**	**718**	**7**
Other trading assets	**76**	**(6)**	**-**	**-**	**-**	**-**	**70**	**(2)**
Total trading assets (excluding derivatives)	**1,063**	**43**	**-**	**(141)**	**25**	**(202)**	**788**	**5**(3)
Securities available for sale:								
Securities of U.S. states and political subdivisions	**3,631**	**2**	**(9)**	**(95)**	**-**	**-**	**3,529**	**-**
Mortgage-backed securities:								
Residential	**94**	**(4)**	**6**	**-**	**-**	**(1)**	**95**	**-**
Commercial	**203**	**(3)**	**8**	**(5)**	**-**	**(11)**	**192**	**(1)**
Total mortgage-backed securities	**297**	**(7)**	**14**	**(5)**	**-**	**(12)**	**287**	**(1)**
Corporate debt securities	**274**	**2**	**8**	**-**	**-**	**(3)**	**281**	**-**
Collateralized loan and other debt obligations	**13,188**	**(1)**	**69**	**295**	**-**	**(10,613)**	**2,938**	**-**
Asset-backed securities:								
Auto loans and leases	**5,921**	**-**	**9**	**(226)**	**-**	**-**	**5,704**	**-**
Home equity loans	**51**	**3**	**(1)**	**(5)**	**-**	**(48)**	**-**	**-**
Other asset-backed securities	**3,283**	**28**	**(5)**	**130**	**-**	**-**	**3,436**	**-**
Total asset-backed securities	**9,255**	**31**	**3**	**(101)**	**-**	**(48)**	**9,140**	**-**
Total debt securities	**26,645**	**27**	**85**	**94**	**-**	**(10,676)**	**16,175**	**(1)**(4)
Marketable equity securities:								
Perpetual preferred securities	**794**	**1**	**21**	**(9)**	**-**	**-**	**807**	**-**
Other marketable equity securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total marketable equity securities	**794**	**1**	**21**	**(9)**	**-**	**-**	**807**	**-** (5)
Total securities available for sale	**27,439**	**28**	**106**	**85**	**-**	**(10,676)**	**16,982**	**(1)**
Mortgages held for sale	**3,250**	**(7)**	**-**	**(60)**	**97**	**(93)**	**3,187**	**(7)**(6)
Loans	**6,021**	**(47)**	**-**	**49**	**-**	**(48)**	**5,975**	**(39)**(6)
Mortgage servicing rights	**11,538**	**11**	**-**	**512**	**-**	**-**	**12,061**	**761** (6)
Net derivative assets and liabilities:								
Interest rate contracts	**659**	**268**	**-**	**(369)**	**-**	**-**	**558**	**357**
Commodity contracts	**21**	**10**	**-**	**(23)**	**-**	**(11)**	**(3)**	**-**
Equity contracts	**(122)**	**(39)**	**-**	**-**	**-**	**32**	**(129)**	**8**
Foreign exchange contracts	**21**	**(53)**	**-**	**(2)**	**-**	**-**	**(34)**	**(56)**
Credit contracts	**(1,150)**	**(13)**	**-**	**138**	**-**	**-**	**(1,025)**	**17**
Other derivative contracts	**(78)**	**26**	**-**	**-**	**-**	**-**	**(52)**	**-**

Total derivative contracts	**(649)**	**199**	**-**	**(256)**	**-**	**21**	**(685)**	**326** (7)
Other assets	**162**	**(2)**	**-**	**188**	**-**	**-**	**348**	**(1)**(3)
Short sale liabilities	**-**	**-**	**-**	**(8)**	**-**	**-**	**(8)**	**-**(3)
Other liabilities (excluding derivatives)	**(49)**	**1**	**-**	**-**	**-**	**-**	**(48)**	**-**(6)

(1) See next page for detail.
(2) Represents only net gains (losses) that are due to changes in economic conditions and management s estimates of fair value and excludes changes due to the collection/realization of cash flows over time.
(3) Included in trading activities and other noninterest income in the income statement.
(4) Included in debt securities available for sale in the income statement.
(5) Included in equity investments in the income statement.
(6) Included in mortgage banking and other noninterest income in the income statement.
(7) Included in mortgage banking, trading activities and other noninterest income in the income statement.

(continued on following page)

Table of Contents

(continued from previous page)

The following table presents gross purchases, sales, issuances and settlements related to the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the quarter ended March 31, 2013.

(in millions)	Purchases	Sales	Issuances	Settlements	Net
Quarter ended March 31, 2013					
Trading assets (excluding derivatives):					
Securities of U.S. states and political subdivisions	$ 77	(90)	-	-	(13)
Collateralized loan and other debt obligations	249	(323)	-	-	(74)
Corporate debt securities	58	(83)	-	-	(25)
Mortgage-backed securities	-	(1)	-	-	(1)
Asset-backed securities	6	(20)	-	(11)	(25)
Equity securities	-	(3)	-	-	(3)
Total trading securities	390	(520)	-	(11)	(141)
Other trading assets	-	-	-	-	-
Total trading assets (excluding derivatives)	390	(520)	-	(11)	(141)
Securities available for sale:					
Securities of U.S. states and political subdivisions	-	(67)	75	(103)	(95)
Mortgage-backed securities:					
Residential	-	-	-	-	-
Commercial	-	(1)	-	(4)	(5)
Total mortgage-backed securities	-	(1)	-	(4)	(5)
Corporate debt securities	-	-	-	-	-
Collateralized loan and other debt obligations	402	(14)	-	(93)	295
Asset-backed securities:					
Auto loans and leases	351	-	148	(725)	(226)
Home equity loans	-	(5)	-	-	(5)
Other asset-backed securities	511	(34)	302	(649)	130
Total asset-backed securities	862	(39)	450	(1,374)	(101)
Total debt securities	1,264	(121)	525	(1,574)	94
Marketable equity securities:					
Perpetual preferred securities	-	-	-	(9)	(9)
Other marketable equity securities	-	-	-	-	-
Total marketable equity securities	-	-	-	(9)	(9)
Total securities available for sale	1,264	(121)	525	(1,583)	85
Mortgages held for sale	102	-	-	(162)	(60)
Loans	1	-	117	(69)	49
Mortgage servicing rights	-	(423)	935	-	512
Net derivative assets and liabilities:					
Interest rate contracts	-	1	-	(370)	(369)
Commodity contracts	1	(1)	-	(23)	(23)
Equity contracts	99	(67)	-	(32)	-
Foreign exchange contracts	-	-	-	(2)	(2)
Credit contracts	(3)	1	-	140	138
Other derivative contracts	-	-	-	-	-
Total derivative contracts	97	(66)	-	(287)	(256)
Other assets	197	-	-	(9)	188
Short sale liabilities	-	(8)	-	-	(8)
Other liabilities (excluding derivatives)	-	-	(3)	3	-

125

Table of Contents

Note 13: Fair Values of Assets and Liabilities ***(continued)***

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the quarter ended March 31, 2012, are summarized as follows:

(in millions)	Balance, beginning of period	Total net gains (losses) included in Net income	Other comprehensive income	Purchases, sales, issuances and settlements, net (1)	Transfers into Level 3	Transfers out of Level 3	Balance, end of period	Net unrealized gains (losses) included in income related to assets and liabilities held at period end (2)
Quarter ended March 31, 2012								
Trading assets (excluding derivatives):								
Securities of U.S. states and political subdivisions	$ 53	-	-	50	-	-	103	-
Collateralized loan and other debt obligations	1,582	17	-	(60)	-	-	1,539	(12)
Corporate debt securities	97	-	-	35	-	-	132	(2)
Mortgage-backed securities	108	(1)	-	(43)	-	(10)	54	(3)
Asset-backed securities	190	11	-	(51)	14	-	164	4
Equity securities	4	-	-	(1)	-	-	3	-
Total trading securities	2,034	27	-	(70)	14	(10)	1,995	(13)
Other trading assets	115	(7)	-	-	-	-	108	-
Total trading assets (excluding derivatives)	2,149	20	-	(70)	14	(10)	2,103	(13)(3)
Securities available for sale:								
Securities of U.S. states and political subdivisions	11,516	(4)	164	838	-	-	12,514	(6)
Mortgage-backed securities:								
Residential	61	-	1	(1)	27	(30)	58	-
Commercial	232	(15)	22	(7)	-	-	232	-
Total mortgage-backed securities	293	(15)	23	(8)	27	(30)	290	-
Corporate debt securities	295	5	11	(4)	1	-	308	-
Collateralized loan and other debt obligations	8,599	57	183	324	-	-	9,163	-
Asset-backed securities:								
Auto loans and leases	6,641	1	20	251	-	-	6,913	-
Home equity loans	282	7	18	(1)	14	(63)	257	-
Other asset-backed securities	2,863	3	57	(55)	1	-	2,869	-
Total asset-backed securities	9,786	11	95	195	15	(63)	10,039	-
Total debt securities	30,489	54	476	1,345	43	(93)	32,314	(6)(4)
Marketable equity securities:								
Perpetual preferred securities	1,344	31	8	(210)	-	-	1,173	-
Other marketable equity securities	23	-	(15)	(5)	-	-	3	-
Total marketable equity securities	1,367	31	(7)	(215)	-	-	1,176	-(5)
Total securities available for sale	31,856	85	469	1,130	43	(93)	33,490	(6)
Mortgages held for sale	3,410	(35)	-	(46)	87	(86)	3,330	(36)(6)
Loans	23	-	-	2	-	-	25	- (6)
Mortgage servicing rights	12,603	(801)	-	1,776	-	-	13,578	(158)(6)
Net derivative assets and liabilities:								
Interest rate contracts	609	1,158	-	(1,432)	-	-	335	199
Commodity contracts	-	1	-	(7)	(8)	-	(14)	(7)
Equity contracts	(75)	(95)	-	3	-	(13)	(180)	(88)
Foreign exchange contracts	(7)	27	-	(5)	-	1	16	24

Credit contracts	(1,998)	171	-	74	-	-	(1,753)	233
Other derivative contracts	(117)	51	-	-	-	-	(66)	-
Total derivative contracts	(1,588)	1,313	-	(1,367)	(8)	(12)	(1,662)	361(7)
Other assets	244	(3)	-	(13)	-	-	228	(11)(3)
Short sale liabilities	-	-	-	-	-	-	-	-(3)
Other liabilities (excluding derivatives)	(44)	1	-	1	-	-	(42)	-(6)

(1) See next page for detail.
(2) Represents only net gains (losses) that are due to changes in economic conditions and management s estimates of fair value and excludes changes due to the collection/realization of cash flows over time.
(3) Included in trading activities and other noninterest income in the income statement.
(4) Included in debt securities available for sale in the income statement.
(5) Included in equity investments in the income statement.
(6) Included in mortgage banking and other noninterest income in the income statement.
(7) Included in mortgage banking, trading activities and other noninterest income in the income statement.

(continued on following page)

Table of Contents

(continued from previous page)

The following table presents gross purchases, sales, issuances and settlements related to the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the quarter ended March 31, 2012.

(in millions)	Purchases	Sales	Issuances	Settlements	Net
Quarter ended March 31, 2012					
Trading assets (excluding derivatives):					
Securities of U.S. states and political subdivisions	$ 59	(9)	-	-	50
Collateralized loan and other debt obligations	190	(250)	-	-	(60)
Corporate debt securities	81	(46)	-	-	35
Mortgage-backed securities	3	(46)	-	-	(43)
Asset-backed securities	72	(111)	-	(12)	(51)
Equity securities	-	(1)	-	-	(1)
Total trading securities	405	(463)	-	(12)	(70)
Other trading assets	-	-	-	-	-
Total trading assets (excluding derivatives)	405	(463)	-	(12)	(70)
Securities available for sale:					
Securities of U.S. states and political subdivisions	582	-	588	(332)	838
Mortgage-backed securities:					
Residential	-	-	-	(1)	(1)
Commercial	-	-	-	(7)	(7)
Total mortgage-backed securities	-	-	-	(8)	(8)
Corporate debt securities	-	-	-	(4)	(4)
Collateralized loan and other debt obligations	550	-	-	(226)	324
Asset-backed securities:					
Auto loans and leases	1,835	-	163	(1,747)	251
Home equity loans	-	-	-	(1)	(1)
Other asset-backed securities	399	(26)	335	(763)	(55)
Total asset-backed securities	2,234	(26)	498	(2,511)	195
Total debt securities	3,366	(26)	1,086	(3,081)	1,345
Marketable equity securities:					
Perpetual preferred securities	-	-	-	(210)	(210)
Other marketable equity securities	-	(4)	-	(1)	(5)
Total marketable equity securities	-	(4)	-	(211)	(215)
Total securities available for sale	3,366	(30)	1,086	(3,292)	1,130
Mortgages held for sale	111	-	-	(157)	(46)
Loans	2	-	-	-	2
Mortgage servicing rights	-	-	1,776	-	1,776
Net derivative assets and liabilities:					
Interest rate contracts	-	(1)	-	(1,431)	(1,432)
Commodity contracts	5	(7)	-	(5)	(7)
Equity contracts	115	(165)	-	53	3
Foreign exchange contracts	-	-	-	(5)	(5)
Credit contracts	1	(1)	-	74	74
Other derivative contracts	-	-	-	-	-
Total derivative contracts	121	(174)	-	(1,314)	(1,367)

Other assets	3	-	-	(16)	(13)
Short sale liabilities	-	-	-	-	-
Other liabilities (excluding derivatives)	(1)	2	-	-	1

The following table provides quantitative information about the valuation techniques and significant unobservable inputs used in the valuation of substantially all of our Level 3 assets and liabilities measured at fair value on a recurring basis for which we use an internal model.

The significant unobservable inputs for Level 3 assets and liabilities that are valued using fair values obtained from third party vendors are not included in the table as the specific inputs applied are not provided by the vendor (see discussion regarding vendor-developed valuations within the Level 3 Asset and Liabilities Valuation Processes section previously within this Note). In addition, the table excludes the valuation techniques and significant unobservable inputs for certain classes of Level 3 assets and liabilities measured using an internal model that we consider, both individually and in the aggregate, insignificant relative to our overall Level 3 assets and liabilities. We made this

determination based upon an evaluation of each class which considered the magnitude of the positions, nature of the unobservable inputs and potential for significant changes in fair value due to changes in those inputs.

Table of Contents

Note 13: Fair Values of Assets and Liabilities *(continued)*

($ in millions, except cost to service amounts)	Fair Value Level 3	Valuation Technique(s)	Significant Unobservable Input	Range of Inputs	Weighted Average (1)
March 31, 2013					
Trading and available for sale securities:					
Securities of U.S. states and political subdivisions:					
Government, healthcare and other revenue bonds	**$ 2,983**	**Discounted cash flow**	**Discount rate**	**0.5 - 5.0 %**	**1.4**
Auction rate securities and other municipal bonds	**582**	**Discounted cash flow**	**Discount rate**	**0.5 - 13.3**	**5.2**
			Weighted average life	**3.0 - 13.0 yrs**	**3.6**
Collateralized loan and other debt obligations (2)	**876**	**Market comparable pricing**	**Comparability adjustment**	**(22.3) - 24.0 %**	**(3.0)**
	2,567	**Vendor priced**			
Asset-backed securities:					
Auto loans and leases	**5,704**	**Discounted cash flow**	**Default rate**	**2.0 - 9.3**	**3.0**
			Discount rate	**0.4 - 1.8**	**0.8**
			Loss severity	**50.0 - 66.5**	**53.0**
			Prepayment rate	**0.6 - 0.9**	**0.7**
Other asset-backed securities:					
Dealer floor plan	**1,472**	**Discounted cash flow**	**Discount rate**	**0.6 - 2.2**	**1.6**
Diversified payment rights (3)	**620**	**Discounted cash flow**	**Discount rate**	**1.2 - 2.8**	**1.9**
Other commercial and consumer	**1,413**(4)	**Discounted cash flow**	**Discount rate**	**0.6 - 8.7**	**2.8**
			Weighted average life	**0.8 - 7.3 yrs**	**2.1**
	74	**Vendor priced**			
Marketable equity securities: perpetual preferred	**807**(5)	**Discounted cash flow**	**Discount rate**	**4.4 - 9.2 %**	**5.9**
			Weighted average life	**1.0 - 7.0 yrs**	**5.5**
Mortgages held for sale (residential)	**3,187**	**Discounted cash flow**	**Default rate**	**0.7 - 14.9 %**	**3.5**
			Discount rate	**3.4 - 7.9**	**5.5**
			Loss severity	**1.4 - 36.2**	**26.6**
			Prepayment rate	**1.0 - 10.6**	**5.7**
Loans	**5,975**(6)	**Discounted cash flow**	**Discount rate**	**2.3 - 3.0**	**2.8**
			Prepayment rate	**1.9 - 42.1**	**11.9**
			Utilization rate	**0.0 - 2.0**	**0.8**
Mortgage servicing rights (residential)	**12,061**	**Discounted cash flow**	**Cost to service per loan (7)**	**$ 90 - 854**	**216**
			Discount rate	**6.4 - 10.8 %**	**7.3**
			Prepayment rate(8)	**7.5 - 23.3**	**14.2**
Net derivative assets and (liabilities):					
Interest rate contracts	**143**	**Discounted cash flow**	**Default rate**	**0.0 - 20.0**	**5.6**
			Loss severity	**50.0 - 81.8**	**51.3**
			Prepayment rate	**5.8 - 15.6**	**15.0**
Interest rate contracts: derivative loan commitments	**415**	**Discounted cash flow**	**Fall-out factor**	**1.0 - 99.0**	**21.9**
			Initial-value servicing	**(13.7) - 124.3 bps**	**79.7**
Equity contracts	**(129)**	**Option model**	**Correlation factor**	**(25.0) - 94.5 %**	**67.3**
			Volatility factor	**9.5 - 68.2**	**22.9**
Credit contracts	**(1,031)**	**Market comparable pricing**	**Comparability adjustment**	**(32.8) - 33.5**	**0.1**
	6	**Option model**	**Credit spread**	**0.1 - 14.0**	**1.2**
			Loss severity	**16.5 - 87.5**	**45.6**
Insignificant Level 3 assets, net of liabilities	**875** (9)				
Total level 3 assets, net of liabilities	**$ 38,600** (10)				

(1) Weighted averages are calculated using outstanding unpaid principal balance for cash instruments such as loans and securities, and notional amounts for derivative instruments.
(2) Includes $682 million of collateralized debt obligations.
(3) Securities backed by specified sources of current and future receivables generated from foreign originators.
(4) Consists primarily of investments in asset-backed securities that are revolving in nature, in which the timing of advances and repayments of principal are uncertain.
(5) Consists of auction rate preferred equity securities with no maturity date that are callable by the issuer.
(6) Consists predominantly of reverse mortgage loans securitized with GNMA which were accounted for as secured borrowing transactions.
(7) The high end of the range of inputs is for servicing modified loans. For non-modified loans the range is $90 $383.

(8) Includes a blend of prepayment speeds and expected defaults. Prepayment speeds are influenced by mortgage interest rates as well as our estimation of drivers of borrower behavior.

(9) Represents the aggregate amount of Level 3 assets and liabilities measured at fair value on a recurring basis that are individually and in the aggregate insignificant. The amount includes corporate debt securities, mortgage-backed securities, asset-backed securities backed by home equity loans, other marketable equity securities, other assets, other liabilities and certain net derivative assets and liabilities, such as commodity contracts, foreign exchange contracts and other derivative contracts.

(10) Consists of total Level 3 assets of $41.8 billion and total Level 3 liabilities of $3.2 billion, before netting of derivative balances.

Table of Contents

($ in millions, except cost to service amounts)	Fair Value Level 3	Valuation Technique(s)	Significant Unobservable Input	Range of Inputs	Weighted Average (1)
December 31, 2012					
Trading and available for sale securities:					
Securities of U.S. states and political subdivisions:					
Government, healthcare and other revenue bonds	$ 3,081	Discounted cash flow	Discount rate	0.5 - 4.8 %	1.8
Auction rate securities and other municipal bonds	596	Discounted cash flow	Discount rate	2.0 - 12.9	4.4
			Weighted average life	3.0 - 7.5 yrs	3.4
Collateralized loan and other debt obligations(2)	1,423	Market comparable pricing	Comparability adjustment	(22.5) - 24.7 %	3.5
	12,507	Vendor priced			
Asset-backed securities:					
Auto loans and leases	5,921	Discounted cash flow	Default rate	2.1 - 9.7	3.2
			Discount rate	0.6 - 1.6	1.0
			Loss severity	50.0 - 66.6	51.8
			Prepayment rate	0.6 - 0.9	0.7
Other asset-backed securities:					
Dealer floor plan	1,030	Discounted cash flow	Discount rate	0.5 - 2.2	1.9
Diversified payment rights (3)	639	Discounted cash flow	Discount rate	1.0 - 2.9	1.8
Other commercial and consumer	1,665(4)	Discounted cash flow	Discount rate	0.6 - 6.8	2.7
			Weighted average life	1.0 - 7.5 yrs	2.9
	87	Vendor priced			
Marketable equity securities: perpetual preferred	794(5)	Discounted cash flow	Discount rate	4.3 - 9.3 %	6.3
			Weighted average life	1.0 - 7.0 yrs	5.3
Mortgages held for sale (residential)	3,250	Discounted cash flow	Default rate	0.6 - 14.8 %	5.5
			Discount rate	3.4 - 7.5	5.4
			Loss severity	1.3 - 35.3	26.4
			Prepayment rate	1.0 - 11.0	6.2
Loans	6,021(6)	Discounted cash flow	Discount rate	2.4 - 2.8	2.6
			Prepayment rate	1.6 - 44.4	11.6
			Utilization rate	0.0 - 2.0	0.8
Mortgage servicing rights (residential)	11,538	Discounted cash flow	Cost to service per loan (7)	$ 90 - 854	219
			Discount rate	6.7 - 10.9 %	7.4
			Prepayment rate(8)	7.3 - 23.7	15.7
Net derivative assets and (liabilities):					
Interest rate contracts	162	Discounted cash flow	Default rate	0.0 - 20.0	5.4
			Loss severity	45.8 - 83.2	51.6
			Prepayment rate	7.4 - 15.6	14.9
Interest rate contracts: derivative loan commitments	497	Discounted cash flow	Fall-out factor	1.0 - 99.0	22.9
			Initial-value servicing	(13.7) - 137.2 bps	85.6
Equity contracts	(122)	Option model	Correlation factor	(43.6) - 94.5 %	50.3
			Volatility factor	3.0 - 68.9	26.5
Credit contracts	(1,157)	Market comparable pricing	Comparability adjustment	(34.4) - 30.5	0.1
	8	Option model	Credit spread	0.1 - 14.0	2.0
			Loss severity	16.5 - 87.5	52.3
Insignificant Level 3 assets, net of liabilities	835 (9)				
Total level 3 assets, net of liabilities	$ 48,775 (10)				

(1) Weighted averages are calculated using outstanding unpaid principal balance for cash instruments such as loans and securities, and notional amounts for derivative instruments.
(2) Includes $665 million of collateralized debt obligations.
(3) Securities backed by specified sources of current and future receivables generated from foreign originators.
(4) Consists primarily of investments in asset-backed securities that are revolving in nature, in which the timing of advances and repayments of principal are uncertain.
(5) Consists of auction rate preferred equity securities with no maturity date that are callable by the issuer.
(6) Consists predominantly of reverse mortgage loans securitized with GNMA which were accounted for as secured borrowing transactions.
(7) The high end of the range of inputs is for servicing modified loans. For non-modified loans the range is $90 $437.
(8) Includes a blend of prepayment speeds and expected defaults. Prepayment speeds are influenced by mortgage interest rates as well as our estimation of drivers of borrower behavior.
(9) Represents the aggregate amount of Level 3 assets and liabilities measured at fair value on a recurring basis that are individually and in the aggregate insignificant. The amount includes corporate debt securities, mortgage-backed securities, asset-backed securities backed by home equity loans, other marketable equity securities, other assets, other liabilities and certain net derivative assets and liabilities, such as commodity contracts, foreign exchange contracts and other derivative contracts.

(10) Consists of total Level 3 assets of $51.9 billion and total Level 3 liabilities of $3.1 billion, before netting of derivative balances.

Table of Contents

Note 13: Fair Values of Assets and Liabilities *(continued)*

The valuation techniques used for our Level 3 assets and liabilities, as presented in the previous table, are described as follows:

Discounted cash flow Discounted cash flow valuation techniques generally consist of developing an estimate of future cash flows that are expected to occur over the life of an instrument and then discounting those cash flows at a rate of return that results in the fair value amount.

Option model Option model valuation techniques are generally used for instruments in which the holder has a contingent right or obligation based on the occurrence of a future event, such as the price of a referenced asset going above or below a predetermined strike price. Option models estimate the likelihood of the specified event occurring by incorporating assumptions such as volatility estimates, price of the underlying instrument and expected rate of return.

Market comparable pricing Market comparable pricing valuation techniques are used to determine the fair value of certain instruments by incorporating known inputs such as recent transaction prices, pending transactions, or prices of other similar investments which require significant adjustment to reflect differences in instrument characteristics.

Vendor-priced Prices obtained from third party pricing vendors or brokers that are used to record the fair value of the asset or liability, of which the related valuation technique and significant unobservable inputs are not provided.

Significant unobservable inputs presented in the previous table are those we consider significant to the fair value of the Level 3 asset or liability. We consider unobservable inputs to be significant, if by their exclusion, the fair value of the Level 3 asset or liability would be impacted by a predetermined percentage change or based on qualitative factors such as nature of the instrument, type of valuation technique used, and the significance of the unobservable inputs relative to other inputs used within the valuation. Following is a description of the significant unobservable inputs provided in the table.

Comparability adjustment is an adjustment made to observed market data such as a transaction price in order to reflect dissimilarities in underlying collateral, issuer, rating, or other factors used within a market valuation approach, expressed as a percentage of an observed price.

Correlation factor is the likelihood of one instrument changing in price relative to another based on an established relationship expressed as a percentage of relative change in price over a period over time.

Cost to service is the expected cost per loan of servicing a portfolio of loans which includes estimates for unreimbursed expenses (including delinquency and foreclosure costs) that may occur as a result of servicing such loan portfolios.

Credit spread is the portion of the interest rate in excess of a benchmark interest rate, such as LIBOR or U.S. Treasury rates, that when applied to an investment captures changes in the obligor s creditworthiness.

Default rate is an estimate of the likelihood of not collecting contractual amounts owed expressed as a constant default rate (CDR).

Discount rate is a rate of return used to present value the future expected cash flow to arrive at the fair value of an instrument. The discount rate consists of a benchmark rate component and a risk premium component. The benchmark rate component, for example, LIBOR or U.S. Treasury rates, is generally observable within the market and is necessary to appropriately reflect the time value of money. The risk premium component reflects the amount of compensation market participants require due to the uncertainty inherent in the instruments cash flows resulting from risks such as credit and liquidity.

Fall-out factor is the expected percentage of loans associated with our interest rate lock commitment portfolio that are likely of not funding.

Initial-value servicing is the estimated value of the underlying loan, including the value attributable to the embedded servicing right, expressed in basis points of outstanding unpaid principal balance.

Loss severity is the percentage of contractual cash flows lost in the event of a default.

Prepayment rate is the estimated rate at which forecasted prepayments of principal of the related loan or debt instrument are expected to occur, expressed as a constant prepayment rate (CPR).

Utilization rate is the estimated rate in which incremental portions of existing reverse mortgage credit lines are expected to be drawn by borrowers, expressed as an annualized rate.

Volatility factor is the extent of change in price an item is estimated to fluctuate over a specified period of time expressed as a percentage of relative change in price over a period over time.

Weighted average life is the weighted average number of years an investment is expected to remain outstanding, based on its expected cash flows reflecting the estimated date the issuer will call or extend the maturity of the instrument or otherwise reflecting an estimate of the timing of an instrument s cash flows whose timing is not contractually fixed.

Significant Recurring Level 3 Fair Value Asset and Liability Input Sensitivity

We generally use discounted cash flow or similar internal modeling techniques to determine the fair value of our Level 3 assets and liabilities. Use of these techniques requires determination of relevant inputs and assumptions, some of which represent significant unobservable inputs as indicated in the preceding table. Accordingly, changes in these unobservable inputs may have a significant impact on fair value.

Certain of these unobservable inputs will (in isolation) have a directionally consistent impact on the fair value of the instrument for a given change in that input. Alternatively, the fair value of the instrument may move in an opposite direction for a given change in another input. Where multiple inputs are used within the valuation technique of an asset or liability, a

Table of Contents

change in one input in a certain direction may be offset by an opposite change in another input having a potentially muted impact to the overall fair value of that particular instrument. Additionally, a change in one unobservable input may result in a change to another unobservable input (that is, changes in certain inputs are interrelated to one another), which may counteract or magnify the fair value impact.

SECURITIES, LOANS and MORTGAGES HELD FOR SALE The fair values of predominantly all Level 3 trading securities, mortgages held for sale, loans and securities available for sale have consistent inputs, valuation techniques and correlation to changes in underlying inputs. The internal models used to determine fair value for these Level 3 instruments use certain significant unobservable inputs within a discounted cash flow or market comparable pricing valuation technique. Such inputs include discount rate, prepayment rate, default rate, loss severity, utilization rate and weighted average life.

These Level 3 assets would decrease (increase) in value based upon an increase (decrease) in discount rate, default rate, loss severity, or weighted average life inputs. Conversely, the fair value of these Level 3 assets would generally increase (decrease) in value if the prepayment rate input were to increase (decrease) or if the utilization rate input were to increase (decrease).

Generally, a change in the assumption used for default rate is accompanied by a directionally similar change in the risk premium component of the discount rate (specifically, the portion related to credit risk) and a directionally opposite change in the assumption used for prepayment rates. Unobservable inputs for loss severity, utilization rate and weighted average life do not increase or decrease based on movements in the other significant unobservable inputs for these Level 3 assets.

DERIVATIVE INSTRUMENTS Level 3 derivative instruments are valued using market comparable pricing, option pricing and discounted cash flow valuation techniques. We utilize certain unobservable inputs within these techniques to determine the fair value of the Level 3 derivative instruments. The significant unobservable inputs consist of credit spread, a comparability adjustment, prepayment rate, default rate, loss severity, initial value servicing, fall-out factor, volatility factor, and correlation factor.

Level 3 derivative assets (liabilities) would decrease (increase) in value upon an increase (decrease) in default rate, fall-out factor, credit spread or loss severity inputs. Conversely, Level 3 derivative assets (liabilities) would increase (decrease) in value upon an increase (decrease) in prepayment rate, initial-value servicing or volatility factor inputs. The correlation factor and comparability adjustment inputs may have a positive or negative impact on the fair value of these derivative instruments depending on the change in value of the item the correlation factor and comparability adjustment is referencing. The correlation factor and comparability adjustment is considered independent from movements in other significant unobservable inputs for derivative instruments.

Generally, for derivative instruments for which we are subject to changes in the value of the underlying referenced instrument, change in the assumption used for default rate is accompanied by directionally similar change in the risk premium component of the discount rate (specifically, the portion related to credit risk) and a directionally opposite change in the assumption used for prepayment rates. Unobservable inputs for loss severity, fall-out factor, initial-value servicing, and volatility do not increase or decrease based on movements in other significant unobservable inputs for these Level 3 instruments.

MORTGAGE SERVICING RIGHTS We use a discounted cash flow valuation technique to determine the fair value of Level 3 mortgage servicing rights. These models utilize certain significant unobservable inputs including prepayment rate, discount rate and costs to service. An increase in any of these unobservable inputs will reduce the fair value of the mortgage servicing rights and alternatively, a decrease in any one of these inputs would result in the mortgage servicing rights increasing in value. Generally, a change in the assumption used for the default rate is accompanied by a directionally similar change in the assumption used for cost to service and a directionally opposite change in the assumption used for prepayment. The sensitivity of our residential MSRs is discussed further in Note 7.

Table of Contents

Note 13: Fair Values of Assets and Liabilities *(continued)*

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

We may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from application of LOCOM accounting or write-downs of individual

assets. For assets measured at fair value on a nonrecurring basis in the quarter ended March 31, 2013 and year ended December 31, 2012, that were still held in the balance sheet at each respective period end, the following table provides the fair value hierarchy and the fair value of the related individual assets or portfolios at period end.

	March 31, 2013				December 31, 2012			
(in millions)	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Mortgages held for sale (LOCOM) (1)	**$**	**2,155**	**1,042**	**3,197**		1,509	1,045	2,554
Loans held for sale						4		4
Loans:								
Commercial		**228**	**3**	**231**		1,507		1,507
Consumer		**1,541**	**4**	**1,545**		5,889	4	5,893
Total loans (2)		**1,769**	**7**	**1,776**		7,396	4	7,400
Other assets (3)		**290**	**66**	**356**		989	144	1,133

(1) Predominantly real estate 1-4 family first mortgage loans.
(2) Represents carrying value of loans for which adjustments are based on the appraised value of the collateral.
(3) Includes the fair value of foreclosed real estate and other collateral owned that were measured at fair value subsequent to their initial classification as foreclosed assets.

The following table presents the increase (decrease) in value of certain assets that are measured at fair value on a nonrecurring basis for which a fair value adjustment has been recognized in the periods presented.

	Quarter ended March 31,	
(in millions)	**2013**	2012
Mortgages held for sale (LOCOM)	**$ 39**	48
Loans held for sale		(1)
Loans:		
Commercial	**(91)**	(301)
Consumer (1)	**(907)**	(1,203)
Total loans	**(998)**	(1,504)
Other assets (2)	**(79)**	(140)
Total	**$ (1,038)**	(1,597)

(1) Represents write-downs of loans based on the appraised value of the collateral.
(2) Includes the losses on foreclosed real estate and other collateral owned that were measured at fair value subsequent to their initial classification as foreclosed assets.

132

Table of Contents

The table below provides quantitative information about the valuation techniques and significant unobservable inputs used in the valuation of substantially all of our Level 3 assets and liabilities measured at fair value on a nonrecurring basis for which we use an internal model.

We have excluded from the table classes of Level 3 assets and liabilities measured using an internal model that we consider,

both individually and in the aggregate, insignificant relative to our overall Level 3 nonrecurring measurements. We made this determination based upon an evaluation of each class which considered the magnitude of the positions, nature of the unobservable inputs and potential for significant changes in fair value due to changes in those inputs.

($ in millions)	Fair Value Level 3	Valuation Technique(s) (1)	Significant Unobservable Inputs (1)	Range of inputs	Weighted Average (2)
March 31, 2013					
Residential mortgages held for sale (LOCOM)	**$ 1,042(3)**	**Discounted cash flow**	**Default rate(4)**	**1.1 - 6.5%**	**3.0%**
			Discount rate	**4.0 - 11.8**	**10.7**
			Loss severity	**2.0 - 42.6**	**5.8**
			Prepayment rate(5)	**1.0 - 100.0**	**66.3**
Insignificant level 3 assets	**73**				
Total	**1,115**				
December 31, 2012					
Residential mortgages held for sale (LOCOM)	$ 1,045(3)	Discounted cash flow	Default rate(4)	2.9 - 21.2%	7.9%
			Discount rate	4.1 - 11.9	10.9
			Loss severity	2.0 - 45.0	6.0
			Prepayment rate(5)	1.0 - 100.0	66.7
Insignificant level 3 assets	148				
Total	1,193				

(1) Refer to the narrative following the recurring quantitative Level 3 table of this Note for a definition of the valuation technique(s) and significant unobservable inputs.
(2) Weighted averages are calculated using outstanding unpaid principal balance of the loans.
(3) Consists of approximately $942 million government insured/guaranteed loans purchased from GNMA-guaranteed mortgage securitization, for both March 31, 2013 and December 31, 2012, and $100 million and $103 million of other mortgage loans which are not government insured/guaranteed for March 31, 2013 and December 31, 2012, respectively.
(4) Applies only to non-government insured/guaranteed loans.
(5) Includes the impact on prepayment rate of expected defaults for the government insured/guaranteed loans, which impacts the frequency and timing of early resolution of loans.

Alternative Investments

The following table summarizes our investments in various types of funds, which are included in trading assets, securities available for sale and other assets. We use the funds net asset

values (NAVs) per share as a practical expedient to measure fair value on recurring and nonrecurring bases. The fair values presented in the table are based upon the funds NAVs or an equivalent measure.

(in millions)	**Fair value**	**Unfunded commitments**	**Redemption frequency**	**Redemption notice period**

March 31, 2013				
Offshore funds	**$ 444**	**-**	**Daily - Annually**	**1 - 180 days**
Funds of funds	**1**	**-**	**Quarterly**	**90 days**
Hedge funds	**2**	**-**	**Daily - Annually**	**5 - 95 days**
Private equity funds	**773**	**183**	**N/A**	**N/A**
Venture capital funds	**78**	**19**	**N/A**	**N/A**
Total	**$ 1,298**	**202**		
December 31, 2012				
Offshore funds	$ 379	-	Daily - Annually	1 -180 days
Funds of funds	1	-	Quarterly	90 days
Hedge funds	2	-	Daily - Annually	5 - 95 days
Private equity funds	807	195	N/A	N/A
Venture capital funds	82	21	N/A	N/A
Total	$ 1,271	216		

N/A - Not applicable

Offshore funds primarily invest in investment grade European fixed-income securities. Redemption restrictions are in place for these investments with a fair value of $216 million

and $189 million at March 31, 2013 and December 31, 2012, respectively, due to lock-up provisions that will remain in effect until February 2016.

Table of Contents

Note 13: Fair Values of Assets and Liabilities ***(continued)***

Private equity funds invest in equity and debt securities issued by private and publicly-held companies in connection with leveraged buyouts, recapitalizations and expansion opportunities. Substantially all of these investments do not allow redemptions. Alternatively, we receive distributions as the underlying assets of the funds liquidate, which we expect to occur over the next eight years.

Venture capital funds invest in domestic and foreign companies in a variety of industries, including information technology, financial services and healthcare. These investments can never be redeemed with the funds. Instead, we receive distributions as the underlying assets of the fund liquidate, which we expect to occur over the next five years.

Table of Contents

Fair Value Option

We measure MHFS at fair value for prime MHFS originations for which an active secondary market and readily available market prices exist to reliably support fair value pricing models used for these loans. Loan origination fees on these loans are recorded when earned, and related direct loan origination costs are recognized when incurred. We also measure at fair value certain of our other interests held related to residential loan sales and securitizations. We believe fair value measurement for prime MHFS and other interests held, which we hedge with free-standing derivatives (economic hedges) along with our MSRs measured at fair value, reduces certain timing differences and better matches changes in the value of these assets with changes in the value of derivatives used as economic hedges for these assets.

We elected to measure certain LHFS portfolios at fair value in conjunction with customer accommodation activities, to better align the measurement basis of the assets held with our management objectives given the trading nature of these portfolios. In addition, we elected to measure at fair value certain letters of credit and nonmarketable equity securities that are hedged with derivative instruments to better reflect the economics of the transactions. The letters of credit are included

in trading account assets or liabilities, and the nonmarketable equity securities are included in other assets.

Loans that we measure at fair value consist predominantly of reverse mortgage loans previously transferred under a GNMA reverse mortgage securitization program accounted for as a secured borrowing. Before the transfer, they were classified as MHFS measured at fair value and, as such, remain carried on our balance sheet under the fair value option.

Similarly, we may elect fair value option for the assets and liabilities of certain consolidated VIEs. This option is generally elected for newly consolidated VIEs for which predominantly all of our interests, prior to consolidation, are carried at fair value with changes in fair value recorded to earnings. Accordingly, such an election allows us to continue fair value accounting through earnings for those interests and eliminate income statement mismatch otherwise caused by differences in the measurement basis of the consolidated VIEs assets and liabilities.

The following table reflects the differences between fair value carrying amount of certain assets and liabilities for which we have elected the fair value option and the contractual aggregate unpaid principal amount at maturity.

	March 31, 2013			December 31, 2012		
(in millions)	**Fair value carrying amount**	**Aggregate unpaid principal**	**Fair value carrying amount less aggregate unpaid principal**	Fair value carrying amount	Aggregate unpaid principal	Fair value carrying amount less aggregate unpaid principal
Mortgages held for sale:						
Total loans	**$ 42,624**	**41,907**	**717 (1)**	42,305	41,183	1,122(1)
Nonaccrual loans	**336**	**633**	**(297)**	309	655	(346)
Loans 90 days or more past due and still accruing	**49**	**66**	**(17)**	49	64	(15)
Loans held for sale:						
Total loans	**-**	**9**	**(9)**	6	10	(4)
Nonaccrual loans	**-**	**6**	**(6)**	2	6	(4)
Loans:						
Total loans	**6,183**	**5,693**	**490**	6,206	5,669	537
Nonaccrual loans	**112**	**110**	**2**	89	89	-
Other assets	**197**	**n/a**	**n/a**	-	n/a	n/a
Long-term debt	**-**	**(199)**	**199 (2)**	(1)	(1,157)	1,156(2)

(1) The difference between fair value carrying amount and aggregate unpaid principal includes changes in fair value recorded at and subsequent to funding, gains and losses on the related loan commitment prior to funding, and premiums on acquired loans.
(2) Represents collateralized, non-recourse debt securities issued by certain of our consolidated securitization VIEs that are held by third party investors. To the extent cash flows from the underlying collateral are not sufficient to pay the unpaid principal amount of the debt, those third party investors absorb losses.

Table of Contents

Note 13: Fair Values of Assets and Liabilities ***(continued)***

The assets and liabilities accounted for under the fair value option are initially measured at fair value. Gains and losses from initial measurement and subsequent changes in fair value are recognized in earnings. The changes in fair value related to

initial measurement and subsequent changes in fair value included in earnings for these assets and liabilities measured at fair value are shown, by income statement line item, below.

	2013			2012		
(in millions)	**Mortgage banking noninterest income**	**Net gains (losses) from trading activities**	**Other noninterest income**	Mortgage banking noninterest income	Net gains (losses) from trading activities	Other noninterest income
Quarter ended March 31,						
Mortgages held for sale	**$ 973**	**-**	**-**	1,795	-	1
Loans held for sale	**-**	**-**	**-**	-	-	13
Loans	**-**	**-**	**(47)**	-	-	42
Other assets	**-**	**-**	**14**	-	-	-
Other interests held	**-**	**(7)**	**6**	-	(9)	23

For performing loans, instrument-specific credit risk gains or losses were derived principally by determining the change in fair value of the loans due to changes in the observable or implied credit spread. Credit spread is the market yield on the loans less the relevant risk-free benchmark interest rate. In recent years spreads have been significantly affected by the lack of liquidity in the secondary market for mortgage loans. For nonperforming loans, we attribute all changes in fair value to instrument-specific credit risk. The following table shows the estimated gains and losses from earnings attributable to instrument-specific credit risk related to assets accounted for under the fair value option.

	Quarter ended March 31,	
(in millions)	**2013**	2012
Gains (losses) attributable to instrument-specific credit risk:		
Mortgages held for sale	**$ 37**	(39)
Loans held for sale	**-**	13
Total	**$ 37**	(26)

Table of Contents

Disclosures about Fair Value of Financial Instruments

The table below is a summary of fair value estimates for financial instruments, excluding financial instruments recorded at fair value on a recurring basis as they are included within the Assets and Liabilities Recorded at Fair Value on a Recurring Basis table included earlier in this Note. The carrying amounts in the following table are recorded in the balance sheet under the indicated captions.

We have not included assets and liabilities that are not financial instruments in our disclosure, such as the value of the long-term relationships with our deposit, credit card and trust customers, amortized MSRs, premises and equipment, goodwill and other intangibles, deferred taxes and other liabilities. The total of the fair value calculations presented does not represent, and should not be construed to represent, the underlying value of the Company.

		Estimated fair value			
(in millions)	Carrying amount	Level 1	Level 2	Level 3	Total
March 31, 2013					
Financial assets					
Cash and due from banks (1)	**$ 16,217**	**16,217**	**-**	**-**	**16,217**
Federal funds sold, securities purchased under resale agreements and other short-term investments (1)	**143,804**	**4,505**	**139,299**	**-**	**143,804**
Mortgages held for sale (2)	**4,078**	**-**	**3,032**	**1,042**	**4,074**
Loans held for sale (2)	**194**	**-**	**190**	**13**	**203**
Loans, net (3)	**764,756**	**-**	**57,607**	**717,077**	**774,684**
Nonmarketable equity investments (cost method)	**6,649**	**-**	**2**	**8,146**	**8,148**
Financial liabilities					
Deposits	**1,010,733**	**-**	**956,330**	**55,308**	**1,011,638**
Short-term borrowings (1)	**60,693**	**-**	**60,693**	**-**	**60,693**
Long-term debt (4)	**126,179**	**-**	**118,812**	**10,842**	**129,654**
December 31, 2012					
Financial assets					
Cash and due from banks (1)	$ 21,860	21,860	-	-	21,860
Federal funds sold, securities purchased under resale agreements and other short-term investments (1)	137,313	5,046	132,267	-	137,313
Mortgages held for sale (2)	4,844	-	3,808	1,045	4,853
Loans held for sale (2)	104	-	83	29	112
Loans, net (3)	763,968	-	56,237	716,114	772,351
Nonmarketable equity investments (cost method)	6,799	-	2	8,229	8,231
Financial liabilities					
Deposits	1,002,835	-	946,922	57,020	1,003,942
Short-term borrowings (1)	57,175	-	57,175	-	57,175
Long-term debt (4)	127,366	-	119,220	11,063	130,283

(1) Amounts consist of financial instruments in which carrying value approximates fair value.
(2) Balance reflects MHFS and LHFS, as applicable, other than those MHFS and LHFS for which election of the fair value option was made.
(3) Loans exclude balances for which the fair value option was elected and also exclude lease financing with a carrying amount of $12.4 billion at both March 31, 2013 and December 31, 2012, respectively.
(4) The carrying amount and fair value exclude balances for which the fair value option was elected and obligations under capital leases of $12 million at both March 31, 2013 and December 31, 2012, respectively.

Loan commitments, standby letters of credit and commercial and similar letters of credit are not included in the table above. A reasonable estimate of the fair value of these instruments is the carrying value of deferred fees plus the related allowance. This amounted to $629 million and $586 million at March 31, 2013 and December 31, 2012, respectively.

Table of Contents

Note 14: Preferred Stock

We are authorized to issue 20 million shares of preferred stock and 4 million shares of preference stock, both without par value. Preferred shares outstanding rank senior to common shares both as to dividends and liquidation preference but have no general voting rights. We have not issued any preference shares under this authorization. If issued, preference shares would be limited to one vote per share. Our total issued and outstanding

preferred stock includes Dividend Equalization Preferred (DEP) shares and Series I, J, K, L, N, O and P which are presented in the following two tables, and Employee Stock Ownership Plan (ESOP) Cumulative Convertible Preferred Stock, which is presented in the second table below and the table on the following page.

	March 31, 2013		December 31, 2012	
	Liquidation preference per share	**Shares authorized and designated**	Liquidation preference per share	Shares authorized and designated
DEP Shares				
Dividend Equalization Preferred Shares	**$ 10**	**97,000**	$ 10	97,000
Series G				
7.25% Class A Preferred Stock	**15,000**	**50,000**	15,000	50,000
Series H				
Floating Class A Preferred Stock	**20,000**	**50,000**	20,000	50,000
Series I				
Floating Class A Preferred Stock	**100,000**	**25,010**	100,000	25,010
Series J				
8.00% Non-Cumulative Perpetual Class A Preferred Stock	**1,000**	**2,300,000**	1,000	2,300,000
Series K				
7.98% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**1,000**	**3,500,000**	1,000	3,500,000
Series L				
7.50% Non-Cumulative Perpetual Convertible Class A Preferred Stock	**1,000**	**4,025,000**	1,000	4,025,000
Series N				
5.20% Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**30,000**	25,000	30,000
Series O				
5.125% Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**27,600**	25,000	27,600
Series P				
5.25% Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**26,400**	-	-
Total		**10,131,010**		10,104,610

(in millions, except shares)	March 31, 2013 Shares issued and outstanding	Par value	Carrying value	Discount	December 31, 2012 Shares issued and outstanding	Par value	Carrying value	Discount
DEP Shares								
Dividend Equalization Preferred Shares	**96,546**	**$ -**	**-**	**-**	96,546	$ -	-	-
Series I (1)								
Floating Class A Preferred Stock	**25,010**	**2,501**	**2,501**	**-**	25,010	2,501	2,501	-
Series J (1)								
8.00% Non-Cumulative Perpetual Class A Preferred Stock	**2,150,375**	**2,150**	**1,995**	**155**	2,150,375	2,150	1,995	155
Series K (1)								
7.98% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**3,352,000**	**3,352**	**2,876**	**476**	3,352,000	3,352	2,876	476
Series L (1)								
7.50% Non-Cumulative Perpetual Convertible Class A Preferred Stock	**3,968,000**	**3,968**	**3,200**	**768**	3,968,000	3,968	3,200	768
Series N (1)								
5.20% Non-Cumulative Perpetual Class A Preferred Stock	**30,000**	**750**	**750**	**-**	30,000	750	750	-
Series O (1)								
5.125% Non-Cumulative Perpetual Class A Preferred Stock	**26,000**	**650**	**650**	**-**	26,000	650	650	-
Series P (1)								
5.25% Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**625**	**625**	**-**	-	-	-	-
ESOP								
Cumulative Convertible Preferred Stock	**1,815,055**	**1,815**	**1,815**	**-**	910,934	911	911	-
Total	**11,487,986**	**$ 15,811**	**14,412**	**1,399**	10,558,865	$ 14,282	12,883	1,399

(1) Preferred shares qualify as Tier 1 capital.

Table of Contents

In March 2013, we issued 25 million Depositary Shares, each representing a 1/1,000th interest in a share of the Non-Cumulative Perpetual Class A Preferred Stock, Series P, for an aggregate public offering price of $625 million.

See Note 7 for additional information on our trust preferred securities. We do not have a commitment to issue Series G or H preferred stock.

ESOP CUMULATIVE CONVERTIBLE PREFERRED STOCK All shares of our ESOP Cumulative Convertible Preferred Stock (ESOP Preferred Stock) were issued to a trustee acting on behalf of the Wells Fargo & Company 401(k) Plan (the 401(k) Plan). Dividends on the ESOP Preferred Stock are cumulative from the

date of initial issuance and are payable quarterly at annual rates based upon the year of issuance. Each share of ESOP Preferred Stock released from the unallocated reserve of the 401(k) Plan is converted into shares of our common stock based on the stated value of the ESOP Preferred Stock and the then current market price of our common stock. The ESOP Preferred Stock is also convertible at the option of the holder at any time, unless previously redeemed. We have the option to redeem the ESOP Preferred Stock at any time, in whole or in part, at a redemption price per share equal to the higher of (a) $1,000 per share plus accrued and unpaid dividends or (b) the fair market value, as defined in the Certificates of Designation for the ESOP Preferred Stock.

	Shares issued and outstanding		Carrying value		Adjustable dividend rate	
(in millions, except shares)	**Mar. 31, 2013**	Dec. 31, 2012	**Mar. 31, 2013**	Dec. 31, 2012	Minimum	Maximum
ESOP Preferred Stock						
$1,000 liquidation preference per share						
2013	**904,121**	-	**$ 904**	-	8.50 %	11.00
2012	**245,604**	245,604	**246**	246	10.00	11.00
2011	**277,263**	277,263	**277**	277	9.00	10.00
2010	**201,011**	201,011	**201**	201	9.50	10.50
2008	**73,434**	73,434	**73**	73	10.50	11.50
2007	**53,768**	53,768	**54**	54	10.75	11.75
2006	**33,559**	33,559	**34**	34	10.75	11.75
2005	**18,882**	18,882	**19**	19	9.75	10.75
2004	**7,413**	7,413	**7**	7	8.50	9.50
Total ESOP Preferred Stock (1)	**1,815,055**	910,934	**$ 1,815**	911		
Unearned ESOP shares (2)			**$ (1,971)**	(986)		

(1) At March 31, 2013 and December 31, 2012, additional paid-in capital included $156 million and $75 million, respectively, related to ESOP preferred stock.
(2) We recorded a corresponding charge to unearned ESOP shares in connection with the issuance of the ESOP Preferred Stock. The unearned ESOP shares are reduced as shares of the ESOP Preferred Stock are committed to be released.

Table of Contents

Note 15: Employee Benefits

We sponsor a noncontributory qualified defined benefit retirement plan, the Wells Fargo & Company Cash Balance Plan (Cash Balance Plan), which covers eligible employees of

Wells Fargo. Benefits accrued under the Cash Balance Plan were frozen effective July 1, 2009.

The net periodic benefit cost was:

	2013			2012		
	Pension benefits			Pension benefits		
(in millions)	**Qualified**	**Non-qualified**	**Other benefits**	Qualified	Non-qualified	Other benefits
Quarter ended March 31,						
Service cost	**$ -**	**-**	**3**	-	-	3
Interest cost	**113**	**7**	**12**	128	8	15
Expected return on plan assets	**(171)**	**-**	**(9)**	(162)	-	(9)
Amortization of net actuarial loss	**42**	**4**	**-**	33	3	-
Amortization of prior service credit	**-**	**-**	**(1)**	-	-	(1)
Settlement	**-**	**4**	**-**	1	-	-
Net periodic benefit cost (income)	**$ (16)**	**15**	**5**	-	11	8

Table of Contents

Note 16: Earnings Per Common Share

The table below shows earnings per common share and diluted earnings per common share and reconciles the numerator and denominator of both earnings per common share calculations.

(in millions, except per share amounts)	Quarter ended March 31, 2013	2012
Wells Fargo net income	$ 5,171	4,248
Less: Preferred stock dividends and other (1)	240	226
Wells Fargo net income applicable to common stock (numerator)	$ 4,931	4,022
Earnings per common share		
Average common shares outstanding (denominator)	5,279.0	5,282.6
Per share	$ 0.93	0.76
Diluted earnings per common share		
Average common shares outstanding	5,279.0	5,282.6
Add: Stock options	28.8	24.9
Restricted share rights	43.9	30.3
Warrants	1.8	-
Diluted average common shares outstanding (denominator)	5,353.5	5,337.8
Per share	$ 0.92	0.75

(1) Includes $240 million and $219 million of preferred stock dividends for first quarter 2013 and 2012, respectively.

The following table presents the outstanding options and warrants to purchase shares of common stock that were anti-dilutive (the exercise price was higher than the weighted-average market price), and therefore not included in the calculation of diluted earnings per common share.

(in millions)	Weighted-average shares Quarter ended March 31, 2013	2012
Options	14.4	135.5
Warrants	-	39.2

Table of Contents

Note 17: Other Comprehensive Income

The components of other comprehensive income (OCI), reclassifications to net income by income statement line item, and the related tax effects were:

	Quarter ended March 31,					
	2013			2012		
(in millions)	**Before tax**	**Tax effect**	**Net of tax**	Before tax	Tax effect	Net of tax
Foreign currency translation adjustments:						
Net unrealized gains (losses) arising during the period	**$ (18)**	**2**	**(16)**	10	(4)	6
Securities available for sale:						
Net unrealized gains (losses) arising during the period	**(634)**	**230**	**(404)**	1,874	(704)	1,170
Reclassification of net (gains) losses to net income:						
Net (gains) losses on debt securities available for sale	**(45)**	**17**	**(28)**	7	(2)	5
Net gains from equity investments	**(68)**	**26**	**(42)**	(233)	82	(151)
Subtotal reclassifications to net income	**(113)**	**43**	**(70)**	(226)	80	(146)
Net unrealized gains (losses) arising during the period	**(747)**	**273**	**(474)**	1,648	(624)	1,024
Derivatives and hedging activities:						
Net unrealized gains arising during the period	**7**	**(2)**	**5**	42	(12)	30
Reclassification of net (gains) losses on cash flow hedges to net income:						
Interest income on loans	**(116)**	**47**	**(69)**	(129)	48	(81)
Interest expense on long-term debt	**27**	**(10)**	**17**	22	(8)	14
Salaries expense	**2**	**(1)**	**1**	-	-	-
Subtotal reclassifications to net income	**(87)**	**36**	**(51)**	(107)	40	(67)
Net unrealized losses arising during the period	**(80)**	**34**	**(46)**	(65)	28	(37)
Defined benefit plans adjustments:						
Net actuarial gains (losses) arising during the period	**6**	**(2)**	**4**	(5)	2	(3)
Reclassification of amounts to net periodic benefit costs (1):						
Amortization of net actuarial loss	**46**	**(18)**	**28**	36	(13)	23
Other	**3**	**(1)**	**2**	-	-	-
Subtotal reclassifications to net periodic benefit costs	**49**	**(19)**	**30**	36	(13)	23
Net gains arising during the period	**55**	**(21)**	**34**	31	(11)	20
Other comprehensive income (loss)	**$ (790)**	**288**	**(502)**	1,624	(611)	1,013
Less: Other comprehensive income from noncontrolling interests, net of tax			**3**			4
Wells Fargo other comprehensive income (loss), net of tax			**$ (505)**			1,009

(1) These items are included in the computation of net periodic benefit cost which is recorded in employee benefit expense (see Note 15 for additional details).

Table of Contents

Note 17: Other Comprehensive Income ***(continued)***

Cumulative OCI balances were:

(in millions)	Foreign currency translation adjustments	Securities available for sale	Derivatives and hedging activities	Defined benefit plans adjustments	Cumulative other comprehensive income
Quarter ended March 31, 2013					
Balance, beginning of period	**$ 80**	**7,462**	**289**	**(2,181)**	**5,650**
Net unrealized gains (losses) arising during the period	**(16)**	**(404)**	**5**	**4**	**(411)**
Amounts reclassified from accumulated other comprehensive income	**-**	**(70)**	**(51)**	**30**	**(91)**
Net change	**(16)**	**(474)**	**(46)**	**34**	**(502)**
Less: Other comprehensive income from noncontrolling interests	**-**	**3**	**-**	**-**	**3**
Balance, end of period	**$ 64**	**6,985**	**243**	**(2,147)**	**5,145**
Quarter ended March 31, 2012					
Balance, beginning of period	$ 90	4,413	490	(1,786)	3,207
Net unrealized gains (losses) arising during the period	6	1,170	30	(3)	1,203
Amounts reclassified from accumulated other comprehensive income	-	(146)	(67)	23	(190)
Net change	6	1,024	(37)	20	1,013
Less: Other comprehensive income from noncontrolling interests	-	4	-	-	4
Balance, end of period	$ 96	5,433	453	(1,766)	4,216

Table of Contents

Note 18: Operating Segments

We have three operating segments for management reporting: Community Banking; Wholesale Banking; and Wealth, Brokerage and Retirement. The results for these operating segments are based on our management accounting process, for which there is no comprehensive, authoritative guidance equivalent to GAAP for financial accounting. The management accounting process measures the performance of the operating segments based on our management structure and is not necessarily comparable with similar information for other financial services companies. We define our operating segments by product type and customer segment. If the management structure and/or the allocation process changes, allocations, transfers and assignments may change. In first quarter 2012, we modified internal funds transfer rates and the allocation of funding.

Community Banking offers a complete line of diversified financial products and services to consumers and small businesses with annual sales generally up to $20 million in which the owner generally is the financial decision maker. Community Banking also offers investment management and other services to retail customers and securities brokerage through affiliates. These products and services include the *Wells Fargo Advantage Funds*SM, a family of mutual funds. Loan products include lines of credit, auto floor plan lines, equity lines and loans, equipment and transportation loans, education loans, origination and purchase of residential mortgage loans and servicing of mortgage loans and credit cards. Other credit products and financial services available to small businesses and their owners include equipment leases, real estate and other commercial financing, Small Business Administration financing, venture capital financing, cash management, payroll services, retirement plans, Health Savings Accounts, credit cards, and merchant payment processing. Community Banking also offers private label financing solutions for retail merchants across the United States and purchases retail installment contracts from auto dealers in the United States and Puerto Rico. Consumer and business deposit products include checking accounts, savings deposits, market rate accounts, Individual Retirement Accounts, time deposits, global remittance and debit cards.

Community Banking serves customers through a complete range of channels, including traditional banking stores, in-store banking centers, business centers, ATMs, Online and Mobile Banking, and *Wells Fargo Customer Connection,* a 24-hours a day, seven days a week telephone service.

Wholesale Banking provides financial solutions to businesses across the United States with annual sales generally in excess of $20 million and to financial institutions globally. Wholesale Banking provides a complete line of commercial, corporate, capital markets, cash management and real estate banking products and services. These include traditional commercial loans and lines of credit, letters of credit, asset-based lending, equipment leasing, international trade facilities, trade financing, collection services, foreign exchange services, treasury management, investment management, institutional fixed-income sales, interest rate, commodity and equity risk management, online/electronic products such as the *Commercial Electronic Office*® (*CEO*®) portal, insurance, corporate trust fiduciary and agency services, and investment banking services. Wholesale Banking manages customer investments through institutional separate accounts and mutual funds, including the Wells Fargo Advantage Funds and Wells Capital Management. Wholesale Banking also supports the CRE market with products and services such as construction loans for commercial and residential development, land acquisition and development loans, secured and unsecured lines of credit, interim financing arrangements for completed structures, rehabilitation loans, affordable housing loans and letters of credit, permanent loans for securitization, CRE loan servicing and real estate and mortgage brokerage services.

Wealth, Brokerage and Retirement provides a full range of financial advisory services to clients using a planning approach to meet each client s needs. Wealth Management provides affluent and high net worth clients with a complete range of wealth management solutions, including financial planning, private banking, credit, investment management and trust. Abbot Downing, a Wells Fargo business, provides comprehensive wealth management services to ultra high net worth families and individuals as well as their endowments and foundations. Brokerage serves customers advisory, brokerage and financial needs as part of one of the largest full-service brokerage firms in the United States. Retirement is a national leader in providing institutional retirement and trust services (including 401(k) and pension plan record keeping) for businesses, retail retirement solutions for individuals, and reinsurance services for the life insurance industry.

Other includes corporate items (such as integration expenses related to the Wachovia merger) not specific to a business segment and elimination of certain items that are included in more than one business segment.

144

Table of Contents

(income/expense in millions, average balances in billions)	Community Banking 2013	Community Banking 2012	Wholesale Banking 2013	Wholesale Banking 2012	Wealth, Brokerage and Retirement 2013	Wealth, Brokerage and Retirement 2012	Other (1) 2013	Other (1) 2012	Consolidated Company 2013	Consolidated Company 2012
Quarter ended March 31,										
Net interest income (2)	**$ 7,119**	7,326	**3,005**	3,181	**669**	701	**(294)**	(320)	**10,499**	10,888
Provision (reversal of provision) for credit losses	**1,262**	1,878	**(58)**	95	**14**	43	**1**	(21)	**1,219**	1,995
Noninterest income	**5,780**	6,095	**3,081**	2,852	**2,528**	2,361	**(629)**	(560)	**10,760**	10,748
Noninterest expense	**7,377**	7,825	**3,091**	3,054	**2,639**	2,547	**(707)**	(433)	**12,400**	12,993
Income (loss) before income tax expense (benefit)	**4,260**	3,718	**3,053**	2,884	**544**	472	**(217)**	(426)	**7,640**	6,648
Income tax expense (benefit)	**1,288**	1,293	**1,007**	1,016	**207**	181	**(82)**	(162)	**2,420**	2,328
Net income (loss) before noncontrolling interests	**2,972**	2,425	**2,046**	1,868	**337**	291	**(135)**	(264)	**5,220**	4,320
Less: Net income (loss) from noncontrolling interests	**48**	77	**1**	-	**-**	(5)	**-**	-	**49**	72
Net income (loss) (3)	**$ 2,924**	2,348	**2,045**	1,868	**337**	296	**(135)**	(264)	**5,171**	4,248
Average loans	**$ 498.9**	486.1	**284.5**	268.6	**43.8**	42.5	**(29.1)**	(28.6)	**798.1**	768.6
Average assets	**799.6**	738.3	**496.1**	467.8	**180.3**	161.9	**(71.7)**	(65.1)	**1,404.3**	1,302.9
Average core deposits	**619.2**	575.2	**224.1**	220.9	**149.4**	135.6	**(66.8)**	(61.2)	**925.9**	870.5

(1) Includes Wachovia integration expenses, through completion in the first quarter of 2012, and the elimination of items that are included in both Community Banking and Wealth, Brokerage and Retirement, largely representing services and products for wealth management customers provided in Community Banking stores.

(2) Net interest income is the difference between interest earned on assets and the cost of liabilities to fund those assets. Interest earned includes actual interest earned on segment assets and, if the segment has excess liabilities, interest credits for providing funding to other segments. The cost of liabilities includes interest expense on segment liabilities and, if the segment does not have enough liabilities to fund its assets, a funding charge based on the cost of excess liabilities from another segment.

(3) Represents segment net income (loss) for Community Banking; Wholesale Banking; and Wealth, Brokerage and Retirement segments and Wells Fargo net income for the consolidated company.

Table of Contents

Note 19: Regulatory and Agency Capital Requirements

The Company and each of its subsidiary banks are subject to regulatory capital adequacy requirements promulgated by federal regulatory agencies. The Federal Reserve establishes capital requirements, including well capitalized standards, for the consolidated financial holding company, and the OCC has similar requirements for the Company s national banks, including Wells Fargo Bank, N.A.

We do not consolidate our wholly-owned trust (the Trust) formed solely to issue trust preferred and preferred purchase securities (the Securities). Securities issued by the Trust includable in Tier 1 capital were $2.1 billion at March 31, 2013. Since December 31, 2012, we have redeemed $2.8 billion of trust preferred securities. Under applicable regulatory capital guidelines issued by bank regulatory agencies, upon notice of redemption, the redeemed trust preferred securities no longer qualify as Tier 1 Capital for the Company. This redemption is

consistent with the Capital Plan the Company submitted to the Federal Reserve Board and the actions the Company previously announced on March 13, 2012.

Certain subsidiaries of the Company are approved seller/servicers, and are therefore required to maintain minimum levels of shareholders equity, as specified by various agencies, including the United States Department of Housing and Urban Development, GNMA, FHLMC and FNMA. At March 31, 2013, each seller/servicer met these requirements. Certain broker-dealer subsidiaries of the Company are subject to SEC Rule 15c3-1 (the Net Capital Rule), which requires that we maintain minimum levels of net capital, as defined. At March 31, 2013, each of these subsidiaries met these requirements.

The following table presents regulatory capital information for Wells Fargo & Company and Wells Fargo Bank, N.A.

	Wells Fargo & Company		Wells Fargo Bank, N.A.			
(in billions, except ratios)	**Mar. 31, 2013**	Dec. 31, 2012	**Mar. 31, 2013**	Dec. 31, 2012	Well-capitalized ratios (1)	Minimum capital ratios (1)
Regulatory capital:						
Tier 1	**$ 129.1**	126.6	**105.5**	101.3		
Total	**161.6**	157.6	**130.5**	124.8		
Assets:						
Risk-weighted	**$ 1,094.3**	1,077.1	**1,001.5**	1,002.0		
Adjusted average (2)	**1,354.5**	1,336.4	**1,211.3**	1,195.9		
Capital ratios:						
Tier 1 capital (3)	**11.80 %**	11.75	**10.54**	10.11	6.00	4.00
Total capital (3)	**14.76**	14.63	**13.03**	12.45	10.00	8.00
Tier 1 leverage (2)	**9.53**	9.47	**8.71**	8.47	5.00	4.00

(1) As defined by the regulations issued by the Federal Reserve, OCC and FDIC.
(2) The leverage ratio consists of Tier 1 capital divided by quarterly average total assets, excluding goodwill and certain other items. The minimum leverage ratio guideline is 3% for banking organizations that do not anticipate significant growth and that have well-diversified risk, excellent asset quality, high liquidity, good earnings, effective management and monitoring of market risk and, in general, are considered top-rated, strong banking organizations.
(3) Effective September 30, 2012, we refined our determination of the risk weighting of certain unused lending commitments that provide for the ability to issue standby letters of credit and commitments to issue standby letters of credit under syndication arrangements where we have an obligation to issue in a lead agent or similar capacity beyond our contractual participation level.

Table of Contents

Glossary of Acronyms

ACL	Allowance for credit losses
ALCO	Asset/Liability Management Committee
ARM	Adjustable-rate mortgage
ARS	Auction rate security
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
AVM	Automated valuation model
BCBS	Basel Committee on Bank Supervision
BHC	Bank holding company
CCAR	Comprehensive Capital Analysis and Review
CD	Certificate of deposit
CDO	Collateralized debt obligation
CLO	Collateralized loan obligation
CLTV	Combined loan-to-value
CPP	Capital Purchase Program
CPR	Constant prepayment rate
CRE	Commercial real estate
DPD	Days past due
ESOP	Employee Stock Ownership Plan
FAS	Statement of Financial Accounting Standards
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FFELP	Federal Family Education Loan Program
FHA	Federal Housing Administration
FHFA	Federal Housing Finance Agency
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation
FICO	Fair Isaac Corporation (credit rating)
FNMA	Federal National Mortgage Association
FRB	Board of Governors of the Federal Reserve System
FSB	Financial Stability Board
FTC	Federal Trade Commission
GAAP	Generally accepted accounting principles

GNMA	Government National Mortgage Association
GSE	Government-sponsored entity
HAMP	Home Affordability Modification Program
HPI	Home Price Index
HUD	Department of Housing and Urban Development
IFRS	International Financial Reporting Standards
LHFS	Loans held for sale
LIBOR	London Interbank Offered Rate
LIHTC	Low-Income Housing Tax Credit
LOCOM	Lower of cost or market value
LTV	Loan-to-value
MBS	Mortgage-backed security
MHA	Making Home Affordable programs
MHFS	Mortgages held for sale
MSR	Mortgage servicing right
MTN	Medium-term note
NAV	Net asset value
NPA	Nonperforming asset
OCC	Office of the Comptroller of the Currency
OCI	Other comprehensive income
OTC	Over-the-counter
OTTI	Other-than-temporary impairment
PCI Loans	Purchased credit-impaired loans
PTPP	Pre-tax pre-provision profit
RBC	Risk-based capital
ROA	Wells Fargo net income to average total assets
ROE	Wells Fargo net income applicable to common stock to average Wells Fargo common stockholders equity
SEC	Securities and Exchange Commission
S&P	Standard & Poor s
SPE	Special purpose entity
TARP	Troubled Asset Relief Program
TDR	Troubled debt restructuring
VA	Department of Veterans Affairs
VaR	Value-at-risk
VIE	Variable interest entity
WFCC	Wells Fargo Canada Corporation

Table of Contents

PART II OTHER INFORMATION

Item 1. Legal Proceedings

Information in response to this item can be found in Note 11 (Legal Actions) to Financial Statements in this Report which information is incorporated by reference into this item.

Item 1A. Risk Factors

Information in response to this item can be found under the Financial Review Risk Factors section in this Report which information is incorporated by reference into this item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table shows Company repurchases of its common stock for each calendar month in the quarter ended March 31, 2013.

Calendar month	Total number of shares repurchased (1)	Weighted-average price paid per share	Maximum number of shares that may yet be purchased under the authorization
January	230,885	$ 35.04	197,475,465
February	6,599,588	35.09	190,875,877
March (2)	9,804,818	34.99	181,071,059
Total	16,635,291		

(1) All shares were repurchased under an authorization covering up to 200 million shares of common stock approved by the Board of Directors and publicly announced by the Company on October 23, 2012. Unless modified or revoked by the Board, this authorization does not expire.

(2) Includes 5,808,061 shares at a weighted-average price paid per share of $34.43 repurchased in a private transaction.

The following table shows Company repurchases of the warrants for each calendar month in the quarter ended March 31, 2013.

Calendar month	Total number of warrants repurchased (1)	Average price paid per warrant	Maximum dollar value of warrants that may yet be purchased
January	-	$ -	451,944,402
February	-	-	451,944,402
March	-	-	451,944,402
Total	-		

(1) Warrants are purchased under the authorization covering up to $1 billion in warrants approved by the Board of Directors (ratified and approved on June 22, 2010). Unless modified or revoked by the Board, authorization does not expire.

Table of Contents

Item 6. Exhibits

A list of exhibits to this Form 10-Q is set forth on the Exhibit Index immediately preceding such exhibits and is incorporated herein by reference.

The Company s SEC file number is 001-2979. On and before November 2, 1998, the Company filed documents with the SEC under the name Norwest Corporation. The former Wells Fargo & Company filed documents under SEC file number 001-6214.

SIGNATURE

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

Dated: May 8, 2013

WELLS FARGO & COMPANY

By: /s/ RICHARD D. LEVY
Richard D. Levy
Executive Vice President and Controller

(Principal Accounting Officer)

149

Table of Contents

EXHIBIT INDEX

Exhibit Number	Description	Location
3(a)	Restated Certificate of Incorporation, as amended and in effect on the date hereof.	Filed herewith.
3(b)	By-Laws.	Incorporated by reference to Exhibit 3.1 to the Company s Current Report on Form 8-K filed January 28, 2011.
4(a)	See Exhibits 3(a) and 3(b).	
4(b)	The Company agrees to furnish upon request to the Commission a copy of each instrument defining the rights of holders of senior and subordinated debt of the Company.	
10(a)	Amendment to Directors Stock Compensation and Deferral Plan, effective January 1, 2013.	Filed herewith.
12(a)	Computation of Ratios of Earnings to Fixed Charges:	Filed herewith.

	Quarter ended Mar. 31,	
	2013	2012
Including interest on deposits	**7.08**	5.51
Excluding interest on deposits	**9.64**	7.58

12(b)	Computation of Ratios of Earnings to Fixed Charges and Preferred Dividends:	Filed herewith.

	Quarter ended Mar. 31,	
	2013	2012
Including interest on deposits	**5.52**	4.45
Excluding interest on deposits	**6.88**	5.61

Table of Contents

Exhibit Number	Description	Location
31(a)	Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31(b)	Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32(a)	Certification of Periodic Financial Report by Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and 18 U.S.C. § 1350.	Furnished herewith.
32(b)	Certification of Periodic Financial Report by Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and 18 U.S.C. § 1350.	Furnished herewith.
99(a)	Amendment of Consent Order dated effective February 28, 2013, between the Company and the Board of Governors of the Federal Reserve System.	Filed herewith.
99(b)	Amendment to Consent Order dated effective February 28, 2013, between Wells Fargo Bank, N.A. and the Comptroller of the Currency.	Filed herewith.
101	XBRL Instance Document	Filed herewith.
101	XBRL Taxonomy Extension Schema Document	Filed herewith.
101	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith.
101	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith.
101	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith.
101	XBRL Taxonomy Extension Definitions Linkbase Document	Filed herewith.