

WELLS FARGO & COMPANY/MN  
Form 10-Q  
November 06, 2013

**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 September 30, 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  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  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 | <input type="checkbox"/>   | Accelerated filer         | <input type="checkbox"/> |
| Non accelerated filer   | <input type="checkbox"/> (Do not check if a smaller reporting company) | Smaller reporting company | <input type="checkbox"/> |

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

Yes  No

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

Shares Outstanding

October 31, 2013

Common stock, \$1-2/3 par value  
5,267,598,642

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| <b>PART I - FINANCIAL INFORMATION</b>             |               |          |           |                        |           |                   |           |        |             |
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| <b>FINANCIAL REVIEW</b>                           |               |          |           |                        |           |                   |           |        |             |
| <b>Summary Financial Data</b>                     |               |          |           |                        |           |                   |           |        |             |
|   |               |          |           |                        |           |                   |           |        | %<br>Change |
|   | Quarter ended |          |           | Sept. 30, 2013<br>from |           | Nine months ended |           |        |             |
|   | Sept. 30,     | June 30, | Sept. 30, | June 30,               | Sept. 30, | Sept. 30,         | Sept. 30, |        | %           |
| (\$ in millions, except per share amounts)        | 2013          | 2013     | 2012      | 2013                   | 2012      | 2013              | 2012      | Change |             |
| <b>For the Period</b>                             |               |          |           |                        |           |                   |           |        |             |
| Wells Fargo net income                            | \$ 5,578      | 5,519    | 4,937     | 1                      | 13        | 16,268            | 13,807    | 18     | %           |
| Wells Fargo net income applicable to common stock | 5,317         | 5,272    | 4,717     | 1                      | 13        | 15,520            | 13,142    | 18     | %           |
| Diluted earnings per common share                 | 0.99          | 0.98     | 0.88      | 1                      | 13        | 2.89              | 2.45      | 18     | %           |
| Profitability ratios (annualized):                |               |          |           |                        |           |                   |           |        |             |
| Wells Fargo net income to average assets (ROA)    | 1.53 %        | 1.55     | 1.45      | (1)                    | 6         | 1.52              | 1.39      | 9      | %           |

|   |                   |           |           |     |     |                  |           |      |  |
|---|-------------------|-----------|-----------|-----|-----|------------------|-----------|------|--|
| Wells Fargo net income applicable         |                   |           |           |     |     |                  |           |      |  |
| to common stock to average                |                   |           |           |     |     |                  |           |      |  |
| Wells Fargo common                        |                   |           |           |     |     |                  |           |      |  |
| stockholders' equity (ROE)                | <b>14.07</b>      | 14.02     | 13.38     | -   | 5   | <b>13.92</b>     | 12.81     | 9    |  |
| Efficiency ratio (1)                      | <b>59.1</b>       | 57.3      | 57.1      | 3   | 4   | <b>58.2</b>      | 58.5      | (1)  |  |
| Total revenue                             | \$ <b>20,478</b>  | 21,378    | 21,213    | (4) | (3) | <b>63,115</b>    | 64,138    | (2)  |  |
| Pre-tax pre-provision profit (PTPP) (2)   | <b>8,376</b>      | 9,123     | 9,101     | (8) | (8) | <b>26,358</b>    | 26,636    | (1)  |  |
| Dividends declared per common share       | <b>0.30</b>       | 0.30      | 0.22      | -   | 36  | <b>0.85</b>      | 0.66      | 29   |  |
| Average common shares outstanding         | <b>5,295.3</b>    | 5,304.7   | 5,288.1   | -   | -   | <b>5,293.0</b>   | 5,292.7   | -    |  |
| Diluted average common shares outstanding | <b>5,381.7</b>    | 5,384.6   | 5,355.6   | -   | -   | <b>5,374.7</b>   | 5,355.7   | -    |  |
| Average loans                             | \$ <b>804,779</b> | 800,241   | 776,734   | 1   | 4   | <b>801,056</b>   | 771,200   | 4    |  |
| Average assets                            | <b>1,449,610</b>  | 1,429,005 | 1,354,340 | 1   | 7   | <b>1,427,812</b> | 1,326,384 | 8    |  |
| Average core deposits (3)                 | <b>940,279</b>    | 936,090   | 895,374   | -   | 5   | <b>934,131</b>   | 882,224   | 6    |  |
| Average retail core deposits (4)          | <b>670,335</b>    | 666,043   | 630,053   | 1   | 6   | <b>666,393</b>   | 623,671   | 7    |  |
| Net interest margin                       | <b>3.38</b> %     | 3.46      | 3.66      | (2) | (8) | <b>3.44</b>      | 3.82      | (10) |  |



| At Period End                   |    |                  |           |           |     |      |                  |           |      |
|---------------------------------|----|------------------|-----------|-----------|-----|------|------------------|-----------|------|
| Securities available for sale   | \$ | <b>259,399</b>   | 249,439   | 229,350   | 4   | 13   | <b>259,399</b>   | 229,350   | 13   |
| Loans                           |    | <b>812,325</b>   | 801,974   | 782,630   | 1   | 4    | <b>812,325</b>   | 782,630   | 4    |
| Allowance for loan losses       |    | <b>15,159</b>    | 16,144    | 17,385    | (6) | (13) | <b>15,159</b>    | 17,385    | (13) |
| Goodwill                        |    | <b>25,637</b>    | 25,637    | 25,637    | -   | -    | <b>25,637</b>    | 25,637    | -    |
| Assets                          |    | <b>1,488,055</b> | 1,440,563 | 1,374,715 | 3   | 8    | <b>1,488,055</b> | 1,374,715 | 8    |
| Core deposits (3)               |    | <b>947,805</b>   | 941,158   | 901,075   | 1   | 5    | <b>947,805</b>   | 901,075   | 5    |
| Wells Fargo stockholders equity |    | <b>167,165</b>   | 162,421   | 154,679   | 3   | 8    | <b>167,165</b>   | 154,679   | 8    |
| Total equity                    |    | <b>168,813</b>   | 163,777   | 156,059   | 3   | 8    | <b>168,813</b>   | 156,059   | 8    |
| Tier 1 capital (5)              |    | <b>137,468</b>   | 132,969   | 122,741   | 3   | 12   | <b>137,468</b>   | 122,741   | 12   |
| Total capital (5)               |    | <b>171,329</b>   | 164,998   | 154,888   | 4   | 11   | <b>171,329</b>   | 154,888   | 11   |
| Capital ratios:                 |    |                  |           |           |     |      |                  |           |      |
| Total equity to assets          |    | <b>11.34</b> %   | 11.37     | 11.35     | -   | -    | <b>11.34</b>     | 11.35     | -    |
| Risk-based capital (5):         |    |                  |           |           |     |      |                  |           |      |
| Tier 1 capital                  |    | <b>12.11</b>     | 12.12     | 11.50     | -   | 5    | <b>12.11</b>     | 11.50     | 5    |
| Total capital                   |    | <b>15.09</b>     | 15.03     | 14.51     | -   | 4    | <b>15.09</b>     | 14.51     | 4    |
| Tier 1 leverage (5)             |    | <b>9.76</b>      | 9.63      | 9.40      | 1   | 4    | <b>9.76</b>      | 9.40      | 4    |
| Tier 1 common equity (6)        |    | <b>10.60</b>     | 10.71     | 9.92      | (1) | 7    | <b>10.60</b>     | 9.92      | 7    |
| Common shares outstanding       |    | <b>5,273.7</b>   | 5,302.2   | 5,289.6   | (1) | -    | <b>5,273.7</b>   | 5,289.6   | -    |
| Book value per common share     | \$ | <b>28.98</b>     | 28.26     | 27.10     | 3   | 7    | <b>28.98</b>     | 27.10     | 7    |
| Common stock price:             |    |                  |           |           |     |      |                  |           |      |
| High                            |    | <b>44.79</b>     | 41.74     | 36.60     | 7   | 22   | <b>44.79</b>     | 36.60     | 22   |

|     |   |  |  |                |         |         |     |    |                |         |    |
|-----|---|--|--|----------------|---------|---------|-----|----|----------------|---------|----|
|     | Low   |  |  | <b>40.79</b>   | 36.19   | 32.62   | 13  | 25 | <b>34.43</b>   | 27.94   | 23 |
|     | Period end  |  |  | <b>41.32</b>   | 41.27   | 34.53   | -   | 20 | <b>41.32</b>   | 34.53   | 20 |
|     | Team members (active, full-time equivalent)   |  |  | <b>270,600</b> | 274,300 | 267,000 | (1) | 1  | <b>270,600</b> | 267,000 | 1  |
|     |   |  |  |                |         |         |     |    |                |         |    |
|     |   |  |  |                |         |         |     |    |                |         |    |
| (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.   |  |  |                |         |         |     |    |                |         |    |

*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 for terms used throughout this Report.*

## **Financial Review**

### **Overview**

Wells Fargo & Company is a nationwide, diversified, community-based financial services company with \$1.5 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 270,000 active, full-time equivalent team members, we serve one in three households in the United States and rank No. 25 on *Fortune’s* 2013 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 September 30, 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**

We continued to demonstrate the benefit of our diversified business model by generating record earnings in third quarter 2013 along with continued strength in return on assets (ROA), return on equity (ROE) and capital. Wells Fargo net income was \$5.6 billion in third quarter 2013 with record diluted earnings per share of \$0.99. Net income

and diluted earnings per share (EPS) increased at double-digit rates (13%) compared with third quarter 2012. This was our 15<sup>th</sup> consecutive quarter of EPS growth and 10<sup>th</sup> consecutive quarter of record EPS. While the drivers of our earnings growth over this period have differed, reflecting the changing economic and interest rate environment, our focus on meeting our customers' financial needs has remained the same. The economy continued its pace of moderate growth with gains in consumer spending, business investment and employment. While the recovery remains uneven, there were many positive signs including increased small business optimism and improvements in household net worth with household leverage lower than any time since 2002, which provides capacity for consumer spending and borrowing going forward. The housing market also continued to demonstrate strong momentum. While, as expected, higher interest rates reduced mortgage refinancing activity during the quarter, home price appreciation and affordability both remained strong. This improvement benefited our customers and contributed to our overall credit performance.

Our results this quarter reflected the dynamic environment we are in and the benefit of our diversity. Compared with a year ago:

- our core loan portfolio grew by \$44.2 billion, up 6%. This strong performance was broad based with growth in our commercial and consumer portfolios reflecting organic growth and the acquisition of two commercial real estate portfolios;
- our credit performance was strong, as we continued to benefit from our conservative underwriting and improving economic conditions, especially in housing, with net charge-offs down to 48 basis points (annualized) and our total net charge-off dollars down 59%;
- our deposit franchise continued to generate strong growth with average deposits up \$79.1 billion while we reduced total deposit costs by 6 basis points to 12 basis points;
- we deepened relationships across our Company, achieving record retail banking cross-sell of 6.15 products per household (August 2013); Wholesale Banking grew to 7.0 products (June 2013) and Wealth, Brokerage and Retirement cross-sell increased to 10.41 products (August 2013);
- we had very strong returns as ROA increased by 8 basis points to 1.53% and ROE increased by 69 basis points to 14.07%; and
- our capital levels continued to grow and our estimated Tier I common equity ratio under Basel III increased to 9.56%, surpassing our stated 9% target.

Our balance sheet continued to strengthen in third quarter 2013 with further core loan and deposit growth and an increase in our securities portfolio. Even during a period with tepid industry loan growth, we have been able to grow our loans on a year-over-year basis for nine consecutive quarters, and for the past six quarters year-over-year growth has been at least 3%, despite runoff from our non-strategic/liquidating portfolios. Our non-strategic/liquidating loan portfolios decreased \$3.4 billion during the quarter and, excluding the planned runoff of these loans, our core loan portfolios increased \$13.8 billion from the prior quarter. Total average loans were \$804.8 billion, up \$4.5 billion from the prior quarter. The asset-backed finance, corporate banking, equipment finance, government and institutional

banking, mortgage portfolios, personal credit management, retail brokerage, and retail sales finance portfolios all experienced year-over-year double-digit growth. Our federal funds sold, securities purchased under resale agreements and other short-term investments (collectively referred to as federal funds sold and other short-term investments elsewhere in this Report) increased by \$33.4 billion during the quarter on continued strong deposit growth, and we grew our securities available for sale portfolio by \$10.0 billion.

While we believe our liquidity position was already strong, with heightened regulatory expectations, we have been adding to our position over the past few months. We issued long-term debt and term-deposits at very low rates and most of the proceeds went into cash and short term investments. Deposit growth remained strong with period-end deposits up \$20.3 billion from second quarter 2013. Average deposits have grown while deposit costs have declined for 12 consecutive quarters. We grew our primary consumer checking customers by a net 3.9% from a year ago (August 2013 compared with August 2012), up from net growth of 3.5% last quarter (May 2013 compared with May 2012). The growth in these relationship-based customers should benefit our future results as we remain focused on meeting more of our customers' needs.

### **Credit Quality**

Credit quality continued to improve in third quarter 2013, with solid performance in several of our commercial and consumer loan portfolios, reflecting our long-term risk focus and the benefit from the improving housing market. Net charge-offs of \$975 million were 0.48% (annualized) of average loans, down 73 basis points from a year ago. Net losses in our commercial portfolio were only \$19 million, or 2 basis points of average loans. Net consumer losses declined to 86 basis points from 201 basis points in third quarter 2012. We continued to have strong improvement in our commercial and residential real estate portfolios. Our commercial real estate portfolios were in a net recovery position for the third consecutive quarter and losses on our consumer real estate portfolios declined \$1.2 billion from a year ago, down 70%. The consumer loss levels improved due to lower severity reflecting the positive momentum in the residential real estate market, with home values improving significantly in many markets, as well as lower default frequency.

Reflecting these improvements in our loan portfolios, our \$75 million provision for credit losses this quarter was \$1.5 billion less than a year ago. This provision reflected a release of \$900 million from the allowance for credit losses (the amount by which net charge-offs exceeded the provision), compared with a release of \$767 million a year ago, of which \$567 million related to implementation of the OCC guidance issued in third quarter 2012. Given current favorable conditions, we continue to expect future allowance releases, absent a significant deterioration in the economy.

In addition to lower net charge-offs and provision expense, nonperforming assets (NPAs) also improved and were down \$360 million from second quarter 2013. Nonaccrual loans declined \$1.0 billion from the prior quarter, while foreclosed assets increased \$662 million from the prior quarter driven by an increase in government-insured foreclosed assets. The increase in government-insured foreclosed assets was primarily the result of changes to loan modification programs, which slowed foreclosures in prior quarters.

### **Capital**

We continued to strengthen our capital levels in third quarter 2013 even as we returned more capital to our shareholders, increasing total equity to \$168.8 billion at September 30, 2013, up \$5.0 billion from the prior quarter. Our Tier 1 common equity ratio was 10.60% of risk-weighted assets (RWA) under Basel I. Our estimated Common Equity Tier 1 ratio under Basel III using the advanced approach method increased to 9.56% in the third quarter, exceeding our target of 9% for the first time, which includes a 100 basis point internal capital buffer. Growth in the Basel III ratio primarily resulted from our strong underlying earnings performance and a reduction in risk-weighted assets, which was due to our improved credit profile and model refinements for our commercial portfolios. We took a number of actions to reduce risk-weighted assets such as disposing of an asset that had a punitive risk weighting and obtaining more granular data related to the underlying investments of life insurance assets.

Our third quarter 2013 dividend was \$0.30 per share, and we purchased 50.9 million shares in the quarter and executed a \$400 million forward purchase contract that is expected to settle in fourth quarter 2013 for approximately 9.8 million shares.

Our other regulatory capital ratios under Basel I remained strong with a Tier 1 capital ratio of 12.11% and Tier 1 leverage ratio of 9.76% at September 30, 2013, compared with 12.12% and 9.63%, respectively, at June 30, 2013. In July 2013, U.S. banking regulatory agencies issued a supplementary leverage ratio proposal for Basel III. Based on our initial review, we believe our current leverage levels would meet the applicable proposed requirements at the holding company and each of its insured depository institution subsidiaries. See the “Capital Management” section in this Report for more information regarding our capital, including Tier 1 common equity.

## **Earnings** **Performance**

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Wells Fargo net income for third quarter 2013 was \$5.6 billion (\$0.99 diluted earnings per common share) compared with \$4.9 billion (\$0.88 diluted earnings per common share) for third quarter 2012. Net income for the first nine months of 2013 was \$16.3 billion (\$2.89 diluted earnings per common share) compared with \$13.8 billion (\$2.45 diluted earnings per common share) for the same period a year ago. Our 2013 third quarter and nine-month earnings were significantly affected by a reduced provision for credit losses, reflecting strong underlying credit performance.

Revenue, the sum of net interest income and noninterest income, was \$20.5 billion in third quarter 2013 compared with \$21.2 billion in third quarter 2012. For the first nine months of 2013, revenue was \$63.1 billion, down from \$64.1 billion a year ago. The decrease in revenue for third quarter 2013 from a year ago was due to a decrease in noninterest income, reflecting declines in mortgage banking. For the first nine months of 2013, the decrease in revenue from the same period a year ago was primarily due to a decrease in net interest income, resulting from continued repricing of the balance sheet in a low interest rate environment, as well as a decrease in noninterest income reflecting declines in mortgage banking. Noninterest income represented 48% of revenue for third quarter 2013 compared with 50% for third quarter 2012.

### **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 \$10.9 billion in third quarter 2013, up from \$10.8 billion in third quarter 2012. Net interest income on a taxable-equivalent basis was \$32.6 billion for the first nine months of 2013, down from \$33.1 billion in the same period a year ago. The net interest margin was 3.38% and 3.44% in the third quarter and first nine months of 2013, down from 3.66% and 3.82% for the same periods a year ago. The decrease in net interest income in the first nine months of 2013 from the same period 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 AFS securities purchases and growth in core loans. In addition, reductions in deposit and long-term debt costs also helped offset lower income from earning assets. The decline in net interest margin in the third quarter and first nine months of 2013 compared with the same periods a year ago was primarily driven by higher funding balances, including growth in deposits and short and long-term debt, which caused federal funds sold and other short-term investments to increase. This growth in funding, including the growth in federal funds sold and other short-term investments, is dilutive to net interest margin, while essentially neutral to net interest income. In addition, net interest margin for the third quarter and first nine months of 2013 experienced pressure related to growth and repricing of the

balance sheet. 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 \$111.6 billion in the third quarter and \$108.7 billion in the first nine months of 2013 from a year ago, as average securities available for sale increased \$33.6 billion and \$21.9 billion for the same periods, respectively. Average federal funds sold and other short-term investments increased \$64.3 billion in the third quarter and \$64.9 billion in the first nine months of 2013 from a year ago. In addition, an increase in real estate 1-4 family first mortgage loans contributed to \$28.0 billion and \$29.9 billion higher average loans in the third quarter and first nine months of 2013, respectively, 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 \$940.3 billion in third quarter 2013 (\$934.1 billion in the first nine months of 2013) compared with \$895.4 billion in third quarter 2012 (\$882.2 billion in the first nine months of 2012) and funded 117% of average loans in third quarter 2013 (117% for the first nine months of 2013) compared with 115% a year ago (114% for the first nine months of 2012). Average core deposits decreased to 73% of average earning assets in the third quarter and 74% in the first nine months of 2013 compared with 76% for both the third quarter and first nine months of 2012. 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 95% of our average core deposits are in checking and savings deposits, one of the highest industry percentages.



| Quarter ended September 30,                          |  |  |  |                 |         |              |   |                         |         |                 |      |              |       |                         |  |
|--|--|--|--|-----------------|---------|--------------|---|-------------------------|---------|-----------------|------|--------------|-------|-------------------------|--|
|  |  |  |  | 2013            |         |              |   | 2012                    |         |                 |      |              |       |                         |  |
|  |  |  |  | Average balance |         | Yields/rates |   | Interest income/expense |         | Average balance |      | Yields/rates |       | Interest income/expense |  |
| (in millions)  |  |  |  | balance         |         | rates        |   | expense                 |         | balance         |      | rates        |       | expense                 |  |
| <b>Earning assets</b>                                |  |  |  |                 |         |              |   |                         |         |                 |      |              |       |                         |  |
| Federal funds sold, securities purchased under       |  |  |  |                 |         |              |   |                         |         |                 |      |              |       |                         |  |
| resale agreements and other short-term investments   |  |  |  |                 |         |              |   |                         |         |                 |      |              |       |                         |  |
|  |  |  |  | \$              | 155,888 | 0.31         | % | \$                      | 121     | 91,561          | 0.44 | %            | \$    | 101                     |  |
| Trading assets                                       |  |  |  | 44,809          | 3.02    |              |   | 339                     | 39,441  | 3.08            |      |              | 304   |                         |  |
| Securities available for sale (3):                   |  |  |  |                 |         |              |   |                         |         |                 |      |              |       |                         |  |
| Securities of U.S. Treasury and federal agencies     |  |  |  |                 |         |              |   |                         |         |                 |      |              |       |                         |  |
|  |  |  |  | 6,633           | 1.69    |              |   | 28                      | 1,390   | 1.05            |      |              | 4     |                         |  |
| Securities of U.S. states and political subdivisions |  |  |  |                 |         |              |   |                         |         |                 |      |              |       |                         |  |
|  |  |  |  | 40,754          | 4.35    |              |   | 444                     | 35,925  | 4.36            |      |              | 392   |                         |  |
| Mortgage-backed securities:                          |  |  |  |                 |         |              |   |                         |         |                 |      |              |       |                         |  |
| Federal agencies                                     |  |  |  |                 |         |              |   |                         |         |                 |      |              |       |                         |  |
|  |  |  |  | 112,997         | 2.83    |              |   | 800                     | 94,324  | 2.88            |      |              | 679   |                         |  |
| Residential and commercial                           |  |  |  |                 |         |              |   |                         |         |                 |      |              |       |                         |  |
|  |  |  |  | 30,216          | 6.56    |              |   | 496                     | 33,124  | 6.67            |      |              | 553   |                         |  |
| Total mortgage-backed securities                     |  |  |  |                 |         |              |   |                         |         |                 |      |              |       |                         |  |
|  |  |  |  | 143,213         | 3.62    |              |   | 1,296                   | 127,448 | 3.87            |      |              | 1,232 |                         |  |
| Other debt and equity securities                     |  |  |  |                 |         |              |   |                         |         |                 |      |              |       |                         |  |
|  |  |  |  | 55,404          | 3.27    |              |   | 455                     | 47,647  | 4.07            |      |              | 486   |                         |  |
| Total securities available for sale                  |  |  |  |                 |         |              |   |                         |         |                 |      |              |       |                         |  |
|  |  |  |  | 246,004         | 3.61    |              |   | 2,223                   | 212,410 | 3.98            |      |              | 2,114 |                         |  |
| Mortgages held for sale (4)                          |  |  |  | 33,227          | 3.86    |              |   | 320                     | 52,128  | 3.65            |      |              | 476   |                         |  |
| Loans held for sale (4)                              |  |  |  | 197             | 7.25    |              |   | 3                       | 932     | 7.38            |      |              | 17    |                         |  |
| Loans:   |  |  |  |                 |         |              |   |                         |         |                 |      |              |       |                         |  |
| Commercial:  |  |  |  |                 |         |              |   |                         |         |                 |      |              |       |                         |  |
| Commercial and industrial                            |  |  |  |                 |         |              |   |                         |         |                 |      |              |       |                         |  |
|  |  |  |  | 188,410         | 3.58    |              |   | 1,697                   | 177,500 | 3.84            |      |              | 1,711 |                         |  |
| Real estate mortgage                                 |  |  |  |                 |         |              |   |                         |         |                 |      |              |       |                         |  |
|  |  |  |  | 104,637         | 4.12    |              |   | 1,086                   | 105,148 | 4.05            |      |              | 1,070 |                         |  |
| Real estate construction                             |  |  |  |                 |         |              |   |                         |         |                 |      |              |       |                         |  |
|  |  |  |  | 16,188          | 4.43    |              |   | 181                     | 17,687  | 5.21            |      |              | 232   |                         |  |
| Lease financing                                      |  |  |  |                 |         |              |   |                         |         |                 |      |              |       |                         |  |
|  |  |  |  | 11,700          | 5.29    |              |   | 155                     | 12,608  | 6.60            |      |              | 208   |                         |  |
| Foreign  |  |  |  |                 |         |              |   |                         |         |                 |      |              |       |                         |  |
|  |  |  |  | 44,843          | 2.09    |              |   | 236                     | 39,663  | 2.46            |      |              | 245   |                         |  |

|   |  |   |              |       |   |           |           |       |   |           |
|---|--|---|--------------|-------|---|-----------|-----------|-------|---|-----------|
|   |  | Total commercial                            | 365,778      | 3.64  |   | 3,355     | 352,606   | 3.91  |   | 3,466     |
| Consumer:   |  |   |              |       |   |           |           |       |   |           |
|   |  | Real estate 1-4 family first mortgage       | 254,082      | 4.20  |   | 2,670     | 234,020   | 4.51  |   | 2,638     |
|   |  | Real estate 1-4 family junior lien mortgage | 68,785       | 4.30  |   | 743       | 79,718    | 4.26  |   | 854       |
|   |  | Credit card                                 | 24,989       | 12.45 |   | 784       | 23,040    | 12.64 |   | 732       |
|   |  | Automobile                                  | 49,134       | 6.85  |   | 848       | 45,658    | 7.44  |   | 854       |
|   |  | Other revolving credit and installment      | 42,011       | 4.83  |   | 512       | 41,692    | 4.58  |   | 480       |
|   |  | Total consumer                              | 439,001      | 5.04  |   | 5,557     | 424,128   | 5.23  |   | 5,558     |
|   |  | Total loans (4)                             | 804,779      | 4.41  |   | 8,912     | 776,734   | 4.63  |   | 9,024     |
| Other   |  |   | 4,279        | 5.62  |   | 61        | 4,386     | 4.62  |   | 50        |
|   |  | Total earning assets                        | \$ 1,289,183 | 3.70  | % | \$ 11,979 | 1,177,592 | 4.09  | % | \$ 12,086 |
| <b>Funding sources</b>                                |  |   |              |       |   |           |           |       |   |           |
| Deposits:   |  |   |              |       |   |           |           |       |   |           |
|   |  | Interest-bearing checking                   | \$ 34,499    | 0.06  | % | \$ 5      | 28,815    | 0.06  | % | \$ 4      |
|   |  | Market rate and other savings               | 553,062      | 0.08  |   | 107       | 506,138   | 0.12  |   | 152       |
|   |  | Savings certificates                        | 47,339       | 1.08  |   | 129       | 58,206    | 1.29  |   | 188       |
|   |  | Other time deposits                         | 30,423       | 0.62  |   | 47        | 14,373    | 1.49  |   | 54        |
|   |  | Deposits in foreign offices                 | 81,087       | 0.15  |   | 30        | 71,791    | 0.16  |   | 30        |
|   |  | Total interest-bearing deposits             | 746,410      | 0.17  |   | 318       | 679,323   | 0.25  |   | 428       |
| Short-term borrowings                                 |  |   | 53,403       | 0.08  |   | 11        | 51,857    | 0.17  |   | 22        |
| Long-term debt  |  |   | 133,397      | 1.86  |   | 621       | 127,486   | 2.37  |   | 756       |
| Other liabilities                                     |  |   | 12,128       | 2.64  |   | 80        | 9,945     | 2.40  |   | 60        |
|   |  | Total interest-bearing liabilities          | 945,338      | 0.43  |   | 1,030     | 868,611   | 0.58  |   | 1,266     |
| Portion of noninterest-bearing funding sources        |  |   | 343,845      | -     |   | -         | 308,981   | -     |   | -         |
|   |  | Total funding sources                       | \$ 1,289,183 | 0.32  |   | 1,030     | 1,177,592 | 0.43  |   | 1,266     |
| <b>Net interest margin and net interest income on</b> |  |   |              |       |   |           |           |       |   |           |
|   |  | a taxable-equivalent basis (5)              |              | 3.38  | % | \$ 10,949 |           | 3.66  | % | \$ 10,820 |
| <b>Noninterest-earning assets</b>                     |  |   |              |       |   |           |           |       |   |           |
|   |  | Cash and due from banks                     | \$ 16,350    |       |   |           | 15,682    |       |   |           |
|   |  | Goodwill                                    | 25,637       |       |   |           | 25,566    |       |   |           |
|   |  | Other                                       | 118,440      |       |   |           | 135,500   |       |   |           |
|   |  | Total noninterest-earning assets            | \$ 160,427   |       |   |           | 176,748   |       |   |           |
| <b>Noninterest-bearing funding sources</b>            |  |   |              |       |   |           |           |       |   |           |

|   |    |           |  |  |  |  |  |  |  |           |  |  |  |
|---|----|-----------|--|--|--|--|--|--|--|-----------|--|--|--|
| Deposits  | \$ | 279,156   |  |  |  |  |  |  |  | 267,184   |  |  |  |
| Other liabilities   |    | 59,969    |  |  |  |  |  |  |  | 66,116    |  |  |  |
| Total equity  |    | 165,147   |  |  |  |  |  |  |  | 152,429   |  |  |  |
| Noninterest-bearing funding sources used to fund earning assets |    | (343,845) |  |  |  |  |  |  |  | (308,981) |  |  |  |
| Net noninterest-bearing funding sources                         | \$ | 160,427   |  |  |  |  |  |  |  | 176,748   |  |  |  |
| Total assets  | \$ | 1,449,610 |  |  |  |  |  |  |  | 1,354,340 |  |  |  |
|   |    |           |  |  |  |  |  |  |  |           |  |  |  |
|   |    |           |  |  |  |  |  |  |  |           |  |  |  |

(1) Our average prime rate was 3.25% for the quarters ended September 30, 2013 and 2012, and 3.25% for the first nine months of both 2013 and 2012. The average three-month London Interbank Offered Rate (LIBOR) was 0.26% and 0.43% for the quarters ended September 30, 2013 and 2012, respectively, and 0.28% and 0.47%, respectively, for the first nine months of 2013 and 2012.

(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 \$202 million and \$158 million for the quarters ended September 30, 2013 and 2012, respectively, and \$574 million and \$504 million for the first nine months of 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.

## Earnings Performance (continued)

|  |  |  |  |  |  |  |  |  |  |  | Nine months ended September 30, |         |      |   |    |          |  |  |  |  |         |      |   |    |        |
|--|--|--|--|--|--|--|--|--|--|--|---------------------------------|---------|------|---|----|----------|--|--|--|--|---------|------|---|----|--------|
|  |  |  |  |  |  |  |  |  |  |  | 2013                            |         |      |   |    | 2012     |  |  |  |  |         |      |   |    |        |
|  |  |  |  |  |  |  |  |  |  |  | Interest                        |         |      |   |    | Interest |  |  |  |  |         |      |   |    |        |
|  |  |  |  |  |  |  |  |  |  |  | income/                         |         |      |   |    | income/  |  |  |  |  |         |      |   |    |        |
|  |  |  |  |  |  |  |  |  |  |  | expense                         |         |      |   |    | expense  |  |  |  |  |         |      |   |    |        |
| (in millions)  |  |  |  |  |  |  |  |  |  |  | Average                         |         |      |   |    | Average  |  |  |  |  |         |      |   |    |        |
|  |  |  |  |  |  |  |  |  |  |  | balance                         |         |      |   |    | balance  |  |  |  |  |         |      |   |    |        |
|  |  |  |  |  |  |  |  |  |  |  | Yields/                         |         |      |   |    | Yields/  |  |  |  |  |         |      |   |    |        |
|  |  |  |  |  |  |  |  |  |  |  | rates                           |         |      |   |    | rates    |  |  |  |  |         |      |   |    |        |
|  |  |  |  |  |  |  |  |  |  |  | %                               |         |      |   |    | %        |  |  |  |  |         |      |   |    |        |
|  |  |  |  |  |  |  |  |  |  |  | \$                              |         |      |   |    | \$       |  |  |  |  |         |      |   |    |        |
| <b>Earning assets</b>                                |  |  |  |  |  |  |  |  |  |  |                                 |         |      |   |    |          |  |  |  |  |         |      |   |    |        |
| Federal funds sold, securities purchased under       |  |  |  |  |  |  |  |  |  |  |                                 |         |      |   |    |          |  |  |  |  |         |      |   |    |        |
| resale agreements and other short-term investments   |  |  |  |  |  |  |  |  |  |  | \$                              | 137,926 | 0.33 | % | \$ | 342      |  |  |  |  | 73,011  | 0.47 | % | \$ | 257    |
| Trading assets                                       |  |  |  |  |  |  |  |  |  |  |                                 | 44,530  | 3.05 |   |    | 1,020    |  |  |  |  | 41,931  | 3.29 |   |    | 1,035  |
| Securities available for sale (3):                   |  |  |  |  |  |  |  |  |  |  |                                 |         |      |   |    |          |  |  |  |  |         |      |   |    |        |
| Securities of U.S. Treasury and federal agencies     |  |  |  |  |  |  |  |  |  |  |                                 | 6,797   | 1.66 |   |    | 85       |  |  |  |  | 3,041   | 1.12 |   |    | 25     |
| Securities of U.S. states and political subdivisions |  |  |  |  |  |  |  |  |  |  |                                 | 39,213  | 4.38 |   |    | 1,288    |  |  |  |  | 34,366  | 4.42 |   |    | 1,139  |
| Mortgage-backed securities:                          |  |  |  |  |  |  |  |  |  |  |                                 |         |      |   |    |          |  |  |  |  |         |      |   |    |        |
| Federal agencies                                     |  |  |  |  |  |  |  |  |  |  |                                 | 103,522 | 2.79 |   |    | 2,164    |  |  |  |  | 93,555  | 3.24 |   |    | 2,277  |
| Residential and commercial                           |  |  |  |  |  |  |  |  |  |  |                                 | 31,217  | 6.51 |   |    | 1,524    |  |  |  |  | 33,839  | 6.82 |   |    | 1,731  |
| Total mortgage-backed securities                     |  |  |  |  |  |  |  |  |  |  |                                 | 134,739 | 3.65 |   |    | 3,688    |  |  |  |  | 127,394 | 4.19 |   |    | 4,008  |
| Other debt and equity securities                     |  |  |  |  |  |  |  |  |  |  |                                 | 54,893  | 3.56 |   |    | 1,463    |  |  |  |  | 48,983  | 4.09 |   |    | 1,501  |
| Total securities available for sale                  |  |  |  |  |  |  |  |  |  |  |                                 | 235,642 | 3.69 |   |    | 6,524    |  |  |  |  | 213,784 | 4.16 |   |    | 6,673  |
| Mortgages held for sale (4)                          |  |  |  |  |  |  |  |  |  |  |                                 | 39,950  | 3.57 |   |    | 1,069    |  |  |  |  | 49,531  | 3.80 |   |    | 1,412  |
| Loans held for sale (4)                              |  |  |  |  |  |  |  |  |  |  |                                 | 172     | 7.88 |   |    | 10       |  |  |  |  | 838     | 6.07 |   |    | 38     |
| Loans:   |  |  |  |  |  |  |  |  |  |  |                                 |         |      |   |    |          |  |  |  |  |         |      |   |    |        |
| Commercial:  |  |  |  |  |  |  |  |  |  |  |                                 |         |      |   |    |          |  |  |  |  |         |      |   |    |        |
| Commercial and industrial                            |  |  |  |  |  |  |  |  |  |  |                                 | 186,366 | 3.67 |   |    | 5,113    |  |  |  |  | 172,039 | 4.07 |   |    | 5,245  |
| Real estate mortgage                                 |  |  |  |  |  |  |  |  |  |  |                                 | 105,367 | 3.96 |   |    | 3,121    |  |  |  |  | 105,548 | 4.24 |   |    | 3,350  |
| Real estate construction                             |  |  |  |  |  |  |  |  |  |  |                                 | 16,401  | 4.76 |   |    | 584      |  |  |  |  | 18,118  | 4.98 |   |    | 676    |
| Lease financing                                      |  |  |  |  |  |  |  |  |  |  |                                 | 12,151  | 6.26 |   |    | 571      |  |  |  |  | 12,875  | 7.47 |   |    | 721    |
| Foreign  |  |  |  |  |  |  |  |  |  |  |                                 | 42,357  | 2.16 |   |    | 683      |  |  |  |  | 39,915  | 2.52 |   |    | 753    |
| Total commercial                                     |  |  |  |  |  |  |  |  |  |  |                                 | 362,642 | 3.71 |   |    | 10,072   |  |  |  |  | 348,495 | 4.12 |   |    | 10,745 |

|   |   |    |           |       |   |           |           |       |   |           |
|---|---|----|-----------|-------|---|-----------|-----------|-------|---|-----------|
| Consumer:   |   |    |           |       |   |           |           |       |   |           |
|   | Real estate 1-4 family first mortgage       |    | 252,904   | 4.24  |   | 8,044     | 231,256   | 4.60  |   | 7,984     |
|   | Real estate 1-4 family junior lien mortgage |    | 71,390    | 4.29  |   | 2,292     | 82,161    | 4.28  |   | 2,631     |
|   | Credit card                                 |    | 24,373    | 12.54 |   | 2,285     | 22,414    | 12.75 |   | 2,140     |
|   | Automobile                                  |    | 47,890    | 7.03  |   | 2,516     | 44,660    | 7.60  |   | 2,542     |
|   | Other revolving credit and installment      |    | 41,857    | 4.76  |   | 1,489     | 42,214    | 4.55  |   | 1,438     |
|   | Total consumer                              |    | 438,414   | 5.06  |   | 16,626    | 422,705   | 5.28  |   | 16,735    |
|   | Total loans (4)                             |    | 801,056   | 4.45  |   | 26,698    | 771,200   | 4.76  |   | 27,480    |
| Other   |   |    | 4,229     | 5.45  |   | 172       | 4,492     | 4.53  |   | 153       |
|   | Total earning assets                        | \$ | 1,263,505 | 3.79  | % | \$ 35,835 | 1,154,787 | 4.28  | % | \$ 37,048 |
| <b>Funding sources</b>                                |   |    |           |       |   |           |           |       |   |           |
| Deposits:   |   |    |           |       |   |           |           |       |   |           |
|   | Interest-bearing checking                   | \$ | 35,704    | 0.06  | % | \$ 16     | 30,465    | 0.06  | % | \$ 14     |
|   | Market rate and other savings               |    | 544,208   | 0.08  |   | 341       | 500,850   | 0.12  |   | 457       |
|   | Savings certificates                        |    | 51,681    | 1.18  |   | 457       | 60,404    | 1.33  |   | 601       |
|   | Other time deposits                         |    | 24,177    | 0.81  |   | 146       | 13,280    | 1.74  |   | 173       |
|   | Deposits in foreign offices                 |    | 73,715    | 0.15  |   | 80        | 67,424    | 0.16  |   | 83        |
|   | Total interest-bearing deposits             |    | 729,485   | 0.19  |   | 1,040     | 672,423   | 0.26  |   | 1,328     |
| Short-term borrowings                                 |   |    | 55,535    | 0.13  |   | 55        | 50,650    | 0.17  |   | 65        |
| Long-term debt  |   |    | 128,691   | 2.02  |   | 1,950     | 127,561   | 2.48  |   | 2,375     |
| Other liabilities                                     |   |    | 12,352    | 2.37  |   | 220       | 10,052    | 2.50  |   | 189       |
|   | Total interest-bearing liabilities          |    | 926,063   | 0.47  |   | 3,265     | 860,686   | 0.61  |   | 3,957     |
| Portion of noninterest-bearing funding sources        |   |    | 337,442   | -     |   | -         | 294,101   | -     |   | -         |
|   | Total funding sources                       | \$ | 1,263,505 | 0.35  |   | 3,265     | 1,154,787 | 0.46  |   | 3,957     |
| <b>Net interest margin and net interest income on</b> |   |    |           |       |   |           |           |       |   |           |
|   | a taxable-equivalent basis (5)              |    |           | 3.44  | % | \$ 32,570 |           | 3.82  | % | \$ 33,091 |
| <b>Noninterest-earning assets</b>                     |   |    |           |       |   |           |           |       |   |           |
|   | Cash and due from banks                     | \$ | 16,364    |       |   |           | 16,283    |       |   |           |
|   | Goodwill                                    |    | 25,637    |       |   |           | 25,343    |       |   |           |
|   | Other                                       |    | 122,306   |       |   |           | 129,971   |       |   |           |
|   | Total noninterest-earning assets            | \$ | 164,307   |       |   |           | 171,597   |       |   |           |
| <b>Noninterest-bearing funding sources</b>            |   |    |           |       |   |           |           |       |   |           |
|   | Deposits                                    | \$ | 277,820   |       |   |           | 256,120   |       |   |           |

|   |   |  |                     |  |  |  |  |                  |  |  |  |  |
|---|---|--|---------------------|--|--|--|--|------------------|--|--|--|--|
| Other liabilities   |   |  | <b>60,764</b>       |  |  |  |  | <b>60,606</b>    |  |  |  |  |
| Total equity  |   |  | <b>163,165</b>      |  |  |  |  | <b>148,972</b>   |  |  |  |  |
| Noninterest-bearing funding sources used to fund earning assets |   |  | <b>(337,442)</b>    |  |  |  |  | <b>(294,101)</b> |  |  |  |  |
|   | Net noninterest-bearing funding sources |  | <b>\$ 164,307</b>   |  |  |  |  | <b>171,597</b>   |  |  |  |  |
|   | <b>Total assets</b>                     |  | <b>\$ 1,427,812</b> |  |  |  |  | <b>1,326,384</b> |  |  |  |  |
|   |   |  |                     |  |  |  |  |                  |  |  |  |  |
|   |   |  |                     |  |  |  |  |                  |  |  |  |  |

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| Noninterest Income                                       |  |                            |        |        |                 |           |        |        |
|--|--|----------------------------|--------|--------|-----------------|-----------|--------|--------|
| Table 2: Noninterest Income                              |  |                            |        |        |                 |           |        |        |
|  |  |                            |        |        | Nine months     |           |        |        |
|  |  | Quarter ended<br>Sept. 30, |        |        | ended Sept. 30, |           |        |        |
| (in millions)  |  | 2013                       | 2012   | Change | %               | 2013      | 2012   | Change |
| Service charges on deposit accounts                      |  | \$ 1,278                   | 1,210  | 6      | %               | \$ 3,740  | 3,433  | 9 %    |
| Trust and investment fees:                               |  |                            |        |        |                 |           |        |        |
| Brokerage advisory, commissions and other fees (1)       |  | 2,068                      | 1,887  | 10     |                 | 6,245     | 5,562  | 12     |
| Trust and investment management (1)                      |  | 811                        | 769    | 5      |                 | 2,439     | 2,283  | 7      |
| Investment banking                                       |  | 397                        | 298    | 33     |                 | 1,288     | 846    | 52     |
| Total trust and investment fees                          |  | 3,276                      | 2,954  | 11     |                 | 9,972     | 8,691  | 15     |
| Card fees  |  | 813                        | 744    | 9      |                 | 2,364     | 2,102  | 12     |
| Other fees:  |  |                            |        |        |                 |           |        |        |
| Charges and fees on loans                                |  | 390                        | 426    | (8)    |                 | 1,161     | 1,298  | (11)   |
| Merchant processing fees                                 |  | 169                        | 150    | 13     |                 | 497       | 432    | 15     |
| Cash network fees  |  | 129                        | 120    | 8      |                 | 371       | 358    | 4      |
| Commercial real estate brokerage commissions             |  | 91                         | 56     | 63     |                 | 209       | 188    | 11     |
| Letters of credit fees                                   |  | 100                        | 114    | (12)   |                 | 311       | 334    | (7)    |
| All other fees   |  | 219                        | 231    | (5)    |                 | 672       | 716    | (6)    |
| Total other fees   |  | 1,098                      | 1,097  | -      |                 | 3,221     | 3,326  | (3)    |
| Mortgage banking:  |  |                            |        |        |                 |           |        |        |
| Servicing income, net                                    |  | 504                        | 197    | 156    |                 | 1,211     | 1,128  | 7      |
| Net gains on mortgage loan origination/sales activities  |  | 1,104                      | 2,610  | (58)   |                 | 5,993     | 7,442  | (19)   |
| Total mortgage banking                                   |  | 1,608                      | 2,807  | (43)   |                 | 7,204     | 8,570  | (16)   |
| Insurance  |  | 413                        | 414    | -      |                 | 1,361     | 1,455  | (6)    |
| Net gains from trading activities                        |  | 397                        | 529    | (25)   |                 | 1,298     | 1,432  | (9)    |
| Net gains (losses) on debt securities available for sale |  | (6)                        | 3      | NM     |                 | (15)      | (65)   | (77)   |
| Net gains from equity investments                        |  | 502                        | 164    | 206    |                 | 818       | 770    | 6      |
| Lease income   |  | 160                        | 218    | (27)   |                 | 515       | 397    | 30     |
| Life insurance investment income                         |  | 154                        | 159    | (3)    |                 | 441       | 481    | (8)    |
| All other  |  | 37                         | 252    | (85)   |                 | 199       | 959    | (79)   |
| Total  |  | \$ 9,730                   | 10,551 | (8)    |                 | \$ 31,118 | 31,551 | (1)    |
| NM - Not meaningful                                      |  |                            |        |        |                 |           |        |        |

|     |   |  |
|-----|---|--|
| (1) | Prior year periods have been revised to reflect all fund distribution fees as brokerage related income. |  |
|     |   |  |

Noninterest income was \$9.7 billion and \$10.6 billion for third quarter 2013 and 2012, respectively, and \$31.1 billion and \$31.6 billion for the first nine months of 2013 and 2012, respectively. This income represented 48% and 49% of revenue for the third quarter and first nine months of 2013, respectively, compared with 50% and 49%, respectively, for the same periods a year ago. The decrease in noninterest income in the third quarter and first nine months of 2013 from the same periods a year ago reflected declines in our mortgage banking business, partially offset by growth in many of our other businesses, including retail deposits, merchant card processing, business lending, commercial banking, equipment finance, capital markets, asset-backed finance, commercial mortgage servicing, corporate trust, asset management, wealth management, brokerage, and retirement services. Excluding mortgage banking, noninterest income increased \$378 million and \$933 million in the third quarter and first nine months of 2013, respectively, from the same periods a year ago.

Our service charges on deposit accounts increased in third quarter 2013 by \$68 million, or 6%, from third quarter 2012, and \$307 million in the first nine months of 2013, or 9%, from the first nine months of 2012, due to primary consumer checking customer growth, product changes and continued customer adoption of overdraft services.

Brokerage advisory, commissions and other fees are received for providing services to full service and discount brokerage customers. Income from these brokerage-related activities include 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. These fees increased to \$2.1 billion and \$6.2 billion in the third quarter and first nine months of 2013, respectively, from \$1.9 billion and \$5.6 billion for the same periods in 2012. The increase in brokerage income was predominantly due to higher asset-based fees as a result of higher market values and growth in assets under management. Brokerage client assets totaled \$1.3 trillion at September 30, 2013, an 8% increase from \$1.2 trillion at September 30, 2012.

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 September 30, 2013, these assets totaled \$2.3 trillion, up 3% from \$2.2 trillion at September 30, 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 \$811 million and \$2.4 billion in the third quarter and first nine months of 2013, respectively, from \$769 million and \$2.3 billion for the same periods in 2012, primarily due to growth in assets under management reflecting higher market values.



**Earnings Performance** *(continued)*

We earn investment banking fees from underwriting debt and equity securities, arranging loan syndications, and performing other related advisory services. Investment banking fees increased to \$397 million and \$1.3 billion in the third quarter and first nine months of 2013, respectively, from \$298 million and \$846 million for the same periods a year ago, due primarily to increased loan syndication volume and equity originations.

Card fees were \$813 million in third quarter 2013 compared with \$744 million in third quarter 2012 and \$2.4 billion and \$2.1 billion for the first nine months of 2013 and 2012, respectively. Card fees increased primarily due to account growth and increased purchase activity.

Mortgage banking noninterest income, consisting of net servicing income and net gains on loan origination/sales activities, totaled \$1.6 billion in third quarter 2013 compared with \$2.8 billion in third quarter 2012 and totaled \$7.2 billion for the first nine months of 2013 compared with \$8.6 billion for the same period a year ago.

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 third quarter 2013 included a \$26 million net MSR valuation gain (\$213 million decrease in the fair value of the MSRs offset by a \$239 million hedge gain) and for third quarter 2012 included a \$142 million net MSR valuation gain (\$1.43 billion decrease in the fair value of MSRs offset by a \$1.57 billion hedge gain). For the first nine months of 2013, net servicing income included a \$223 million net MSR valuation gain (\$2.42 billion increase in the fair value of the MSRs offset by a \$2.19 billion hedge loss) and for the same period of 2012, included a \$461 million net MSR valuation gain (\$3.22 billion decrease in the fair value of MSRs offset by a \$3.68 billion hedge gain). Our portfolio of loans serviced for others was \$1.91 trillion at both September 30, 2013, and December 31, 2012. At September 30, 2013, the ratio of MSRs to related loans serviced for others was 0.82% 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 \$1.1 billion and \$6.0 billion in the third quarter and first nine months of 2013, respectively, down from \$2.6 billion and \$7.4 billion for the same periods a year ago. The year-over-year decreases for both periods were driven by lower margins and origination volumes. Mortgage loan originations were \$80 billion for third quarter 2013, of which 59% were for home purchases compared with \$139 billion and 38% for the same period a year ago. During the first nine months of 2013, we retained for investment \$3.6 billion of real estate 1-4 family conforming first mortgage loans, forgoing approximately \$120 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 greater 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 provide us with the flexibility to make such choices in the future to benefit our long-term results. Mortgage applications were \$87 billion and \$373 billion in the third quarter and first nine months of 2013 compared with \$188 billion and \$584 billion for the same periods a year ago. The real estate 1-4 family first mortgage unclosed pipeline was \$35 billion at September 30, 2013, and \$97 billion at September 30, 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 third quarter 2013 totaled \$28 million (compared with \$462 million for third quarter 2012), none of which (\$387 million for third quarter 2012) were for subsequent increases in estimated losses on prior period loan sales. Additions to the mortgage repurchase liability for the first nine months of 2013 and 2012 were \$402 million and \$1.6 billion, respectively, of which \$275 million and \$1.4 billion, respectively, were 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 from trading activities, which reflect unrealized changes in fair value of our trading positions and realized gains and losses, were \$397 million and \$1.3 billion in the third quarter and first nine months of 2013, respectively, down from \$529 million and \$1.4 billion for the same periods a year ago. The nine months year-over-year decrease was largely driven by lower results in economic hedging reflecting market conditions. Net gains from trading activities do not include interest and dividend income and expense on trading securities. Those amounts are reported within interest income from trading assets and other interest expense from trading liabilities. Proprietary trading generated \$9 million of net gains in third quarter 2013 and \$18 million of net gains in the first nine months of 2013 compared with \$2 million and \$16 million of net gains for the same periods, respectively, a year ago. Interest and fees related to proprietary trading are reported in their corresponding income statement line items. Proprietary trading activities are not significant to our client-focused business model. For additional information about proprietary and other trading, see the “Risk Management – Asset and Liability Management – Market Risk – Trading Activities” section in this Report.

Net gains on debt and equity securities totaled \$496 million for third quarter 2013 and \$167 million for third quarter 2012 (\$803 million and \$705 million for the first nine months of 2013 and 2012, respectively), net of other-than-temporary impairment (OTTI) write-downs of \$60 million and \$72 million for third quarter 2013 and 2012, respectively, and \$249 million and \$257 million for the first nine months of 2013 and 2012, respectively.

All other income includes ineffectiveness recognized on derivatives that qualify for hedge accounting, pre-tax losses on tax credits, foreign

currency adjustments, and income from investments accounted for under the equity accounting method, any of which can cause other income losses. Lower other income for the third quarter and first nine months of 2013 compared with the same periods a year ago, reflected interest rate-related valuation changes, net of related hedges on certain mortgage-related assets carried at fair value. The first nine months of 2013 also reflected ineffectiveness losses on derivatives that qualify for hedge accounting.

| <b>Noninterest Expense</b>            |    |                         |        |        |   |    |                             |        |        |   |
|---------------------------------------|----|-------------------------|--------|--------|---|----|-----------------------------|--------|--------|---|
| <b>Table 3: Noninterest Expense</b>   |    |                         |        |        |   |    |                             |        |        |   |
|                                       |    | Quarter ended Sept. 30, |        |        | % |    | Nine months ended Sept. 30, |        |        | % |
| (in millions)                         |    | 2013                    | 2012   | Change |   |    | 2013                        | 2012   | Change |   |
| Salaries                              | \$ | 3,910                   | 3,648  | 7      | % | \$ | 11,341                      | 10,954 | 4      | % |
| Commission and incentive compensation |    | 2,401                   | 2,368  | 1      |   |    | 7,604                       | 7,139  | 7      |   |
| Employee benefits                     |    | 1,172                   | 1,063  | 10     |   |    | 3,873                       | 3,720  | 4      |   |
| Equipment                             |    | 471                     | 510    | (8)    |   |    | 1,417                       | 1,526  | (7)    |   |
| Net occupancy                         |    | 728                     | 727    | -      |   |    | 2,163                       | 2,129  | 2      |   |
| Core deposit and other intangibles    |    | 375                     | 419    | (11)   |   |    | 1,129                       | 1,256  | (10)   |   |
| FDIC and other deposit assessments    |    | 214                     | 359    | (40)   |   |    | 765                         | 1,049  | (27)   |   |
| Outside professional services         |    | 623                     | 733    | (15)   |   |    | 1,765                       | 1,985  | (11)   |   |
| Operating losses                      |    | 195                     | 281    | (31)   |   |    | 640                         | 1,282  | (50)   |   |
| Foreclosed assets                     |    | 161                     | 247    | (35)   |   |    | 502                         | 840    | (40)   |   |
| Contract services                     |    | 241                     | 237    | 2      |   |    | 674                         | 776    | (13)   |   |
| Outside data processing               |    | 251                     | 234    | 7      |   |    | 719                         | 683    | 5      |   |
| Travel and entertainment              |    | 209                     | 208    | -      |   |    | 651                         | 628    | 4      |   |
| Postage, stationery and supplies      |    | 184                     | 196    | (6)    |   |    | 567                         | 607    | (7)    |   |
| Advertising and promotion             |    | 157                     | 170    | (8)    |   |    | 445                         | 436    | 2      |   |
| Telecommunications                    |    | 116                     | 127    | (9)    |   |    | 364                         | 378    | (4)    |   |
| Insurance                             |    | 98                      | 51     | 92     |   |    | 378                         | 391    | (3)    |   |
| Operating leases                      |    | 56                      | 27     | 107    |   |    | 153                         | 82     | 87     |   |
| All other                             |    | 540                     | 507    | 7      |   |    | 1,607                       | 1,641  | (2)    |   |
| Total                                 | \$ | 12,102                  | 12,112 | -      |   | \$ | 36,757                      | 37,502 | (2)    |   |

Noninterest expense was \$12.1 billion in third quarter 2013, largely unchanged from a year ago, as higher personnel expenses (\$7.5 billion, up from \$7.1 billion a year ago) were offset by lower FDIC and other deposit assessments (\$214 million, down from \$359 million a year ago), lower outside professional services (\$623 million, down from

\$733 million a year ago), lower foreclosed assets expense (\$161 million, down from \$247 million a year ago), and lower operating losses (\$195 million, down from \$281 million a year ago). For the first nine months of 2013, noninterest expense was down \$745 million, or 2%, from the same period a year ago predominantly due to lower operating losses (\$640 million, down from \$1.3 billion in the first nine months of 2012), lower FDIC and other deposit assessments (\$765 million, down from \$1.0 billion in the first nine months of 2012), lower foreclosed assets expense (\$502 million, down from \$840 million in the first nine months of 2012), the completion of Wachovia merger integration activities in the prior year (\$218 million in first nine months of 2012), partially offset by higher personnel expenses (\$22.8 billion, up from \$21.8 billion in the first nine months of 2012).

Personnel expenses, which include salaries, commissions, incentive compensation and employee benefits, were up \$404 million, or 6%, in third quarter 2013 compared with the same quarter last year, primarily due to annual salary increases and related salary taxes. With the decrease in mortgage originations during third quarter 2013, staffing reductions during the quarter resulted in mortgage-related severance expense. Included in personnel expense was a \$109 million increase in employee benefits, a significant portion of which was driven by higher deferred compensation expense (offset in trading income). Personnel expenses were up \$1.0 billion, or 5%, for the first nine months of 2013 compared with the same period in 2012, mostly due to higher revenue-based incentive compensation, and annual salary increases and related salary taxes.

The completion of Wachovia integration activities contributed to year over year reductions in noninterest expense for the first nine months of 2013, mainly in outside professional services, contract services, occupancy, and advertising and promotion.

Outside professional services was down 15% in third quarter 2013 and down 11% in the first nine months of 2013 compared with the same periods a year ago. Excluding integration-related reductions, substantially all of the decrease for both periods was due to lower costs associated with our mortgage servicing regulatory consent orders.

Foreclosed assets expense was down 35% in third quarter 2013 and down 40% in the first nine months of 2013 compared with the same periods in 2012, reflecting lower write-downs, higher gains on sale, and lower expenses associated with foreclosed properties, primarily driven by the real estate market improvement.

Operating losses decreased 31% and 50% in the third quarter and first nine months of 2013, respectively, compared with the same periods a year ago. The decline in both periods was predominantly due to lower mortgage-related litigation charges.

The efficiency ratio was 59.1% in third quarter 2013, compared with 57.1% in the prior year. The Company expects to operate within its targeted efficiency ratio range of 55 to 59% in fourth quarter 2013.

## **Income Tax Expense**

**Earnings Performance (continued)**

Our effective tax rate was 31.9% and 33.4% for third quarter 2013 and 2012, respectively. Our effective tax rate was 32.7% in the first nine months of 2013, down from 34.2% in the first nine months of 2012. The lower tax rate in the first nine months of 2013 included a net reduction in the reserve for uncertain tax positions primarily due to settlements with authorities regarding certain cross border transactions, which occurred in third quarter 2013, and a tax benefit, recognized earlier in the year, from the realization for tax purposes of a previously written down investment.

**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). 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.

|   | Community Banking |       | Wholesale Banking |       | Wealth, Brokerage and Retirement |       | Other (1) |        | Consolidated Company |       |
|---|-------------------|-------|-------------------|-------|----------------------------------|-------|-----------|--------|----------------------|-------|
| (in billions)                                       | 2013              | 2012  | 2013              | 2012  | 2013                             | 2012  | 2013      | 2012   | 2013                 | 2012  |
| <b>Quarter ended Sept. 30,</b>                      |                   |       |                   |       |                                  |       |           |        |                      |       |
| Revenue   | \$ 12.2           | 13.1  | 5.9               | 5.9   | 3.3                              | 3.0   | (0.9)     | (0.8)  | 20.5                 | 21.2  |
| Provision (reversal of provision) for credit losses | 0.2               | 1.6   | (0.1)             | (0.1) | -                                | -     | -         | 0.1    | 0.1                  | 1.6   |
| Noninterest expense                                 | 7.1               | 7.4   | 3.1               | 2.9   | 2.6                              | 2.5   | (0.7)     | (0.7)  | 12.1                 | 12.1  |
| Net income  | 3.3               | 2.7   | 2.0               | 2.0   | 0.5                              | 0.3   | (0.2)     | (0.1)  | 5.6                  | 4.9   |
| Average loans                                       | 497.7             | 485.3 | 290.4             | 277.1 | 46.7                             | 42.5  | (30.0)    | (28.2) | 804.8                | 776.7 |
| Average core deposits                               | 618.2             | 594.5 | 235.3             | 225.4 | 150.6                            | 136.7 | (63.8)    | (61.2) | 940.3                | 895.4 |
| <b>Nine months ended Sept. 30,</b>                  |                   |       |                   |       |                                  |       |           |        |                      |       |
| Revenue   | \$ 38.1           | 39.6  | 18.1              | 18.1  | 9.8                              | 9.1   | (2.9)     | (2.7)  | 63.1                 | 64.1  |

|                                   |   |       |       |       |       |       |        |        |       |       |  |  |  |
|-----------------------------------|---|-------|-------|-------|-------|-------|--------|--------|-------|-------|--|--|--|
| Provision (reversal of provision) |   |       |       |       |       |       |        |        |       |       |  |  |  |
| for credit losses                 | 2.3   | 5.1   | (0.3) | 0.2   | -     | 0.1   | (0.1)  | -      | 1.9   | 5.4   |  |  |  |
| Noninterest expense               | 21.7  | 22.8  | 9.4   | 9.1   | 7.8   | 7.4   | (2.1)  | (1.8)  | 36.8  | 37.5  |  |  |  |
| Net income                        | 9.5   | 7.6   | 6.0   | 5.7   | 1.2   | 1.0   | (0.4)  | (0.5)  | 16.3  | 13.8  |  |  |  |
| Average loans                     | 498.3   | 485.1 | 287.3 | 272.0 | 45.3  | 42.5  | (29.8) | (28.4) | 801.1 | 771.2 |  |  |  |
| Average core deposits             | 620.1   | 585.3 | 230.0 | 222.4 | 148.8 | 135.5 | (64.8) | (61.0) | 934.1 | 882.2 |  |  |  |
| (1)                               | Includes corporate items not specific to a business segment and the elimination of certain items that are included in more than one business segment, substantially all of which represents products and services 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 6.15 products per household in August 2013, up from 6.04 in August 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 household, which is approximately half of our estimate of potential demand for an average U.S. household. In August 2013, one of every four of our retail banking households had eight or more of our products.

Community Banking reported net income of \$3.3 billion, up \$601 million, or 22%, from third quarter 2012, and \$9.5 billion for the first nine months of 2013, up \$1.9 billion, or 25%, compared with the same period a year ago. Revenue of \$12.2 billion decreased \$866 million, or 7%, from third quarter 2012, and was \$38.1 billion for the first nine months of 2013, a decrease of \$1.5 billion, or 4%, compared with the same period last year. The decrease in revenue was due primarily to lower mortgage banking revenue and other noninterest income, partially offset by growth in deposit service charges, higher trust and investment fees, higher debit, credit, and merchant card volumes, and higher gains on equity investments. Average core deposits increased \$24 billion, or 4%, from third quarter 2012 and \$35 billion, or 6%, from the first nine months of 2012. The number of primary consumer checking customers grew 3.9% from third quarter 2012 (August 2013 compared with August 2012). Noninterest expense declined 5% from third quarter 2012 and for the first nine months of 2012, largely driven by the elimination of costs related to the OCC's Independent Foreclosure Review programs, lower operating losses, and lower FDIC deposit insurance assessments. The provision for credit losses improved \$1.4 billion from third quarter 2012, and \$2.8 billion from the first nine months of 2012, as net-charge offs declined and portfolio credit performance improved, largely in the residential real estate portfolios.

**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 in third quarter 2013, down \$20 million, or 1%, from third quarter 2012. In the first nine months of 2013, net income increased \$280 million, or 5%, from a year ago, to \$6.0 billion. Results for the first nine months of 2013 benefited from strong noninterest income growth and improvement in provision for loan losses. Revenue in third quarter 2013 decreased \$78 million, or 1%, from third quarter 2012 as business growth and strong loan and deposit growth was more than offset by lower sales and trading, purchased credit impaired (PCI) resolution income and other income. Revenue in the first nine months of 2013 decreased \$7 million from the first nine months of 2012 as strong noninterest income growth in capital markets and asset backed finance as well as strong loan and deposit growth was offset by lower PCI resolutions. Average loans of \$290.4 billion in third quarter 2013 increased 5% from third quarter 2012 driven by growth in nearly all portfolios as well as U.S. and U.K. commercial real estate acquisitions. Growth areas included asset-backed finance, capital finance, commercial banking, commercial real estate, corporate banking, equipment finance and government and institutional banking. Average core deposits of \$235.3 billion in third quarter 2013 increased 4% from third quarter 2012, reflecting continued customer liquidity. Noninterest expense in third quarter and for the first nine months of 2013 increased 6% and 3%, respectively, from the comparable periods last year, due to higher personnel expense related to growing the business and higher non-personnel expenses related to growth initiatives. The provision for credit losses improved \$87 million from third quarter 2012 and \$546 million from the first nine months of 2012 driven primarily by lower net charge-offs.

**Wealth, Brokerage and Retirement** provides a full range of financial advisory services to clients using a planning approach to meet each client's financial 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 fiduciary services. Abbot Downing, a Wells Fargo business, provides comprehensive wealth management services to ultra high net worth families and individuals as well as endowments and foundations. Brokerage serves customers' advisory, brokerage and other 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 recordkeeping) for businesses, retail retirement solutions for individuals and reinsurance services for the life insurance industry.

Wealth, Brokerage and Retirement reported net income of \$450 million in third quarter 2013, up 33% from third quarter 2012. Net income for the first nine months of 2013 was \$1.2 billion, up 25% compared with the same period a year ago. Net income growth was driven by higher noninterest income and improved credit quality. Revenue in the quarter was up 9% from third quarter 2012 and up 8% for the first nine months of 2013 from the same period in 2012, predominantly due to growth in asset-based fees from improved market performance and growth in assets under management, as well as increased net interest income, partially offset by reduced securities gains in the brokerage business. Average core deposits in third quarter 2013 of \$150.6 billion were up 10% from third quarter 2012. Average core deposits in the first nine months of 2013 increased 10% from the same period a year ago. Noninterest expense for the third quarter 2013 was up 7% from third quarter 2012 and up 6% from the first nine months of 2012, largely due to higher personnel expenses, primarily reflecting increased broker commissions. Total provision for credit losses improved \$68 million and \$115 million from the third quarter and first nine months of 2012, respectively, driven by lower net charge-offs and continued improvement in credit quality.





## Balance Sheet Analysis

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At September 30, 2013, our assets totaled \$1.5 trillion, up \$65.1 billion from December 31, 2012. The predominant areas of asset growth were in federal funds sold and other short-term investments, which increased \$44.7 billion, securities available for sale, which increased \$24.2 billion, and loans, which increased \$12.8 billion, partially offset by a \$21.8 billion decrease in mortgages held for sale. Deposit growth of \$39.0 billion, total equity growth of \$9.9 billion and an increase in long-term debt of \$23.8 billion from December 31, 2012 were the predominant sources funding our asset growth for the first nine months of 2013. The deposit growth resulted in an increase in the proportion of interest-bearing deposits while equity growth benefited from \$11.0 billion in earnings, net of dividends paid, as well as from the 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 12.11%, total capital increased to 15.09%, Tier 1 leverage increased to 9.76%, and Tier 1 common equity increased to 10.60% at September 30, 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.

| Table 5: Securities Available for Sale – Summary |            |       |                    |      |         |                   |         |  |
|--|------------|-------|--------------------|------|---------|-------------------|---------|--|
|  |            |       | September 30, 2013 |      |         | December 31, 2012 |         |  |
|  |            |       | Net                |      |         | Net               |         |  |
|  |            |       | unrealized         | Fair |         | unrealized        | Fair    |  |
| (in millions)                                    | Cost       | gain  | value              |      | Cost    | gain              | value   |  |
| Debt securities                                  | \$ 251,493 | 4,326 | 255,819            |      | 220,946 | 11,468            | 232,414 |  |
| Marketable equity securities                     | 2,113      | 1,467 | 3,580              |      | 2,337   | 448               | 2,785   |  |
| Total securities available for sale              | \$ 253,606 | 5,793 | 259,399            |      | 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. Our available-for-sale portfolio increased \$24.2 billion from December 31, 2012, primarily due to purchases of agency mortgage-backed securities. The total net unrealized gains on securities available for sale were \$5.8 billion at September 30, 2013, down from net unrealized gains of \$11.9 billion at December 31, 2012, due primarily to an increase in long-term interest 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 mortgage-backed securities (MBS), privately issued residential and commercial MBS, securities issued by U.S. states and political subdivisions, corporate debt securities, and highly rated collateralized loan obligations. 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, which could influence 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 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 \$249 million in OTTI write-downs recognized in the first nine months of 2013, \$128 million related to debt securities and \$25 million related to marketable equity securities, which are each included in securities available for sale. Another \$96 million in OTTI write-downs related to nonmarketable equity investments, which are included in other assets. 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 September 30, 2013, debt securities available for sale included \$42.3 billion of municipal bonds, of which 85% 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 6.8 years at September 30, 2013. Because 59% 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.

| <b>Table 6: Mortgage-Backed Securities</b> |                             |  |    |       |             |           |
|--|-----------------------------|--|----|-------|-------------|-----------|
|  |                             |  |    |       |             |           |
|  |                             |  |    |       | Net         | Expected  |
|  |                             |  |    | Fair  | unrealized  | remaining |
| (in billions)                              |                             |  |    | value | gain (loss) | maturity  |
| At September 30, 2013                      |                             |  |    |       |             |           |
|  | Actual                      |  | \$ | 151.3 | 2.7         | 5.7       |
|  | Assuming a 200 basis point: |  |    |       |             |           |
|  | Increase in interest rates  |  |    | 136.8 | (11.8)      | 7.1       |
|  | Decrease in interest rates  |  |    | 158.5 | 9.9         | 2.9       |
|  |                             |  |    |       |             |           |

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

### Loan Portfolio

Total loans were \$812.3 billion at September 30, 2013, up \$12.8 billion from December 31, 2012. Table 7 provides a summary of total outstanding loans by non-strategic / liquidating and core loan portfolios. The runoff in the non-strategic/liquidating portfolios was \$10.4 billion, while loans in the core portfolio grew \$23.2 billion from December 31, 2012. Our core loan growth in 2013 included:

- a \$11.7 billion increase in the commercial segment primarily from loan purchases, including \$5.2 billion of commercial real estate portfolio acquisitions consisting of \$4.0 billion U.K. commercial real estate loans classified within foreign loans and \$1.2 billion within commercial real estate mortgage; and
- a \$11.5 billion increase in consumer loans primarily from growth of \$18.8 billion in 1-4 family non-conforming first mortgages, as well as \$3.6 billion of 1-4 family conforming first mortgages retained for investment, and \$6.7 billion in auto loans, partially offset by runoff in the core consumer portfolio.

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.

| <b>Table 7: Loan Portfolios</b> |  |  |      |                    |       |  |                   |             |       |
|---------------------------------|--|--|------|--------------------|-------|--|-------------------|-------------|-------|
|                                 |  |  |      |                    |       |  |                   |             |       |
|                                 |  |  |      |                    |       |  |                   |             |       |
|                                 |  |  |      | September 30, 2013 |       |  | December 31, 2012 |             |       |
| (in millions)                   |  |  | Core |                    | Total |  | Core              | Liquidating | Total |
|                                 |  |  |      |                    |       |  |                   |             |       |

|             |    |                | <b>Liquidating</b> |                |         |        |         |
|-------------|----|----------------|--------------------|----------------|---------|--------|---------|
| Commercial  | \$ | <b>369,703</b> | <b>2,342</b>       | <b>372,045</b> | 358,028 | 3,170  | 361,198 |
| Consumer    |    | <b>358,484</b> | <b>81,796</b>      | <b>440,280</b> | 346,984 | 91,392 | 438,376 |
| Total loans | \$ | <b>728,187</b> | <b>84,138</b>      | <b>812,325</b> | 705,012 | 94,562 | 799,574 |
|             |    |                |                    |                |         |        |         |

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**Balance Sheet Analysis (continued)**

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.

| <b>Table 8: Maturities for Selected Commercial Loan Categories</b> |  |  |  |  |                    |            |         |                   |            |         |         |        |         |
|--|--|--|--|--|--------------------|------------|---------|-------------------|------------|---------|---------|--------|---------|
|  |  |  |  |  | September 30, 2013 |            |         | December 31, 2012 |            |         |         |        |         |
|  |  |  |  |  | After              |            |         | After             |            |         |         |        |         |
|  |  |  |  |  | Within             | one year   | After   | Within            | one year   | After   |         |        |         |
|  |  |  |  |  | one                | through    | five    | one               | through    | five    |         |        |         |
|  |  |  |  |  | year               | five years | years   | year              | five years | years   |         |        |         |
| (in millions)  |  |  |  |  | year               | five years | years   | year              | five years | years   |         |        |         |
| Selected loan maturities:  |  |  |  |  |                    |            |         |                   |            |         |         |        |         |
| Commercial and industrial  |  |  |  |  | \$                 | 42,026     | 130,156 | 19,557            | 191,738    | 45,212  | 123,578 | 18,969 | 187,759 |
| Real estate mortgage   |  |  |  |  |                    | 19,491     | 58,091  | 27,958            | 105,540    | 22,328  | 56,085  | 27,927 | 106,340 |
| Real estate construction   |  |  |  |  |                    | 6,674      | 8,325   | 1,413             | 16,413     | 7,685   | 7,961   | 1,258  | 16,904  |
| Foreign  |  |  |  |  |                    | 31,886     | 12,457  | 2,323             | 46,666     | 27,219  | 7,460   | 3,092  | 37,771  |
| Total selected loans   |  |  |  |  | \$                 | 100,077    | 209,029 | 51,251            | 360,357    | 102,444 | 195,084 | 51,246 | 348,774 |
| Distribution of loans to   |  |  |  |  |                    |            |         |                   |            |         |         |        |         |
| changes in interest rates:   |  |  |  |  |                    |            |         |                   |            |         |         |        |         |
| Loans at fixed interest rates                                      |  |  |  |  | \$                 | 16,722     | 22,497  | 13,425            | 52,645     | 17,218  | 20,894  | 11,387 | 49,499  |
| Loans at floating/variable interest rates                          |  |  |  |  |                    | 83,355     | 186,531 | 37,826            | 307,712    | 85,226  | 174,190 | 39,859 | 299,275 |
| Total selected loans   |  |  |  |  | \$                 | 100,077    | 209,029 | 51,251            | 360,357    | 102,444 | 195,084 | 51,246 | 348,774 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|



## Deposits

Deposits totaled \$1.0 trillion at September 30, 2013, and December 31, 2012. Table 9 provides additional information regarding deposits. Deposit growth of \$39 billion from December 31, 2012 reflected continued customer liquidity and liquidity-related issuances of term 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 \$947.8 billion at September 30, 2013, up \$2.1 billion from \$945.7 billion at December 31, 2012.

|                                 |   |           |           |          | % of |    |           |          | % of |        |  |
|---------------------------------|---|-----------|-----------|----------|------|----|-----------|----------|------|--------|--|
|                                 |   |           | Sept. 30, | total    |      |    | Dec. 31,  | total    |      | %      |  |
| (\$ in millions)                |   |           | 2013      | deposits |      |    | 2012      | deposits |      | Change |  |
| Noninterest-bearing             | \$  | 279,910   | 27        | %        |      | \$ | 288,207   | 29       | %    | (3)    |  |
| Interest-bearing checking       |   | 34,064    | 3         |          |      |    | 35,275    | 4        |      | (3)    |  |
| Market rate and other savings   |   | 541,564   | 52        |          |      |    | 517,464   | 52       |      | 5      |  |
| Savings certificates            |   | 44,861    | 4         |          |      |    | 55,966    | 6        |      | (20)   |  |
| Foreign deposits (1)            |   | 47,406    | 5         |          |      |    | 48,837    | 4        |      | (3)    |  |
| Core deposits                   |   | 947,805   | 91        |          |      |    | 945,749   | 95       |      | -      |  |
| Other time and savings deposits |   | 57,994    | 6         |          |      |    | 33,755    | 3        |      | 72     |  |
| Other foreign deposits          |   | 36,072    | 3         |          |      |    | 23,331    | 2        |      | 55     |  |
| Total deposits                  | \$  | 1,041,871 | 100       | %        |      | \$ | 1,002,835 | 100      | %    | 4      |  |
| (1)                             | Reflects Eurodollar sweep balances included in core deposits. |           |           |          |      |    |           |          |      |        |  |

## Fair Value 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 value 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), which are significant assumptions not observable in the market. 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).



|                     |  | <b>September 30, 2013</b> |              |                    |             | <b>December 31, 2012</b> |       |                    |      |
|---------------------|--|---------------------------|--------------|--------------------|-------------|--------------------------|-------|--------------------|------|
|                     |  | <b>Total</b>              |              | <b>Level 3 (1)</b> |             | <b>Total</b>             |       | <b>Level 3 (1)</b> |      |
| (\$ in billions)    |  | <b>balance</b>            |              | <b>Level 3 (1)</b> |             | <b>balance</b>           |       | <b>Level 3 (1)</b> |      |
| Assets carried      |  |                           |              |                    |             |                          |       |                    |      |
|                     | at fair value                          | \$                        | <b>367.5</b> |                    | <b>43.6</b> |                          | 358.7 |                    | 51.9 |
| As a percentage     |  |                           |              |                    |             |                          |       |                    |      |
|                     | of total assets                        |                           | <b>25</b>    | %                  | <b>3</b>    |                          | 25    |                    | 4    |
| Liabilities carried |  |                           |              |                    |             |                          |       |                    |      |
|                     | at fair value                          | \$                        | <b>23.6</b>  |                    | <b>2.8</b>  |                          | 22.4  |                    | 3.1  |
| As a percentage of  |  |                           |              |                    |             |                          |       |                    |      |
|                     | total liabilities                      |                           | <b>2</b>     | %                  | <b>*</b>    |                          | 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.

## Equity

Total equity was \$168.8 billion at September 30, 2013 compared with \$158.9 billion at December 31, 2012. The increase was predominantly driven by a \$10.9 billion increase in retained earnings from earnings net of dividends paid, partially offset by a \$3.4 billion decline in cumulative other comprehensive income (OCI). The decline in OCI was due to a \$6.1 billion (\$3.7 billion after tax) reduction in net unrealized gains on our securities available for sale portfolio resulting from an increase in long-term interest rates. This decline was partially offset by our recognition of pension settlement losses that resulted in re-measurement of our Cash Balance Plan liability, which increased cumulative other comprehensive income by \$1.2 billion (\$726 million after tax). See Note 15 (Employee Benefits) to Financial Statements in this Report for additional information.

## **Off-Balance Sheet Arrangements**

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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. Our off-balance sheet arrangements include commitments to lend, transactions with unconsolidated entities, guarantees, derivatives, and other commitments. These transactions are designed to (1) meet the financial needs of customers, (2) manage our credit, market or liquidity risks, and/or (3) diversify our funding sources.

## **Commitments to Lend**

We enter into commitments to lend funds to customers, which are usually at a stated interest rate, if funded, and for specific purposes and time periods. When we make commitments, we are exposed to credit risk. However, the maximum credit risk for these commitments will generally be lower than the contractual amount because a significant portion of these commitments are not expected to be fully utilized or will expire without being used by the customer. For more information on lending commitments, see Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

## **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.

## **Guarantees and Certain Contingent Arrangements**

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.

For more information on guarantees and certain contingent arrangements, see Note 10 (Guarantees, Pledged Assets and Collateral) to Financial Statements in this Report.

## **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. Derivative transactions can be measured in terms of the notional amount, which is generally not exchanged but is used only as the basis on which interest and other payments are determined. The notional 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.

For more information on derivatives, see Note 12 (Derivatives) to Financial Statements in this Report.

## **Other Commitments**

We also have other off-balance sheet transactions, including obligations to make rental payments under noncancelable operating leases and commitments to purchase certain debt securities available for sale and private equity investments. Our operating lease obligations are discussed in Note 7 (Premises, Equipment, Lease Commitments and Other Assets) to Financial Statements in our 2012 Form 10-K. For more information on commitments to purchase debt securities available for sale, see the “Off-Balance Sheet Arrangements” section in our 2012 Form 10-K. Commitments to purchase private equity investments are further described in Note 13 (Fair Values of Assets and Liabilities) to Financial Statements in this Report.

## Risk Management

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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 operational risks, credit risks, asset/liability interest rate and market risks. For more information about how we managed these 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 evolving and adaptive 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 capabilities. 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.

|                           |    | Sept. 30,      | Dec. 31, |
|---------------------------|----|----------------|----------|
|                           |    | 2013           | 2012     |
| (in millions)             |    |                |          |
| <b>Commercial:</b>        |    |                |          |
| Commercial and industrial | \$ | <b>191,738</b> | 187,759  |
| Real estate mortgage      |    | <b>105,540</b> | 106,340  |
| Real estate construction  |    | <b>16,413</b>  | 16,904   |
|                           |    | <b>11,688</b>  | 12,424   |

|           |   |                   |         |  |
|-----------|---|-------------------|---------|--|
|           | Lease financing   |                   |         |  |
|           | Foreign (1)   | <b>46,666</b>     | 37,771  |  |
|           | Total commercial  | <b>372,045</b>    | 361,198 |  |
| Consumer: |   |                   |         |  |
|           | Real estate 1-4 family first mortgage   | <b>254,924</b>    | 249,900 |  |
|           | Real estate 1-4 family junior lien mortgage   | <b>67,675</b>     | 75,465  |  |
|           | Credit card   | <b>25,448</b>     | 24,640  |  |
|           | Automobile  | <b>49,693</b>     | 45,998  |  |
|           | Other revolving credit and installment  | <b>42,540</b>     | 42,373  |  |
|           | Total consumer  | <b>440,280</b>    | 438,376 |  |
|           | Total loans   | <b>\$ 812,325</b> | 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. |                   |         |  |

**Credit Quality Overview** Credit quality continued to improve during the third quarter of 2013 due in part to improving economic conditions as well as our proactive credit risk management activities. The improvement occurred for both commercial and consumer portfolios as evidenced by their credit metrics:

- Nonperforming loans decreased to \$3.9 billion and \$13.0 billion in our commercial and consumer portfolios, respectively, at September 30, 2013, from \$5.8 billion and \$14.7 billion at December 31, 2012. These loans represented 2.08% of total loans at September 30, 2013 compared with 2.56% at December 31, 2012.
- Third quarter 2013 net charge-offs as a percentage of average total loans improved to 0.48% compared with 1.21% a year ago and were 0.02% and 0.86% in our commercial and consumer portfolios, respectively, compared with 0.24% and 2.01% for third quarter 2012.
- Loans that are not government insured/guaranteed and 90 days or more past due and still accruing decreased to \$167 million and \$883 million in our commercial and consumer portfolios, respectively, at September 30, 2013, from \$303 million and \$1.1 billion at December 31, 2012.

In addition to credit metric improvements we saw improvement in various economic indicators such as home prices that influenced our evaluation of the allowance and provision for credit losses. Accordingly:

- Our provision for credit losses decreased to \$75 million in third quarter 2013 from \$1.6 billion in third quarter 2012.
- The allowance for credit losses decreased to \$15.6 billion at September 30, 2013 from \$17.5 billion at December 31, 2012.

Additional information on our loan portfolios and our credit quality trends follows.

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**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 after we cease their continued origination and 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 56% since the merger with Wachovia at December 31, 2008, and decreased 11% 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.

| <b>Table 12: Non-Strategic and Liquidating Loan Portfolios</b>          |  |  |  |                     |              |         |  |
|---|--|--|--|---------------------|--------------|---------|--|
|   |  |  |  | Outstanding balance |              |         |  |
|   |  |  |  | Sept. 30,           | December 31, |         |  |
| (in millions)   |  |  |  | 2013                | 2012         | 2008    |  |
| <b>Commercial:</b>  |  |  |  |                     |              |         |  |
|   | Legacy Wachovia commercial and industrial, CRE and foreign PCI loans (1) |  |  | \$ 2,342            | 3,170        | 18,704  |  |
|   | Total commercial   |  |  | 2,342               | 3,170        | 18,704  |  |
| <b>Consumer:</b>  |  |  |  |                     |              |         |  |
|   | Pick-a-Pay mortgage (1)  |  |  | 52,805              | 58,274       | 95,315  |  |
|   | Liquidating home equity  |  |  | 3,911               | 4,647        | 10,309  |  |
|   | Legacy Wells Fargo Financial indirect auto                               |  |  | 299                 | 830          | 18,221  |  |
|   | Legacy Wells Fargo Financial debt consolidation                          |  |  | 13,281              | 14,519       | 25,299  |  |
|   | Education Finance - government guaranteed                                |  |  | 11,094              | 12,465       | 20,465  |  |
|   | Legacy Wachovia other PCI loans (1)                                      |  |  | 406                 | 657          | 2,478   |  |
|   | Total consumer   |  |  | 81,796              | 91,392       | 172,087 |  |
|   | Total non-strategic and liquidating loan portfolios                      |  |  | \$ 84,138           | 94,562       | 190,791 |  |
| <b>(1)</b> 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. Substantially all of our PCI loans were acquired in the Wachovia acquisition on December 31, 2008. 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 \$27.8 billion at September 30, 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. 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 the first nine months of 2013, we recognized as income \$67 million released from the nonaccretable difference related to commercial PCI loans due to payoffs and other resolutions. We also transferred \$916 million from the nonaccretable difference to the accretable yield for PCI loans with improving credit-related cash flows and absorbed \$720 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 than expected defaults and losses as a result of observed economic strengthening, particularly in housing prices, and by 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.



| <b>Table 13: Changes in Nonaccretable Difference for PCI Loans</b>                                 |               |              |             |              |
|--|---------------|--------------|-------------|--------------|
|  |               |              |             |              |
|  |               |              | Other       |              |
| (in millions)  | Commercial    | Pick-a-Pay   | 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)     |
| <b>Balance, December 31, 2012</b>  | <b>422</b>    | <b>6,232</b> | <b>310</b>  | <b>6,964</b> |
| <b>Addition of nonaccretable difference due to acquisitions</b>                                    | <b>7</b>      | <b>-</b>     | <b>-</b>    | <b>7</b>     |
| <b>Release of nonaccretable difference due to:</b>   |               |              |             |              |
| <b>Loans resolved by settlement with borrower (1)</b>  | <b>(62)</b>   | <b>-</b>     | <b>-</b>    | <b>(62)</b>  |
| <b>Loans resolved by sales to third parties (2)</b>  | <b>(5)</b>    | <b>-</b>     | <b>-</b>    | <b>(5)</b>   |
| <b>Reclassification to accretable yield for loans with improving credit-related cash flows (3)</b> | <b>(50)</b>   | <b>(866)</b> | <b>-</b>    | <b>(916)</b> |
| <b>Use of nonaccretable difference due to:</b>   |               |              |             |              |
| <b>Losses from loan resolutions and write-downs (4)</b>  | <b>(12)</b>   | <b>(641)</b> | <b>(67)</b> | <b>(720)</b> |
| <b>Balance, September 30, 2013</b>   | <b>\$ 300</b> | <b>4,725</b> | <b>243</b>  | <b>5,268</b> |
|  |               |              |             |              |
| <b>Balance, June 30, 2013</b>  | <b>\$ 311</b> | <b>4,880</b> | <b>250</b>  | <b>5,441</b> |
| <b>Addition of nonaccretable difference due to acquisitions</b>                                    | <b>7</b>      | <b>-</b>     | <b>-</b>    | <b>7</b>     |
| <b>Release of nonaccretable difference due to:</b>   |               |              |             |              |
| <b>Loans resolved by settlement with borrower (1)</b>  | <b>(15)</b>   | <b>-</b>     | <b>-</b>    | <b>(15)</b>  |
| <b>Loans resolved by sales to third parties (2)</b>  | <b>-</b>      | <b>-</b>     | <b>-</b>    | <b>-</b>     |
| <b>Reclassification to accretable yield for loans with improving credit-related cash flows (3)</b> | <b>(9)</b>    | <b>-</b>     | <b>-</b>    | <b>(9)</b>   |
| <b>Use of nonaccretable difference due to:</b>   |               |              |             |              |
| <b>Losses from loan resolutions and write-downs (4)</b>  | <b>6</b>      | <b>(155)</b> | <b>(7)</b>  | <b>(156)</b> |
| <b>Balance, September 30, 2013</b>   | <b>\$ 300</b> | <b>4,725</b> | <b>243</b>  | <b>5,268</b> |

|     |  |
|-----|--|
| (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. Also includes foreign exchange adjustments related to underlying principal for which the nonaccretable difference was established. |
|     |  |

Since December 31, 2008, we have released \$8.1 billion in nonaccretable difference, including \$6.3 billion transferred from the nonaccretable difference to the accretable yield and \$1.8 billion released to income through loan resolutions. Also, we have provided \$1.7 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 \$6.4 billion reduction from December 31, 2008, through September 30, 2013, in our initial projected losses of \$41.0 billion on all PCI loans.

At September 30, 2013, the allowance for credit losses on certain PCI loans was \$22 million. The allowance is 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 September 30, 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.

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

| <b>Table 14: Actual and Projected Loss Results on PCI Loans Since Acquisition of Wachovia</b> |  |  |  |  |            |         |            |       |          |         |
|---|--|--|--|--|------------|---------|------------|-------|----------|---------|
|   |  |  |  |  |            |         |            |       | Other    |         |
| (in millions)   |  |  |  |  | Commercial |         | Pick-a-Pay |       | consumer | Total   |
| Release of nonaccretable difference due to:   |  |  |  |  |            |         |            |       |          |         |
|   | Loans resolved by settlement with borrower (1)   |  |  |  | \$         | 1,488   | -          | -     | -        | 1,488   |
|   | Loans resolved by sales to third parties (2)   |  |  |  |            | 308     | -          | 85    |          | 393     |
|   | Reclassification to accretable yield for loans with improving credit-related cash flows (3)  |  |  |  |            | 1,581   | 3,897      | 792   |          | 6,270   |
|   | Total releases of nonaccretable difference due to better than expected losses  |  |  |  |            | 3,377   | 3,897      | 877   |          | 8,151   |
| Provision for losses due to credit deterioration (4)  |  |  |  |  |            | (1,628) | -          | (108) |          | (1,736) |
|   | Actual and projected losses on PCI loans less than originally expected   |  |  |  | \$         | 1,749   | 3,897      | 769   |          | 6,415   |
| (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.  |  |  |  |            |         |            |       |          |         |

**Significant Loan 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 \$203.4 billion or 25% of total loans at September 30, 2013, experienced credit improvement in third quarter 2013. The annualized net charge-off rate for this portfolio declined to 0.12% in third quarter 2013 from 0.19% in second quarter 2013, and 0.46% for the full year of 2012. At September 30, 2013, 0.41% of this portfolio was nonaccruing compared with 0.72% at December 31, 2012. In addition, \$16.7 billion of this portfolio was criticized at September 30, 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.

|                        |    |     |         |     |  |    | September 30, 2013 |  |
|------------------------|----|-----|---------|-----|--|----|--------------------|--|
|                        |    |     |         |     |  |    | % of               |  |
|                        |    |     |         |     |  |    | total              |  |
|                        |    |     |         |     |  |    | loans              |  |
| (in millions)          |    |     |         |     |  |    | loans              |  |
|                        |    |     |         |     |  |    | (1)                |  |
|                        |    |     |         |     |  |    | %                  |  |
| Investors              | \$ | 20  | 17,133  |     |  | 2  | %                  |  |
| Cyclical retailers     |    | 26  | 15,127  |     |  | 2  |                    |  |
| Oil & Gas              |    | 63  | 13,819  |     |  | 2  |                    |  |
| Food and beverage      |    | 56  | 12,823  |     |  | 2  |                    |  |
| Healthcare             |    | 33  | 10,739  |     |  | 1  |                    |  |
| Financial institutions |    | 28  | 10,706  |     |  | 1  |                    |  |
| Industrial equipment   |    | 22  | 10,652  |     |  | 1  |                    |  |
| Real estate lessor     |    | 25  | 9,637   |     |  | 1  |                    |  |
| Technology             |    | 8   | 7,357   |     |  | 1  |                    |  |
| Transportation         |    | 7   | 6,057   |     |  | 1  |                    |  |
| Public administration  |    | 21  | 5,808   |     |  | 1  |                    |  |
| Business services      |    | 31  | 5,706   |     |  | *  |                    |  |
| Other                  |    | 486 | 77,862  | (2) |  | 10 |                    |  |
| Total                  | \$ | 826 | 203,426 |     |  | 25 | %                  |  |

\* Less than 1%.

(1) Includes \$210 million PCI loans, which are considered to be accruing due to the existence of the accretible yield and not based on consideration given to contractual interest payments.

(2) No other single category had loans in excess of \$4.9 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 15% of total loans at September 30, 2013, and consisted of \$16.4 billion of construction loans and \$105.5 billion of 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 Texas, which represented 27% and 8% of the total CRE portfolio, respectively. By property type, the largest concentrations are office buildings at 27% and apartments at 12% of the portfolio. CRE nonaccrual loans totaled 2.5% of the CRE outstanding balance at September 30, 2013, compared with 3.5% at December 31, 2012. At September 30, 2013, we had \$13.6 billion of

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criticized CRE mortgage loans, down from \$18.8 billion at December 31, 2012, and \$2.5 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 September 30, 2013, the recorded investment in PCI CRE loans totaled \$2.0 billion, down from \$12.3 billion when acquired at December 31, 2008, reflecting principal payments, loan resolutions and write-downs.

|                                    |    |       |         |     |        |       |         |     |    |   | September 30, 2013   |               |                          |               |            |               |            |               |  |  |  |
|------------------------------------|----|-------|---------|-----|--------|-------|---------|-----|----|---|----------------------|---------------|--------------------------|---------------|------------|---------------|------------|---------------|--|--|--|
|                                    |    |       |         |     |        |       |         |     |    |   |                      |               |                          |               |            |               |            |               |  |  |  |
|                                    |    |       |         |     |        |       |         |     |    |   | Real estate mortgage |               | Real estate construction |               | Total      |               | % of       |               |  |  |  |
|                                    |    |       |         |     |        |       |         |     |    |   | Nonaccrual           | Total         | Nonaccrual               | Total         | Nonaccrual | Total         | Nonaccrual | Total         |  |  |  |
|                                    |    |       |         |     |        |       |         |     |    |   | loans                | portfolio (1) | loans                    | portfolio (1) | loans      | portfolio (1) | loans      | portfolio (1) |  |  |  |
|                                    |    |       |         |     |        |       |         |     |    |   | (in millions)        |               |                          |               |            |               |            |               |  |  |  |
| By state:                          |    |       |         |     |        |       |         |     |    |   |                      |               |                          |               |            |               |            |               |  |  |  |
| California                         | \$ | 594   | 30,241  | 58  | 3,152  | 652   | 33,393  |     | 4  | % |                      |               |                          |               |            |               |            |               |  |  |  |
| Texas                              |    | 181   | 8,684   | 26  | 1,662  | 207   | 10,346  |     | 1  |   |                      |               |                          |               |            |               |            |               |  |  |  |
| Florida                            |    | 376   | 8,591   | 56  | 1,352  | 432   | 9,943   |     | 1  |   |                      |               |                          |               |            |               |            |               |  |  |  |
| New York                           |    | 50    | 6,622   | 6   | 1,008  | 56    | 7,630   |     | 1  |   |                      |               |                          |               |            |               |            |               |  |  |  |
| North Carolina                     |    | 156   | 4,026   | 37  | 995    | 193   | 5,021   |     | 1  |   |                      |               |                          |               |            |               |            |               |  |  |  |
| Arizona                            |    | 101   | 4,022   | 14  | 540    | 115   | 4,562   |     | 1  |   |                      |               |                          |               |            |               |            |               |  |  |  |
| Virginia                           |    | 71    | 2,900   | 7   | 1,032  | 78    | 3,932   |     | 1  |   |                      |               |                          |               |            |               |            |               |  |  |  |
| Washington                         |    | 27    | 3,108   | 3   | 474    | 30    | 3,582   |     | *  |   |                      |               |                          |               |            |               |            |               |  |  |  |
| Georgia                            |    | 161   | 3,026   | 48  | 493    | 209   | 3,519   |     | *  |   |                      |               |                          |               |            |               |            |               |  |  |  |
| Colorado                           |    | 45    | 2,683   | 6   | 552    | 51    | 3,235   |     | *  |   |                      |               |                          |               |            |               |            |               |  |  |  |
| Other                              |    | 734   | 31,637  | 256 | 5,153  | 990   | 36,790  | (2) | 5  |   |                      |               |                          |               |            |               |            |               |  |  |  |
| Total                              | \$ | 2,496 | 105,540 | 517 | 16,413 | 3,013 | 121,953 |     | 15 | % |                      |               |                          |               |            |               |            |               |  |  |  |
| By property:                       |    |       |         |     |        |       |         |     |    |   |                      |               |                          |               |            |               |            |               |  |  |  |
| Office buildings                   | \$ | 622   | 31,102  | 48  | 1,757  | 670   | 32,859  |     | 4  | % |                      |               |                          |               |            |               |            |               |  |  |  |
| Apartments                         |    | 126   | 10,464  | 17  | 4,633  | 143   | 15,097  |     | 2  |   |                      |               |                          |               |            |               |            |               |  |  |  |
| Retail (excluding shopping center) |    | 354   | 12,267  | 26  | 879    | 380   | 13,146  |     | 2  |   |                      |               |                          |               |            |               |            |               |  |  |  |
| Industrial/warehouse               |    | 379   | 11,871  | -   | 653    | 379   | 12,524  |     | 2  |   |                      |               |                          |               |            |               |            |               |  |  |  |
| Real estate - other                |    | 293   | 10,464  | 8   | 379    | 301   | 10,843  |     | 1  |   |                      |               |                          |               |            |               |            |               |  |  |  |
| Hotel/motel                        |    | 122   | 8,503   | 10  | 564    | 132   | 9,067   |     | 1  |   |                      |               |                          |               |            |               |            |               |  |  |  |
| Shopping center                    |    | 201   | 8,157   | 9   | 662    | 210   | 8,819   |     | 1  |   |                      |               |                          |               |            |               |            |               |  |  |  |

|                                   |   |       |         |  |     |        |  |       |         |  |    |   |
|-----------------------------------|---|-------|---------|--|-----|--------|--|-------|---------|--|----|---|
| Land<br>(excluding 1-4<br>family) |   | 6     | 78      |  | 140 | 3,512  |  | 146   | 3,590   |  | 1  |   |
| Institutional                     |   | 76    | 2,683   |  | -   | 379    |  | 76    | 3,062   |  | *  |   |
| Agriculture                       |   | 86    | 2,459   |  | -   | 22     |  | 86    | 2,481   |  | *  |   |
| Other                             |   | 231   | 7,492   |  | 259 | 2,973  |  | 490   | 10,465  |  | 1  |   |
| Total                             | \$  | 2,496 | 105,540 |  | 517 | 16,413 |  | 3,013 | 121,953 |  | 15 | % |
| * Less than 1%.                   |   |       |         |  |     |        |  |       |         |  |    |   |
| (1)                               | Includes a total of \$2.0 billion PCI loans, consisting of \$1.4 billion of real estate mortgage and \$605 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 \$2.7 billion.  |       |         |  |     |        |  |       |         |  |    |   |

**FOREIGN Loans and country risk exposure** We classify loans for financial statement and certain regulatory purposes as foreign if the borrower's primary address is outside of the United States. At September 30, 2013, foreign loans totaled \$46.7 billion, representing approximately 6% of our total consolidated loans outstanding, compared with \$37.8 billion at December 31, 2012, or approximately 5% of total consolidated loans outstanding. A significant portion of the growth in foreign loans was due to the acquisition of CRE loans in the U.K. in third quarter 2013. Foreign loans were approximately 3% of our consolidated total assets at September 30, 2013 and at December 31, 2012.

Our foreign country risk monitoring process incorporates frequent dialogue with our 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, and is different from the reporting based on the borrower's primary address. Our largest single foreign country exposure on an ultimate risk basis at September 30, 2013, was the United Kingdom, which totaled \$21.6 billion, or 1% of our total assets, and included \$3.0 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.

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

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

potential impact of a regional or worldwide economic 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 top 20 exposures on an ultimate risk basis by country (excluding the U.S.) and our Eurozone exposure. The selection of the top 20 countries is based solely on our largest total exposure by country.

**Table 17: Select Country Exposures**

|                                  |    | Lending (1) |               | Securities (2) |               | Derivatives and other (3) |               | Total exposure |                   |        |
|----------------------------------|----|-------------|---------------|----------------|---------------|---------------------------|---------------|----------------|-------------------|--------|
|                                  |    | Sovereign   | Non-sovereign | Sovereign      | Non-sovereign | Sovereign                 | Non-sovereign | Sovereign      | Non-sovereign (4) | Total  |
|                                  |    |             |               |                |               |                           |               |                |                   |        |
| (in millions)                    |    |             |               |                |               |                           |               |                |                   |        |
| September 30, 2013               |    |             |               |                |               |                           |               |                |                   |        |
| <b>Top 20 country exposures:</b> |    |             |               |                |               |                           |               |                |                   |        |
| United Kingdom                   | \$ | 3,044       | 10,273        | -              | 7,441         | -                         | 828           | 3,044          | 18,542            | 21,586 |
| Canada                           |    | -           | 6,483         | -              | 4,453         | -                         | 606           | -              | 11,542            | 11,542 |
| China                            |    | -           | 3,770         | -              | 115           | 20                        | 2             | 20             | 3,887             | 3,907  |
| Netherlands                      |    | -           | 2,363         | -              | 436           | -                         | 34            | -              | 2,833             | 2,867  |
| Brazil                           |    | -           | 2,614         | -              | 15            | -                         | 1             | -              | 2,630             | 2,631  |
| Germany                          |    | 64          | 1,520         | -              | 854           | -                         | 144           | 64             | 2,518             | 2,582  |
| India                            |    | -           | 1,802         | -              | 172           | -                         | -             | -              | 1,974             | 1,974  |
| Bermuda                          |    | -           | 1,631         | -              | 73            | -                         | 44            | -              | 1,748             | 1,748  |
| Turkey                           |    | -           | 1,687         | -              | -             | -                         | 2             | -              | 1,689             | 1,689  |
| France                           |    | -           | 460           | -              | 1,159         | -                         | 56            | -              | 1,675             | 1,675  |
| South Korea                      |    | -           | 1,562         | -              | 55            | 13                        | -             | 13             | 1,617             | 1,630  |
| Australia                        |    | -           | 905           | -              | 662           | -                         | 29            | -              | 1,596             | 1,596  |
| Chile                            |    | -           | 1,360         | -              | 84            | -                         | 54            | -              | 1,498             | 1,498  |
| Switzerland                      |    | -           | 912           | -              | 82            | -                         | 433           | -              | 1,427             | 1,427  |
| Japan                            |    | -           | 372           | 713            | 16            | -                         | 91            | 713            | 479               | 1,192  |
| Mexico                           |    | -           | 950           | -              | 29            | 4                         | 5             | 4              | 984               | 984    |
| Luxembourg                       |    | -           | 865           | -              | 111           | -                         | 5             | -              | 981               | 981    |
| Ireland                          |    | 36          | 653           | -              | 158           | -                         | 12            | 36             | 823               | 823    |
| Russia                           |    | -           | 721           | -              | 31            | -                         | -             | -              | 752               | 752    |
| Spain                            |    | -           | 695           | -              | 51            | -                         | 2             | -              | 748               | 748    |



|                           |  |    |       |        |  |     |        |  |    |       |  |       |  |        |      |
|---------------------------|--|----|-------|--------|--|-----|--------|--|----|-------|--|-------|--|--------|------|
|                           | Total top 20 country exposures   | \$ | 3,144 | 41,598 |  | 713 | 15,997 |  | 37 | 2,348 |  | 3,894 |  | 59,943 | 63,8 |
| <b>Eurozone exposure:</b> |  |    |       |        |  |     |        |  |    |       |  |       |  |        |      |
|                           | Eurozone countries included in Top 20 above (5)  | \$ | 100   | 6,556  |  | -   | 2,769  |  | -  | 253   |  | 100   |  | 9,578  | 9,6  |
|                           | Austria  |    | 104   | 322    |  | -   | 2      |  | -  | 1     |  | 104   |  | 325    | 4    |
|                           | Italy  |    | -     | 242    |  | -   | 91     |  | -  | -     |  | -     |  | 333    | 3    |
|                           | Belgium  |    | -     | 122    |  | -   | 11     |  | -  | 6     |  | -     |  | 139    | 1    |
|                           | Other Eurozone countries (6)   |    | -     | 59     |  | -   | 25     |  | 9  | 2     |  | 9     |  | 86     | 9    |
|                           | Total Eurozone exposure  | \$ | 204   | 7,301  |  | -   | 2,898  |  | 9  | 262   |  | 213   |  | 10,461 | 10,6 |
| (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. For the countries listed above, includes \$488 million in PCI loans, predominantly to customers in Germany and the United Kingdom, and \$2.1 billion in defeased leases secured predominantly by U.S. Treasury and government agency securities, or government guaranteed.  |    |       |        |  |     |        |  |    |       |  |       |  |        |      |
| (2)                       | Represents issuer exposure on cross-border debt and equity securities, held in trading or available-for-sale portfolio, at fair value.   |    |       |        |  |     |        |  |    |       |  |       |  |        |      |
| (3)                       | 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 September 30, 2013, the gross notional amount of our CDS sold that reference assets in the Top 20 or Eurozone countries was \$5.8 billion, which was offset by the notional amount of CDS purchased of \$5.9 billion. We did not have any CDS purchased or sold that reference pools of assets that contain sovereign debt or where the reference asset was solely the sovereign debt of a foreign country. |    |       |        |  |     |        |  |    |       |  |       |  |        |      |
| (4)                       | For countries presented in the table, total non-sovereign exposure comprises \$30.0 billion exposure to financial institutions and \$30.8 billion to non-financial corporations at September 30, 2013.   |    |       |        |  |     |        |  |    |       |  |       |  |        |      |
| (5)                       | Consists of exposure to Netherlands, Germany, France, Luxembourg, Ireland and Spain included in Top 20.  |    |       |        |  |     |        |  |    |       |  |       |  |        |      |
| (6)                       | Includes non-sovereign exposure to Greece, Cyprus and Portugal in the amount of \$5 million, \$6 million and \$3 million, respectively. We had no sovereign debt exposure to these countries at September 30, 2013.  |    |       |        |  |     |        |  |    |       |  |       |  |        |      |

**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 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 First and Junior Lien 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 16% of total loans at September 30, 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 loans are included in the Pick-a-Pay portfolio which 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 45% at September 30, 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 experiencing financial difficulties. 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 First and Junior Lien 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 September 30, 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 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.

| September 30, 2013 |  |             |  |             |  |            |  |
|--------------------|--|-------------|--|-------------|--|------------|--|
|                    |  | Real estate |  | Real estate |  | Total real |  |
|                    |  |             |  |             |  |            |  |

|   |                          |    | 1-4 family<br>first<br>mortgage | 1-4 family<br>junior lien<br>mortgage | estate 1-4<br>family<br>mortgage | % of<br>total<br>loans |   |
|---|--------------------------|----|---------------------------------|---------------------------------------|----------------------------------|------------------------|---|
| (in millions)                               |                          |    |                                 |                                       |                                  |                        |   |
| <b>PCI loans:</b>                           |                          |    |                                 |                                       |                                  |                        |   |
| California                                  | \$                       |    | 16,217                          | 30                                    | 16,247                           | 2                      | % |
| Florida                                     |                          |    | 2,034                           | 22                                    | 2,056                            | *                      |   |
| New Jersey                                  |                          |    | 1,182                           | 17                                    | 1,199                            | *                      |   |
| Other (1)                                   |                          |    | 5,297                           | 58                                    | 5,355                            | 1                      |   |
|   | Total PCI loans          | \$ | 24,730                          | 127                                   | 24,857                           | 3                      | % |
| <b>All other loans:</b>                     |                          |    |                                 |                                       |                                  |                        |   |
| California                                  | \$                       |    | 69,113                          | 18,849                                | 87,962                           | 11                     | % |
| Florida                                     |                          |    | 15,068                          | 6,095                                 | 21,163                           | 3                      |   |
| New York                                    |                          |    | 13,662                          | 2,931                                 | 16,593                           | 2                      |   |
| New Jersey                                  |                          |    | 10,036                          | 5,196                                 | 15,232                           | 2                      |   |
| Virginia                                    |                          |    | 6,803                           | 3,596                                 | 10,399                           | 1                      |   |
| Pennsylvania                                |                          |    | 6,011                           | 3,222                                 | 9,233                            | 1                      |   |
| North Carolina                              |                          |    | 5,993                           | 2,901                                 | 8,894                            | 1                      |   |
| Texas                                       |                          |    | 7,763                           | 970                                   | 8,733                            | 1                      |   |
| Georgia                                     |                          |    | 4,860                           | 2,680                                 | 7,540                            | 1                      |   |
| Other (2)                                   |                          |    | 61,329                          | 21,108                                | 82,437                           | 10                     |   |
| Government insured/<br>guaranteed loans (3) |                          |    | 29,556                          | -                                     | 29,556                           | 4                      |   |
|   | Total all<br>other loans | \$ | 230,194                         | 67,548                                | 297,742                          | 37                     | % |
|   | Total                    | \$ | 254,924                         | 67,675                                | 322,599                          | 40                     | % |
|   |                          |    | -                               |                                       |                                  |                        |   |

\* Less than 1%.

(1) Consists of 45 states; no state had loans in excess of \$684 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 third quarter 2013 on the non-PCI mortgage portfolio. Loans 30 days or more delinquent at September 30, 2013, totaled \$12.5 billion, or 4%, of total non-PCI mortgages, compared with \$15.5 billion, or 5%, at December 31, 2012. Loans with FICO scores lower than 640 totaled \$32.9 billion at September 30, 2013, or 11% 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 \$41.4 billion at September 30, 2013, or 14% 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.



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

**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 September 30, 2013, as a result of modification efforts, compared to the types of loans included in the portfolio at acquisition. Total adjusted unpaid principal balance of PCI Pick-a-Pay loans was \$29.4 billion at September 30, 2013, compared with \$61.0 billion at acquisition. Modification efforts have largely involved option payment PCI loans, which, based on adjusted unpaid principal balance, have declined to 17% of the total Pick-a-Pay portfolio at September 30, 2013, compared with 51% at acquisition.

| <b>Table 19: Pick-a-Pay Portfolio - Comparison to Acquisition Date</b> |  |  |  |  |  |  |  |  |  |                           |        |                           |   |                           |        |     |   |    |         |     |   |
|--|--|--|--|--|--|--|--|--|--|---------------------------|--------|---------------------------|---|---------------------------|--------|-----|---|----|---------|-----|---|
|  |  |  |  |  |  |  |  |  |  | December 31,              |        |                           |   |                           |        |     |   |    |         |     |   |
|  |  |  |  |  |  |  |  |  |  | September 30, 2013        |        | 2012                      |   | 2008                      |        |     |   |    |         |     |   |
|  |  |  |  |  |  |  |  |  |  | Adjusted unpaid principal |        | Adjusted unpaid principal |   | Adjusted unpaid principal |        |     |   |    |         |     |   |
|  |  |  |  |  |  |  |  |  |  | % of total                |        | % of total                |   | % of total                |        |     |   |    |         |     |   |
| (in millions)  |  |  |  |  |  |  |  |  |  | balance (1)               |        | balance (1)               |   | balance (1)               |        |     |   |    |         |     |   |
|  |  |  |  |  |  |  |  |  |  | total                     |        | total                     |   | total                     |        |     |   |    |         |     |   |
| Option payment loans   |  |  |  |  |  |  |  |  |  | \$                        | 25,909 | 45                        | % | \$                        | 31,510 | 49  | % | \$ | 99,937  | 86  | % |
| Non-option payment adjustable-rate and fixed-rate loans (2)            |  |  |  |  |  |  |  |  |  |                           | 8,234  | 14                        |   |                           | 8,781  | 14  |   |    | 15,763  | 14  |   |
| Full-term loan modifications   |  |  |  |  |  |  |  |  |  |                           | 23,548 | 41                        |   |                           | 23,528 | 37  |   |    | -       | -   |   |
| Total adjusted unpaid principal balance (2)                            |  |  |  |  |  |  |  |  |  | \$                        | 57,691 | 100                       | % | \$                        | 63,819 | 100 | % | \$ | 115,700 | 100 | % |
| Total carrying value   |  |  |  |  |  |  |  |  |  | \$                        | 52,805 |                           |   |                           | 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 Refinance Program discussed in the "Risk Management – Credit Risk Management – Risks Relating to Servicing Activities" section in this Report.   |  |
|     |  |  |

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 \$1.0 billion at September 30, 2013, and \$1.4 billion at December 31, 2012. Approximately 92% of the Pick-a-Pay customers making a minimum payment in September 2013 did not defer interest, compared with 90% in 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. The majority of 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 remainder 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: \$17 million for the remainder of 2013, \$34 million in 2014 and \$74 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: \$25 million for the remainder of 2013, \$240 million in 2014 and \$536 million in 2015. In third quarter 2013, the amount of loans reaching their recast anniversary date and also having a payment change over the annual 7.5% reset was \$15 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.

| September 30, 2013     |   |             |     |         |    |           |    |       |                 |           |    |   |
|------------------------|---|-------------|-----|---------|----|-----------|----|-------|-----------------|-----------|----|---|
|                        |   |             |     |         |    | PCI loans |    |       | All other loans |           |    |   |
|                        |   |             |     |         |    | Ratio of  |    |       | Ratio of        |           |    |   |
|                        |   |             |     |         |    | carrying  |    |       | carrying        |           |    |   |
|                        |   |             |     |         |    | value to  |    |       | value to        |           |    |   |
|                        |   |             |     |         |    | current   |    |       | current         |           |    |   |
| (in millions)          |   | Adjusted    |     | Current |    | Carrying  |    | value |                 | value     |    |   |
|                        |   | unpaid      |     | LTV     |    | value (4) |    | (5)   |                 | (5)       |    |   |
|                        |   | principal   |     | ratio   |    | value (4) |    | (5)   |                 | value (5) |    |   |
|                        |   | balance (2) |     | (3)     |    | value (4) |    | (5)   |                 | value (5) |    |   |
| California             | \$  | 20,128      | 98  | %       | \$ | 16,535    | 80 | %     | \$              | 13,811    | 71 | % |
| Florida                |   | 2,493       | 104 |         |    | 1,937     | 75 |       |                 | 2,897     | 85 |   |
| New Jersey             |   | 1,084       | 89  |         |    | 1,010     | 77 |       |                 | 1,858     | 77 |   |
| New York               |   | 633         | 87  |         |    | 596       | 76 |       |                 | 832       | 76 |   |
| Texas                  |   | 276         | 74  |         |    | 250       | 66 |       |                 | 1,131     | 60 |   |
| Other states           |   | 4,831       | 94  |         |    | 4,123     | 78 |       |                 | 7,825     | 78 |   |
| Total Pick-a-Pay loans | \$  | 29,445      |     |         | \$ | 24,451    |    |       | \$              | 28,354    |    |   |
| (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 third quarter 2013, we completed more than 3,100 proprietary and Home Affordability Modification Program (HAMP) Pick-a-Pay loan modifications. We have completed more than 120,000 modifications since the Wachovia acquisition, resulting in \$5.6 billion of principal forgiveness to our Pick-a-Pay customers as well as an additional \$273 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 \$3.9 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 14.2 years at September 30, 2013. The weighted-average remaining life increased from fourth quarter 2012 due to the positive housing market, credit trends and economic outlook. The accretable yield percentage during third quarter 2013 was 4.98%, up from 4.70% at the end of 2012 due to increased cash flows from improved economic outlook and credit trends. 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.



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

**Home Equity Portfolios** Our home equity portfolios consist of real estate 1-4 family junior lien mortgages and first and junior lien lines of credit secured by real estate. Our first lien lines of credit represent 22% 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 five to 30 years.

Our first and junior lien lines of credit products generally have a draw period of 10 years (with some up to 15 or 20 years) with variable interest rate and payment options during the draw period of (1) interest only or (2) 1.5% of outstanding principal balance plus accrued interest. 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 lines and loans have been structured with a balloon payment, which requires full repayment of the outstanding balance at the end of the term period. The conversion of lines or loans to fully amortizing or balloon payoff may result in a significant payment increase, which can affect some borrowers' ability to repay the outstanding balance.

The lines that enter their amortization period may experience higher delinquencies and higher loss rates than the ones in their draw or term period. We have considered this increased inherent risk in our allowance for credit loss estimate.

In anticipation of our borrowers reaching the end of their contractual commitment, we have created a program to inform, educate and help these borrowers transition from interest-only to fully-amortizing payments or full repayment. We monitor the performance of the borrowers moving through the program in an effort to refine our ongoing program strategy.

Table 21 reflects the outstanding balance of our home equity portfolio segregated into scheduled end of draw or end of term periods and products that are currently amortizing, or in balloon repayment status. It excludes real estate 1-4 family first lien line reverse mortgages, which total \$2.4 billion, because they are predominantly insured by the FHA, and it excludes PCI loans, which total \$161 million, because their losses were generally reflected in our nonaccretable difference established at the date of acquisition.

|   |                          | Scheduled end of draw / term |              |       |       |       |       |        |                     |  |
|---|--------------------------|------------------------------|--------------|-------|-------|-------|-------|--------|---------------------|--|
|   |                          | Outstanding balance          | Remainder of |       |       |       |       |        | 2018 and thereafter |  |
| (in millions)                             |                          | September 30, 2013           | 2013         | 2014  | 2015  | 2016  | 2017  | (4)    | Amortizing          |  |
| Home equity lines secured by real estate: |                          |                              |              |       |       |       |       |        |                     |  |
|   | Junior residential lines | \$ 58,740                    | 602          | 3,445 | 6,410 | 7,905 | 7,981 | 29,789 | 2,608               |  |
|   | First residential lines  | 18,654                       | 234          | 1,059 | 1,417 | 1,117 | 1,075 | 13,035 | 717                 |  |
|   |                          | 77,394                       | 836          | 4,504 | 7,827 | 9,022 | 9,056 | 42,824 | 3,325               |  |

|                  | Total residential lines (1) (2)  |           |     |       |       |       |       |        |  |        |  |
|------------------|--|-----------|-----|-------|-------|-------|-------|--------|--|--------|--|
| Junior loans (3) |  | 8,822     | 1   | 12    | 114   | 148   | 152   | 1,562  |  | 6,833  |  |
|                  | Total  | \$ 86,216 | 837 | 4,516 | 7,941 | 9,170 | 9,208 | 44,386 |  | 10,158 |  |
|                  | % of portfolios  | 100%      | 1%  | 5%    | 9%    | 11%   | 11%   | 51%    |  | 12%    |  |
| (1)              | Lines in their draw period are predominantly interest-only. The unfunded credit commitments total \$74.4 billion at September 30, 2013.  |           |     |       |       |       |       |        |  |        |  |
| (2)              | Includes scheduled end-of-term balloon payments totaling \$200 million, \$1.0 billion, \$550 million, \$355 million, \$449 million and \$2.0 billion for the remainder of 2013, 2014, 2015, 2016, 2017, 2018 and thereafter, respectively. Amortizing lines include \$107 million of end-of-term balloon payments, which are past due. At September 30, 2013, \$246 million, or 7% 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. |           |     |       |       |       |       |        |  |        |  |
| (3)              | Junior loans within the term period predominantly represent principal and interest products that require a balloon payment upon the end of the loan term. Amortizing junior loans include \$76 million of balloon loans that have reached end of term and are now past due.  |           |     |       |       |       |       |        |  |        |  |
| (4)              | The annual scheduled end of draw or term ranges from \$2.1 billion to \$7.4 billion per year for 2018 through 2023, except for \$11.1 billion in 2022. The remaining \$12.1 billion of loans that convert in 2024 and thereafter have draw periods that generally extend to 15 or 20 years.  |           |     |       |       |       |       |        |  |        |  |

Table 22 summarizes delinquency and loss rates for our junior lien mortgages and lines by the holder of the first lien.

| Table 22: Home Equity Portfolios Performance by Holder of 1st Lien (1) |  |  |  |  |  |  |  |  |  |   |  |          |                  |  |          |               |          |          |          |           |
|--|--|--|--|--|--|--|--|--|--|---|--|----------|------------------|--|----------|---------------|----------|----------|----------|-----------|
|  |  |  |  |  |  |  |  |  |  | % of loans  |  |          | Loss rate        |  |          |               |          |          |          |           |
|  |  |  |  |  |  |  |  |  |  | two payments  |  |          | (annualized)     |  |          |               |          |          |          |           |
|  |  |  |  |  |  |  |  |  |  | Outstanding balance<br>(2)  |  |          | or more past due |  |          | quarter ended |          |          |          |           |
|  |  |  |  |  |  |  |  |  |  | Sept. 30,   |  | Dec. 31, | Sept. 30,        |  | Dec. 31, | Sept. 30,     | June 30, | Mar. 31, | Dec. 31, | Sept. 30, |
| (in millions)  |  |  |  |  |  |  |  |  |  | 2013  |  | 2012     | 2013             |  | 2012     | 2013          | 2013     | 2013     | 2012     | 2012      |
|  |  |  |  |  |  |  |  |  |  |   |  |          |                  |  |          |               |          | (3)      | (3)      |           |
| Junior lien mortgages and lines behind:                                |  |  |  |  |  |  |  |  |  |   |  |          |                  |  |          |               |          |          |          |           |
| Wells Fargo owned or serviced first lien                               |  |  |  |  |  |  |  |  |  | \$ 33,558   |  | 37,913   | 2.37 %           |  | 2.65     | 1.60          | 2.08     | 2.46     | 3.81     | 4.96      |
| Third party first lien   |  |  |  |  |  |  |  |  |  | 34,004  |  | 37,417   | 2.54             |  | 2.86     | 1.65          | 2.00     | 2.48     | 3.15     | 5.40      |
| Total junior lien mortgages and lines                                  |  |  |  |  |  |  |  |  |  | 67,562  |  | 75,330   | 2.46             |  | 2.75     | 1.62          | 2.04     | 2.47     | 3.48     | 5.18      |
| First lien lines   |  |  |  |  |  |  |  |  |  | 18,654  |  | 19,744   | 2.96             |  | 3.08     | 0.41          | 0.56     | 0.61     | 1.00     | 0.95      |
| Total  |  |  |  |  |  |  |  |  |  | \$ 86,216   |  | 95,074   | 2.56             |  | 2.82     | 1.36          | 1.72     | 2.08     | 2.97     | 4.32      |
| (1)  |  |  |  |  |  |  |  |  |  | Excludes real estate 1-4 family first lien line reverse mortgages predominantly insured by the FHA, and it excludes PCI loans.  |  |          |                  |  |          |               |          |          |          |           |
| (2)  |  |  |  |  |  |  |  |  |  | Includes \$1.3 billion at September 30, 2013 and December 31, 2012, associated with the Pick-a-Pay portfolio.   |  |          |                  |  |          |               |          |          |          |           |
| (3)  |  |  |  |  |  |  |  |  |  | Reflects the impact of 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 September 2013,

approximately 94% of our borrowers with a home equity outstanding balance paid the minimum amount due or more, while approximately 45% paid only the minimum amount due.

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 September 30, 2013, and contains some of the highest risk in our home equity portfolio, with an annualized loss rate of 4.61% compared with 1.20% for the core (non-liquidating) home equity portfolio for the quarter ended September 30, 2013.

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

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. Loans to California borrowers 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 September 30, 2013, 27% 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 11% of the core home equity portfolio at September 30, 2013.

| <b>Table 23: Home Equity Portfolios (1)</b> |   |              |              |             |   |             |             |             |             |             |                     |          |                  |          |               |          |          |          |           |
|---|---|--------------|--------------|-------------|---|-------------|-------------|-------------|-------------|-------------|---------------------|----------|------------------|----------|---------------|----------|----------|----------|-----------|
|   |   |              |              |             |   |             |             |             |             |             | % of loans          |          | Loss rate        |          |               |          |          |          |           |
|   |   |              |              |             |   |             |             |             |             |             | two payments        |          | (annualized)     |          |               |          |          |          |           |
|   |   |              |              |             |   |             |             |             |             |             | Outstanding balance |          | or more past due |          | quarter ended |          |          |          |           |
|   |   |              |              |             |   |             |             |             |             |             | Sept. 30,           | Dec. 31, | Sept. 30,        | Dec. 31, | Sept. 30,     | June 30, | Mar. 31, | Dec. 31, | Sept. 30, |
| (in millions)                               |   |              |              |             |   |             |             |             |             |             | 2013                | 2012     | 2013             | 2012     | 2013          | 2013     | 2013     | 2012     | 2012      |
| <b>Core portfolio (3)</b>                   |   |              |              |             |   |             |             |             |             |             |                     |          |                  |          |               |          |          | (2)      | (2)       |
| California                                  | \$  | 20,689       | 22,900       | 2.14        | % | 2.46        | 1.06        | 1.47        | 2.01        | 2.89        | 4.77                |          |                  |          |               |          |          |          |           |
| Florida                                     |   | 8,887        | 9,763        | 3.70        |   | 4.15        | 1.67        | 2.13        | 2.61        | 3.09        | 4.75                |          |                  |          |               |          |          |          |           |
| New Jersey                                  |   | 6,840        | 7,338        | 3.47        |   | 3.43        | 1.44        | 1.43        | 1.70        | 2.30        | 3.22                |          |                  |          |               |          |          |          |           |
| Virginia                                    |   | 4,395        | 4,758        | 1.88        |   | 2.04        | 0.79        | 1.03        | 1.36        | 1.78        | 2.54                |          |                  |          |               |          |          |          |           |
| Pennsylvania                                |   | 4,353        | 4,683        | 2.59        |   | 2.67        | 1.00        | 1.18        | 1.36        | 1.72        | 2.15                |          |                  |          |               |          |          |          |           |
| Other                                       |   | 37,141       | 40,985       | 2.34        |   | 2.59        | 1.20        | 1.60        | 1.80        | 2.77        | 3.75                |          |                  |          |               |          |          |          |           |
| Total                                       |   | 82,305       | 90,427       | 2.52        |   | 2.77        | 1.20        | 1.56        | 1.89        | 2.69        | 3.93                |          |                  |          |               |          |          |          |           |
| <b>Liquidating portfolio</b>                |   | <b>3,911</b> | <b>4,647</b> | <b>3.43</b> |   | <b>3.82</b> | <b>4.61</b> | <b>5.05</b> | <b>5.87</b> | <b>8.33</b> | <b>11.60</b>        |          |                  |          |               |          |          |          |           |
| Total core and liquidating portfolios       | \$  | 86,216       | 95,074       | 2.56        |   | 2.82        | 1.36        | 1.72        | 2.08        | 2.97        | 4.32                |          |                  |          |               |          |          |          |           |
| (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 were generally reflected in 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 impact of 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 September 30, 2013 and December 31, 2012, associated with the Pick-a-Pay portfolio. |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|     |   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

**Credit Cards** Our credit card portfolio totaled \$25.4 billion at September 30, 2013, which represented 3% of our total outstanding loans. The quarterly net charge-off rate (annualized) for our credit card loans was 3.28% for third quarter 2013, compared with 3.67% for third quarter 2012 and 3.71% and 4.14% for the nine months ended September 30, 2013 and 2012, respectively.

**AUTomobile** Our automobile portfolio, predominantly composed of indirect loans, totaled \$49.7 billion at September 30, 2013. The quarterly net charge-off rate (annualized) for our automobile portfolio for third quarter 2013 was 0.63%, compared with 0.66% for third quarter 2012 and 0.55% and 0.53% for the nine months ended September 30, 2013 and 2012, respectively.

**Other revolving Credit and installment** Other revolving credit and installment loans totaled \$42.5 billion at September 30, 2013, and primarily include student and security-based margin loans. Student loans totaled \$22.3 billion at September 30, 2013, of which \$11.1 billion were government guaranteed. The quarterly net charge-off rate (annualized) for other revolving credit and installment loans was 1.46% for third quarter 2013, compared with 1.38% for third quarter 2012 and 1.40% and 1.35% for the nine months ended September 30, 2013 and 2012, respectively. Excluding government guaranteed student loans, the quarterly net charge-off rates (annualized) were 1.92% and 1.93% for third quarter 2013 and 2012, respectively, and 1.86% and 1.94% for the nine months ended 2013 and 2012, respectively.

**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;
- 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
- performing consumer loans are discharged in bankruptcy, regardless of their delinquency status.

|   | September 30, 2013 |            | June 30, 2013 |            | March 31, 2013 |            | December 31, 2012 |            |
|---|--------------------|------------|---------------|------------|----------------|------------|-------------------|------------|
|   | Balance            | % of total | Balance       | % of total | Balance        | % of total | Balance           | % of total |
| (\$ in millions)                            | Balance            | loans      | Balance       | loans      | Balance        | loans      | Balance           | loans      |
| <b>Nonaccrual loans:</b>                    |                    |            |               |            |                |            |                   |            |
| <b>Commercial:</b>                          |                    |            |               |            |                |            |                   |            |
| Commercial and industrial                   | \$ 809             | 0.42 %     | \$ 1,022      | 0.54 %     | \$ 1,193       | 0.64 %     | \$ 1,422          | 0.76 %     |
| Real estate mortgage                        | 2,496              | 2.36       | 2,708         | 2.59       | 3,098          | 2.92       | 3,322             | 3.12       |
| Real estate construction                    | 517                | 3.15       | 665           | 4.04       | 870            | 5.23       | 1,003             | 5.93       |
| Lease financing                             | 17                 | 0.15       | 20            | 0.17       | 25             | 0.20       | 27                | 0.22       |
| Foreign                                     | 47                 | 0.10       | 40            | 0.10       | 56             | 0.14       | 50                | 0.13       |
| Total commercial (1)                        | 3,886              | 1.04       | 4,455         | 1.23       | 5,242          | 1.45       | 5,824             | 1.61       |
| <b>Consumer:</b>                            |                    |            |               |            |                |            |                   |            |
| Real estate 1-4 family first mortgage (2)   | 10,450             | 4.10       | 10,705        | 4.23       | 11,320         | 4.49       | 11,455            | 4.58       |
| Real estate 1-4 family junior lien mortgage | 2,333              | 3.45       | 2,522         | 3.60       | 2,712          | 3.74       | 2,922             | 3.87       |

|                    |  |           |        |    |         |        |    |         |        |    |        |        |
|--------------------|--|-----------|--------|----|---------|--------|----|---------|--------|----|--------|--------|
|                    | Automobile   | 188       | 0.38   |    | 200     | 0.41   |    | 220     | 0.47   |    | 245    | 0.53   |
|                    | Other revolving credit and installment   | 36        | 0.08   |    | 33      | 0.08   |    | 32      | 0.08   |    | 40     | 0.09   |
|                    | Total consumer   | 13,007    | 2.95   |    | 13,460  | 3.07   |    | 14,284  | 3.26   |    | 14,662 | 3.34   |
|                    | Total nonaccrual loans (3)(4)(5)   | 16,893    | 2.08   |    | 17,915  | 2.23   |    | 19,526  | 2.44   |    | 20,486 | 2.56   |
| Foreclosed assets: |  |           |        |    |         |        |    |         |        |    |        |        |
|                    | Government insured/guaranteed (6)  | 1,781     |        |    | 1,026   |        |    | 969     |        |    | 1,509  |        |
|                    | Non-government insured/guaranteed  | 2,021     |        |    | 2,114   |        |    | 2,381   |        |    | 2,514  |        |
|                    | Total foreclosed assets  | 3,802     |        |    | 3,140   |        |    | 3,350   |        |    | 4,023  |        |
|                    | Total nonperforming assets   | \$ 20,695 | 2.55 % | \$ | 21,055  | 2.63 % | \$ | 22,876  | 2.86 % | \$ | 24,509 | 3.07 % |
|                    | Change in NPAs from prior quarter  | \$ (360)  |        |    | (1,821) |        |    | (1,633) |        |    | (744)  |        |
| (1)                | Includes LHFS of \$26 million, \$15 million, \$15 million and \$16 million at September 30, June 30 and March 31, 2013, and December 31, 2012, respectively.   |           |        |    |         |        |    |         |        |    |        |        |
| (2)                | Includes MHFS of \$288 million, \$293 million, \$368 million and \$336 million at September 30, June 30 and March 31, 2013, and December 31, 2012, respectively.   |           |        |    |         |        |    |         |        |    |        |        |
| (3)                | Excludes PCI loans because they continue to earn interest income from accretable yield, independent of performance in accordance with their contractual terms.   |           |        |    |         |        |    |         |        |    |        |        |
| (4)                | 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.  |           |        |    |         |        |    |         |        |    |        |        |
| (5)                | See Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for further information on impaired loans.   |           |        |    |         |        |    |         |        |    |        |        |
| (6)                | Consistent with regulatory reporting requirements, foreclosed real estate resulting from government insured/guaranteed loans are classified as nonperforming. Both principal and interest related to these foreclosed real estate assets are collectible because the loans were predominantly insured by the FHA or guaranteed by the VA. Increase in balance at September 30, 2013, reflects the impact of changes to loan modification programs, slowing foreclosures in prior quarters. |           |        |    |         |        |    |         |        |    |        |        |



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

Table 25 provides an analysis of the changes in nonaccrual loans.

| <b>Table 25: Analysis of Changes in Nonaccrual Loans</b> |   |  |  |  |                |               |               |               |                |
|--|---|--|--|--|----------------|---------------|---------------|---------------|----------------|
|  |   |  |  |  | Quarter ended  |               |               |               |                |
|  |   |  |  |  | Sept. 30, 2013 | June 30, 2013 | Mar. 31, 2013 | Dec. 31, 2012 | Sept. 30, 2012 |
| (in millions)  |   |  |  |  | 2013           | 2013          | 2013          | 2012          | 2012           |
| <b>Commercial nonaccrual loans</b>                       |   |  |  |  |                |               |               |               |                |
| Balance, beginning of quarter                            |   |  |  |  | \$ 4,455       | 5,242         | 5,824         | 6,371         | 6,924          |
| Inflows  |   |  |  |  | 490            | 557           | 611           | 746           | 976            |
| Outflows:  |   |  |  |  |                |               |               |               |                |
| Returned to accruing                                     |   |  |  |  | (192)          | (128)         | (109)         | (135)         | (90)           |
| Foreclosures   |   |  |  |  | (77)           | (120)         | (91)          | (107)         | (151)          |
| Charge-offs  |   |  |  |  | (150)          | (193)         | (189)         | (322)         | (364)          |
| Payments, sales and other (1)                            |   |  |  |  | (640)          | (903)         | (804)         | (729)         | (924)          |
| Total outflows   |   |  |  |  | (1,059)        | (1,344)       | (1,193)       | (1,293)       | (1,529)        |
| Balance, end of quarter                                  |   |  |  |  | 3,886          | 4,455         | 5,242         | 5,824         | 6,371          |
| <b>Consumer nonaccrual loans</b>                         |   |  |  |  |                |               |               |               |                |
| Balance, beginning of quarter                            |   |  |  |  | 13,460         | 14,284        | 14,662        | 14,673        | 13,654         |
| Inflows  |   |  |  |  | 2,015          | 2,071         | 2,340         | 2,943         | 4,111          |
| Outflows:  |   |  |  |  |                |               |               |               |                |
| Returned to accruing                                     |   |  |  |  | (997)          | (1,156)       | (1,031)       | (893)         | (1,039)        |
| Foreclosures   |   |  |  |  | (167)          | (95)          | (173)         | (151)         | (182)          |
| Charge-offs  |   |  |  |  | (480)          | (651)         | (775)         | (1,053)       | (987)          |
| Payments, sales and other (1)                            |   |  |  |  | (824)          | (993)         | (739)         | (857)         | (884)          |
| Total outflows   |   |  |  |  | (2,468)        | (2,895)       | (2,718)       | (2,954)       | (3,092)        |
| Balance, end of quarter                                  |   |  |  |  | 13,007         | 13,460        | 14,284        | 14,662        | 14,673         |
| Total nonaccrual loans                                   |   |  |  |  | \$ 16,893      | 17,915        | 19,526        | 20,486        | 21,044         |
| (1)  | Other outflows include the effects of VIE deconsolidations and adjustments for loans carried at fair value. |  |  |  |                |               |               |               |                |

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 September 30, 2013:

- 97% of total commercial nonaccrual loans and 99% of total consumer nonaccrual loans are secured. Of the consumer nonaccrual loans, 98% are secured by real estate and 55% have a combined LTV (CLTV) ratio of 80% or below.
- losses of \$1.1 billion and \$4.1 billion have already been recognized on 37% of commercial nonaccrual loans and 54% 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.
- 66% 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.
- \$2.4 billion of consumer loans discharged in bankruptcy and classified as nonaccrual were 60 days or less past due, of which \$2.2 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 26 provides a summary of foreclosed assets and an analysis of changes in foreclosed assets.

| <b>Table 26: Foreclosed Assets</b>              |   |  |  |  |    |                      |             |             |             |              |  |
|---|---|--|--|--|----|----------------------|-------------|-------------|-------------|--------------|--|
|   |   |  |  |  |    | <b>Sept.<br/>30,</b> | June<br>30, | Mar.<br>31, | Dec.<br>31, | Sept.<br>30, |  |
| (in millions)                                   |   |  |  |  |    | <b>2013</b>          | 2013        | 2013        | 2012        | 2012         |  |
| Government insured/guaranteed (1)               |   |  |  |  | \$ | <b>1,781</b>         | 1,026       | 969         | 1,509       | 1,479        |  |
| PCI loans:                                      |   |  |  |  |    |                      |             |             |             |              |  |
|   | Commercial  |  |  |  |    | <b>559</b>           | 597         | 641         | 667         | 707          |  |
|   | Consumer  |  |  |  |    | <b>125</b>           | 127         | 179         | 219         | 263          |  |
|   | Total PCI loans   |  |  |  |    | <b>684</b>           | 724         | 820         | 886         | 970          |  |
| All other loans:                                |   |  |  |  |    |                      |             |             |             |              |  |
|   | Commercial  |  |  |  |    | <b>944</b>           | 1,012       | 1,060       | 1,073       | 1,175        |  |
|   | Consumer  |  |  |  |    | <b>393</b>           | 378         | 501         | 555         | 585          |  |
|   | Total all other loans   |  |  |  |    | <b>1,337</b>         | 1,390       | 1,561       | 1,628       | 1,760        |  |
|   | Total foreclosed assets   |  |  |  | \$ | <b>3,802</b>         | 3,140       | 3,350       | 4,023       | 4,209        |  |
| <b>Analysis of changes in foreclosed assets</b> |   |  |  |  |    |                      |             |             |             |              |  |
| Balance, beginning of quarter                   |   |  |  |  | \$ | <b>3,140</b>         | 3,350       | 4,023       | 4,209       | 4,307        |  |
|   | Net change in government insured/guaranteed (1)(2)  |  |  |  |    | <b>755</b>           | 57          | (540)       | 30          | 14           |  |
|   | Additions to foreclosed assets (3)  |  |  |  |    | <b>459</b>           | 406         | 559         | 537         | 692          |  |
|   | Reductions:   |  |  |  |    |                      |             |             |             |              |  |
|   | Sales   |  |  |  |    | <b>(545)</b>         | (647)       | (658)       | (710)       | (750)        |  |
|   | Write-downs and loss on sales   |  |  |  |    | <b>(7)</b>           | (26)        | (34)        | (43)        | (54)         |  |
|   | Total reductions  |  |  |  |    | <b>(552)</b>         | (673)       | (692)       | (753)       | (804)        |  |
| Balance, end of quarter                         |   |  |  |  | \$ | <b>3,802</b>         | 3,140       | 3,350       | 4,023       | 4,209        |  |
| (1)   | Consistent with regulatory reporting requirements, foreclosed real estate resulting from government insured/guaranteed loans are classified as nonperforming. Both principal and interest related to these foreclosed real estate assets are collectible because the loans were predominantly insured by the FHA or guaranteed by the VA. Increase in balance at September 30, 2013, reflects the impact of changes to loan modification programs, slowing foreclosures in prior quarters.  |  |  |  |    |                      |             |             |             |              |  |
| (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. Transfers from government insured/guaranteed loans to foreclosed assets amounted to \$2.5 billion, \$1.4 billion, \$803 million, \$1.6 billion and \$1.7 billion for the quarters ended September 30, June 30 and March 31, 2013, and December 31 and September 30, 2012, respectively. |  |  |  |    |                      |             |             |             |              |  |
| (3)   | Predominantly include loans moved into foreclosure from nonaccrual status, PCI loans transitioned directly to foreclosed assets and repossessed automobiles.  |  |  |  |    |                      |             |             |             |              |  |

Foreclosed assets at September 30, 2013, included \$1.8 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 \$2.0 billion of foreclosed assets has been written down to estimated net realizable value. Foreclosed assets were down \$221 million, or 5%, at September 30, 2013, compared with December 31, 2012. At September 30, 2013, 65% of foreclosed assets of \$3.8 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.

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## Risk Management – Credit Risk Management (continued)

| TROUBLED DEBT RESTRUCTURINGS (TDRs)           |  |  |  |  |  |  |              |             |          |             |              |  |
|---|--|--|--|--|--|--|--------------|-------------|----------|-------------|--------------|--|
| Table 27: Troubled Debt Restructurings (TDRs) |  |  |  |  |  |  |              |             |          |             |              |  |
|   |  |  |  |  |  |  | Sept.<br>30, | June<br>30, | Mar. 31, | Dec.<br>31, | Sept.<br>30, |  |
| (in millions)                                 |  |  |  |  |  |  | 2013         | 2013        | 2013     | 2012        | 2012         |  |
| Commercial TDRs                               |  |  |  |  |  |  |              |             |          |             |              |  |
| Commercial and industrial                     |  |  |  |  |  |  | \$ 1,153     | 1,238       | 1,493    | 1,683       | 1,877        |  |
| Real estate mortgage                          |  |  |  |  |  |  | 2,457        | 2,605       | 2,556    | 2,625       | 2,498        |  |
| Real estate construction                      |  |  |  |  |  |  | 598          | 680         | 735      | 801         | 949          |  |
| Lease financing                               |  |  |  |  |  |  | 9            | 11          | 17       | 20          | 26           |  |
| Foreign                                       |  |  |  |  |  |  | 2            | 17          | 17       | 17          | 28           |  |
| Total commercial TDRs                         |  |  |  |  |  |  | 4,219        | 4,551       | 4,818    | 5,146       | 5,378        |  |
| Consumer TDRs                                 |  |  |  |  |  |  |              |             |          |             |              |  |
| Real estate 1-4 family first mortgage         |  |  |  |  |  |  | 18,974       | 19,093      | 18,928   | 17,804      | 17,861       |  |
| Real estate 1-4 family junior lien mortgage   |  |  |  |  |  |  | 2,399        | 2,408       | 2,431    | 2,390       | 2,437        |  |
| Credit Card                                   |  |  |  |  |  |  | 455          | 477         | 501      | 531         | 557          |  |
| Automobile                                    |  |  |  |  |  |  | 212          | 246         | 279      | 314         | 392          |  |
| Other revolving credit and installment        |  |  |  |  |  |  | 32           | 29          | 27       | 24          | 32           |  |
| Trial modifications                           |  |  |  |  |  |  | 717          | 716         | 723      | 705         | 733          |  |
| Total consumer TDRs                           |  |  |  |  |  |  | 22,789       | 22,969      | 22,889   | 21,768      | 22,012       |  |
| Total TDRs                                    |  |  |  |  |  |  | \$ 27,008    | 27,520      | 27,707   | 26,914      | 27,390       |  |
| TDRs on nonaccrual status                     |  |  |  |  |  |  | \$ 8,609     | 9,030       | 10,332   | 10,149      | 9,990        |  |
| TDRs on accrual status                        |  |  |  |  |  |  | 18,399       | 18,490      | 17,375   | 16,765      | 17,400       |  |
| Total TDRs                                    |  |  |  |  |  |  | \$ 27,008    | 27,520      | 27,707   | 26,914      | 27,390       |  |

Table 27 provides information regarding the recorded investment of loans modified in TDRs. The allowance for loan losses for TDRs was \$4.9 billion and \$5.0 billion at September 30, 2013 and December 31, 2012, respectively. 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 TDRs inflows only in the period they are first modified. We may remove loans held for investment from TDR classification, but only if they have been refinanced or restructured at market terms and qualify as a new loan.

| <b>Table 28: Analysis of Changes in TDRs</b> |  |  |  |  |  |  |                      |                  |                  |                  |                      |
|--|--|--|--|--|--|--|----------------------|------------------|------------------|------------------|----------------------|
|  |  |  |  |  |  |  | Quarter ended        |                  |                  |                  |                      |
|  |  |  |  |  |  |  | Sept.<br>30,<br>2013 | June 30,<br>2013 | Mar. 31,<br>2013 | Dec. 31,<br>2012 | Sept.<br>30,<br>2012 |
| (in millions)                                |  |  |  |  |  |  |                      |                  |                  |                  |                      |
| <b>Commercial TDRs</b>                       |  |  |  |  |  |  |                      |                  |                  |                  |                      |
| Balance, beginning of quarter                |  |  |  |  |  |  | \$ 4,551             | 4,818            | 5,146            | 5,378            | 5,429                |
| Inflows                                      |  |  |  |  |  |  | 534                  | 468              | 500              | 542              | 620                  |
| Outflows                                     |  |  |  |  |  |  |                      |                  |                  |                  |                      |
| Charge-offs                                  |  |  |  |  |  |  | (24)                 | (24)             | (40)             | (66)             | (84)                 |
| Foreclosures                                 |  |  |  |  |  |  | (16)                 | (26)             | (30)             | (14)             | (20)                 |
| Payments, sales and other (1)                |  |  |  |  |  |  | (826)                | (685)            | (758)            | (694)            | (567)                |
| Balance, end of quarter                      |  |  |  |  |  |  | 4,219                | 4,551            | 4,818            | 5,146            | 5,378                |
| <b>Consumer TDRs</b>                         |  |  |  |  |  |  |                      |                  |                  |                  |                      |
| Balance, beginning of quarter                |  |  |  |  |  |  | 22,969               | 22,889           | 21,768           | 22,012           | 17,495               |
| Inflows                                      |  |  |  |  |  |  | 1,282                | 1,352            | 2,076            | 1,247            | 5,212                |
| Outflows                                     |  |  |  |  |  |  |                      |                  |                  |                  |                      |
| Charge-offs (2)                              |  |  |  |  |  |  | (183)                | (241)            | (280)            | (542)            | (244)                |
| Foreclosures (2)                             |  |  |  |  |  |  | (519)                | (240)            | (114)            | (333)            | (35)                 |
| Payments, sales and other (1)                |  |  |  |  |  |  | (761)                | (785)            | (579)            | (588)            | (404)                |
| Net change in trial modifications (3)        |  |  |  |  |  |  | 1                    | (6)              | 18               | (28)             | (12)                 |
| Balance, end of quarter                      |  |  |  |  |  |  | 22,789               | 22,969           | 22,889           | 21,768           | 22,012               |
| Total TDRs                                   |  |  |  |  |  |  | \$ 27,008            | 27,520           | 27,707           | 26,914           | 27,390               |
|  |  |  |  |  |  |  |                      |                  |                  |                  |                      |
| (1)  | Payments, sales and other outflows reflect pay downs, sales, normal amortization/accretion of loan basis adjustments and loans transferred to held-for-sale. It also included \$29 million, \$40 million and \$15 million of loans refinanced or restructured as new loans and removed from TDR classification for the quarters ended September 30, June 30 and March 31, 2013, respectively. No loans were removed from TDR classification for the quarters ended December 31 and September 30, 2012, as a result of being refinanced or restructured as new loans. |  |  |  |  |  |                      |                  |                  |                  |                      |
| (2)  | Fourth quarter 2012 charge-offs and foreclosures outflows reflect the resolution of certain loans discharged in bankruptcy that were initially reported as TDRs in accordance with the OCC guidance starting in third quarter 2012.  |  |  |  |  |  |                      |                  |                  |                  |                      |
| (3)  | 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 experience is that most of the mortgages that enter a trial payment period program are successful in completing the program requirements.                                       |  |  |  |  |  |                      |                  |                  |                  |                      |
|  |  |  |  |  |  |  |                      |                  |                  |                  |                      |





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

**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 are not included in 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 because they continue to earn interest from accretable yield, independent of performance in accordance with their contractual terms.

Excluding insured/guaranteed loans, loans 90 days or more past due and still accruing at September 30, 2013, were down \$385 million, or 27%, from December 31, 2012, due to modifications and other loss mitigation activities, 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 \$21.1 billion at September 30, 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.

|   |  |  |  |  |           | <b>Sept.<br/>30,<br/>2013</b> | June<br>30,<br>2013 | Mar. 31,<br>2013 | Dec.<br>31,<br>2012 | Sept.<br>30,<br>2012 |
|---|--|--|--|--|-----------|-------------------------------|---------------------|------------------|---------------------|----------------------|
| (in millions)   |  |  |  |  |           |                               |                     |                  |                     |                      |
| <b>Loans 90 days or more past due and still accruing:</b>       |  |  |  |  |           |                               |                     |                  |                     |                      |
|   | <b>Total (excluding PCI (1)):</b>                  |  |  |  | <b>\$</b> | <b>22,181</b>                 | 22,197              | 23,082           | 23,245              | 22,894               |
|   | Less: FHA insured/VA guaranteed (2)(3)             |  |  |  |           | <b>20,214</b>                 | 20,112              | 20,745           | 20,745              | 20,320               |
|   | Less: Student loans guaranteed under the FFELP (4) |  |  |  |           | <b>917</b>                    | 931                 | 977              | 1,065               | 1,082                |
|   | <b>Total, not government insured/guaranteed</b>    |  |  |  | <b>\$</b> | <b>1,050</b>                  | 1,154               | 1,360            | 1,435               | 1,492                |
| <b>By segment and class, not government insured/guaranteed:</b> |  |  |  |  |           |                               |                     |                  |                     |                      |
|   | <b>Commercial:</b>                                 |  |  |  |           |                               |                     |                  |                     |                      |
|   | Commercial and industrial                          |  |  |  | <b>\$</b> | <b>125</b>                    | 37                  | 47               | 47                  | 49                   |
|   | Real estate mortgage                               |  |  |  |           | <b>40</b>                     | 175                 | 164              | 228                 | 206                  |
|   | Real estate construction                           |  |  |  |           | <b>1</b>                      | 4                   | 47               | 27                  | 41                   |
|   | Foreign  |  |  |  |           | <b>1</b>                      | -                   | 7                | 1                   | 2                    |
|   | <b>Total commercial</b>                            |  |  |  |           | <b>167</b>                    | 216                 | 265              | 303                 | 298                  |
|   | <b>Consumer:</b>                                   |  |  |  |           |                               |                     |                  |                     |                      |

|     |   |   |   |                 |       |       |       |       |
|-----|---|---|---|-----------------|-------|-------|-------|-------|
|     |   | Real estate 1-4 family first mortgage (3)       |   | <b>383</b>      | 476   | 563   | 564   | 627   |
|     |   | Real estate 1-4 family junior lien mortgage (3) |   | <b>89</b>       | 92    | 112   | 133   | 151   |
|     |   | Credit card                                     |   | <b>285</b>      | 263   | 306   | 310   | 288   |
|     |   | Automobile                                      |   | <b>48</b>       | 32    | 33    | 40    | 43    |
|     |   | Other revolving credit and installment          |   | <b>78</b>       | 75    | 81    | 85    | 85    |
|     |   |   | Total consumer                                  | <b>883</b>      | 938   | 1,095 | 1,132 | 1,194 |
|     |   |   | <b>Total, not government insured/guaranteed</b> | <b>\$ 1,050</b> | 1,154 | 1,360 | 1,435 | 1,492 |
| (1) | PCI loans totaled \$4.9 billion, \$5.4 billion, \$5.8 billion, \$6.0 billion and \$6.2 billion at September 30, June 30 and March 31, 2013, and December 31 and September 30, 2012. |   |   |                 |       |       |       |       |
| (2) | Represents loans whose repayments are predominantly insured by the FHA or guaranteed by the VA.   |   |   |                 |       |       |       |       |
| (3) | Includes mortgages held for sale 90 days or more past due and still accruing.   |   |   |                 |       |       |       |       |
| (4) | Represents loans whose repayments are predominantly guaranteed by agencies on behalf of the U.S. Department of Education under the FFELP.   |   |   |                 |       |       |       |       |

**NET CHARGE-OFFS****Table 30: Net Charge-offs**

|   |  |  |  |  |  |  |  |  |  |  |  |  |  | Quarter ended        |                     |                      |                     |                      |                     |                      |                     |                      |                     |
|---|--|--|--|--|--|--|--|--|--|--|--|--|--|----------------------|---------------------|----------------------|---------------------|----------------------|---------------------|----------------------|---------------------|----------------------|---------------------|
|   |  |  |  |  |  |  |  |  |  |  |  |  |  | Sept. 30, 2012       |                     |                      |                     |                      |                     |                      |                     |                      |                     |
|   |  |  |  |  |  |  |  |  |  |  |  |  |  | Sept. 30, 2013       | June 30, 2013       | Mar. 31, 2013        | Dec. 31, 2012       | Sept. 30, 2012       |                     |                      |                     |                      |                     |
|   |  |  |  |  |  |  |  |  |  |  |  |  |  | As a                 | As a                | As a                 | As a                | As a                 |                     |                      |                     |                      |                     |
|   |  |  |  |  |  |  |  |  |  |  |  |  |  | Net loan charge-offs | % of avg. loans (1) | Net loan charge-offs | % of avg. loans (1) | Net loan charge-offs | % of avg. loans (1) | Net loan charge-offs | % of avg. loans (1) | Net loan charge-offs | % of avg. loans (1) |
|   |  |  |  |  |  |  |  |  |  |  |  |  |  | (\$ in millions)     |                     |                      |                     |                      |                     |                      |                     |                      |                     |
| <b>Commercial:</b>                          |  |  |  |  |  |  |  |  |  |  |  |  |  |                      |                     |                      |                     |                      |                     |                      |                     |                      |                     |
| Commercial and industrial                   |  |  |  |  |  |  |  |  |  |  |  |  |  | \$ 58                | 0.12 %              | \$ 77                | 0.17 %              | \$ 93                | 0.20 %              | \$ 209               | 0.46 %              | \$ 131               | 0.29 %              |
| Real estate mortgage                        |  |  |  |  |  |  |  |  |  |  |  |  |  | (20)                 | (0.08)              | (5)                  | (0.02)              | 29                   | 0.11                | 38                   | 0.14                | 54                   | 0.21                |
| Real estate construction                    |  |  |  |  |  |  |  |  |  |  |  |  |  | (17)                 | (0.41)              | (45)                 | (1.10)              | (34)                 | (0.83)              | (18)                 | (0.43)              | 1                    | 0.03                |
| Lease financing                             |  |  |  |  |  |  |  |  |  |  |  |  |  | -                    | -                   | 18                   | 0.57                | (1)                  | (0.02)              | 2                    | 0.04                | 1                    | 0.03                |
| Foreign                                     |  |  |  |  |  |  |  |  |  |  |  |  |  | (2)                  | (0.02)              | (1)                  | (0.01)              | 3                    | 0.03                | 24                   | 0.25                | 30                   | 0.29                |
| <b>Total commercial</b>                     |  |  |  |  |  |  |  |  |  |  |  |  |  | <b>19</b>            | <b>0.02</b>         | <b>44</b>            | <b>0.05</b>         | <b>90</b>            | <b>0.10</b>         | <b>255</b>           | <b>0.29</b>         | <b>217</b>           | <b>0.24</b>         |
| <b>Consumer:</b>                            |  |  |  |  |  |  |  |  |  |  |  |  |  |                      |                     |                      |                     |                      |                     |                      |                     |                      |                     |
| Real estate 1-4 family first mortgage       |  |  |  |  |  |  |  |  |  |  |  |  |  | 242                  | 0.38                | 328                  | 0.52                | 429                  | 0.69                | 649                  | 1.05                | 673                  | 1.15                |
| Real estate 1-4 family junior lien mortgage |  |  |  |  |  |  |  |  |  |  |  |  |  | 275                  | 1.58                | 359                  | 2.02                | 449                  | 2.46                | 690                  | 3.57                | 1,036                | 5.17                |
| Credit card                                 |  |  |  |  |  |  |  |  |  |  |  |  |  | 207                  | 3.28                | 234                  | 3.90                | 235                  | 3.96                | 222                  | 3.71                | 212                  | 3.67                |
| Automobile                                  |  |  |  |  |  |  |  |  |  |  |  |  |  | 78                   | 0.63                | 42                   | 0.35                | 76                   | 0.66                | 112                  | 0.97                | 75                   | 0.66                |

|  |        |        |    |       |        |    |       |        |    |       |        |    |       |        |  |  |  |  |
|--|--------|--------|----|-------|--------|----|-------|--------|----|-------|--------|----|-------|--------|--|--|--|--|
| Other revolving credit   |        |        |    |       |        |    |       |        |    |       |        |    |       |        |  |  |  |  |
| and installment  | 154    | 1.46   |    | 145   | 1.38   |    | 140   | 1.37   |    | 153   | 1.46   |    | 145   | 1.38   |  |  |  |  |
| Total consumer (2)   | 956    | 0.86   |    | 1,108 | 1.01   |    | 1,329 | 1.23   |    | 1,826 | 1.68   |    | 2,141 | 2.01   |  |  |  |  |
| Total  | \$ 975 | 0.48 % | \$ | 1,152 | 0.58 % | \$ | 1,419 | 0.72 % | \$ | 2,081 | 1.05 % | \$ | 2,358 | 1.21 % |  |  |  |  |
| (1) Quarterly net charge-offs (recoveries) 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 implementation 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. |        |        |    |       |        |    |       |        |    |       |        |    |       |        |  |  |  |  |

Table 30 presents net charge-offs for third quarter 2013 and the previous four quarters. Net charge-offs in third quarter 2013 were \$975 million (0.48% of average total loans outstanding) compared with \$2.4 billion (1.21%) in third 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.

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

**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 apply 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.

|                    |                           | Sept. 30, 2013 |           | Dec. 31, 2012 |           | Dec. 31, 2011 |           | Dec. 31, 2010 |           | Dec. 31, 2009 |           |
|--------------------|---------------------------|----------------|-----------|---------------|-----------|---------------|-----------|---------------|-----------|---------------|-----------|
|                    |                           | Loans          |           | Loans         |           | Loans         |           | Loans         |           | Loans         |           |
|                    |                           | as %           |           | as %          |           | as %          |           | as %          |           | as %          |           |
|                    |                           | of total       |           | of total      |           | of total      |           | of total      |           | of total      |           |
| (in millions)      |                           | ACL            | loans     | ACL           | loans     | ACL           | loans     | ACL           | loans     | ACL           | loans     |
| <b>Commercial:</b> |                           |                |           |               |           |               |           |               |           |               |           |
|                    | Commercial and industrial | \$ 2,769       | 24 %      | \$ 2,543      | 23 %      | \$ 2,649      | 22 %      | \$ 3,299      | 20 %      | \$ 4,014      | 20 %      |
|                    | Real estate mortgage      | 2,341          | 13        | 2,283         | 13        | 2,550         | 14        | 3,072         | 13        | 2,398         | 12        |
|                    | Real estate construction  | 372            | 2         | 552           | 2         | 893           | 2         | 1,387         | 4         | 1,242         | 5         |
|                    | Lease financing           | 99             | 1         | 85            | 2         | 82            | 2         | 173           | 2         | 181           | 2         |
|                    | Foreign                   | 342            | 6         | 251           | 5         | 184           | 5         | 238           | 4         | 306           | 4         |
|                    | <b>Total commercial</b>   | <b>5,923</b>   | <b>46</b> | <b>5,714</b>  | <b>45</b> | <b>6,358</b>  | <b>45</b> | <b>8,169</b>  | <b>43</b> | <b>8,141</b>  | <b>43</b> |
| <b>Consumer:</b>   |                           |                |           |               |           |               |           |               |           |               |           |
|                    | Real estate               | 4,654          | 31        | 6,100         | 31        | 6,934         | 30        | 7,603         | 30        | 6,449         | 29        |





In addition to the allowance for credit losses, there was \$5.3 billion at September 30, 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 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 September 30, 2013.

The decline in the allowance for loan losses in third quarter 2013 reflected continued improvement in consumer loss severity, delinquency trends and improved portfolio performance, particularly in residential real estate and primarily associated with continued improvement in the housing market.

The reduction included a \$900 million allowance release due to strong underlying credit, and home prices and market fundamentals improving faster and in more markets than forecasted. Total provision for credit losses was \$75 million in third quarter 2013, compared with \$1.6 billion a year ago.

We believe the allowance for credit losses of \$15.6 billion at September 30, 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. Given current favorable conditions, we continue to expect future allowance releases, absent a significant deterioration in the economy. 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.

**LIABILITY for Mortgage Loan Repurchase Losses** We sell residential mortgage loans to various parties, including (1) government-sponsored entities (GSEs) Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA) 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 are then used to 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.



We repurchased or reimbursed investors for incurred losses on mortgage loans with original balances of \$303 million in third quarter 2013, compared with \$474 million a year ago. The overall level of unresolved repurchase demands and mortgage insurance rescissions outstanding at September 30, 2013, was down from a year ago both in number of outstanding loans and in total dollar balances as we continued to work through the new demands and mortgage insurance rescissions and as we reached a settlement with FHLMC on September 27, 2013, that resolved substantially all repurchase liabilities associated with loans sold to FHLMC prior to January 1, 2009. Table 32 provides the number of unresolved repurchase 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 rescissions outstanding as of September 30, 2013, presented in Table 32, approximately 20% relate to loans purchased from correspondent lenders. Due primarily to the financial difficulties of some correspondent lenders, we have been 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 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.

|                      |  | Government sponsored entities (1) |                           |                 |                           | Private         |                           |                 |                           | Mortgage insurance rescissions with no demand (2) |                           |                 |                           | Total           |                           |
|----------------------|--|-----------------------------------|---------------------------|-----------------|---------------------------|-----------------|---------------------------|-----------------|---------------------------|---|---------------------------|-----------------|---------------------------|-----------------|---------------------------|
|                      |  | 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) | Number of loans                                   | Original loan balance (3) | Number of loans | Original loan balance (3) | Number of loans | Original loan balance (3) |
| <b>2013</b>          |  |                                   |                           |                 |                           |                 |                           |                 |                           |   |                           |                 |                           |                 |                           |
| <b>September 30,</b> |  | <b>4,422</b>                      | <b>\$ 958</b>             | <b>1,240</b>    | <b>\$ 264</b>             | <b>385</b>      | <b>\$ 87</b>              | <b>6,047</b>    | <b>\$ 1,309</b>           |   |                           |                 |                           |                 |                           |
| June 30,             |  | 6,313                             | 1,413                     | 1,206           | 258                       | 561             | 127                       | 8,080           | 1,798                     |   |                           |                 |                           |                 |                           |
| March 31,            |  | 5,910                             | 1,371                     | 1,278           | 278                       | 652             | 145                       | 7,840           | 1,794                     |   |                           |                 |                           |                 |                           |
| <b>2012</b>          |  |                                   |                           |                 |                           |                 |                           |                 |                           |   |                           |                 |                           |                 |                           |

|               |       |       |       |     |     |     |       |       |
|---------------|-------|-------|-------|-----|-----|-----|-------|-------|
| 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 unresolved repurchase demands of 1,247 and \$225 million, 942 and \$190 million, 674 and \$147 million, 661 and \$132 million, 534 and \$111 million, 526 and \$103 million and 694 and \$131 million at September 30, June 30 and 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 repurchase demands from GSEs that are from mortgage loans originated in 2006 through 2008 totaled 79% at September 30, 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 10% 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 75% have resulted in repurchase demands through September 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.

|  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|

We believe we have a high quality residential mortgage loan servicing portfolio. Of the \$1.8 trillion in the residential mortgage loan servicing portfolio at September 30, 2013, 94% was current, less than 2% was subprime at origination, and less than 1% was related to home equity loan securitizations. Our combined delinquency and foreclosure rate on this portfolio was 6.33% at September 30, 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 with 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 does 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 the 4% private label securitization segment of our residential mortgage loan servicing portfolio (weighted average age of 95 months), 57% are loans from 2005 vintages or earlier; 77% were prime at origination; and approximately 61% are jumbo loans. The weighted-average LTV as of September 30, 2013 for this private securitization segment was 67%. 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 10% of the private label securitization portion of the residential mortgage servicing portfolio. We had \$4 million of repurchases related to private label securitizations in the quarter ended September 30, 2013.

Of the servicing portfolio, 3% 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. We incurred net losses on repurchased loans and investor reimbursements totalling \$83 million in third quarter 2013, excluding the \$746 million cash payment for the FHLMC settlement agreement, compared with \$193 million a year ago. The FHLMC settlement agreement was covered through mortgage loan repurchase accruals established in prior periods.

|                                  |  |  |  |  |  |  |  |  |  |  | Nine months ended |          |          |          |           |              |           |
|----------------------------------|--|--|--|--|--|--|--|--|--|--|-------------------|----------|----------|----------|-----------|--------------|-----------|
|                                  |  |  |  |  |  |  |  |  |  |  | Quarter ended     |          |          |          |           |              |           |
|                                  |  |  |  |  |  |  |  |  |  |  | Sept. 30,         | June 30, | Mar. 31, | Dec. 31, | Sept. 30, | Sept. 30,    | Sept. 30, |
|                                  |  |  |  |  |  |  |  |  |  |  | 2013              | 2013     | 2013     | 2012     | 2012      | 2013         | 2012      |
| (in millions)                    |  |  |  |  |  |  |  |  |  |  | <b>2013</b>       | 2013     | 2013     | 2012     | 2012      | <b>2013</b>  | 2012      |
| Balance, beginning of period     |  |  |  |  |  |  |  |  |  |  | \$ <b>2,222</b>   | 2,317    | 2,206    | 2,033    | 1,764     | <b>2,206</b> | 1,326     |
| Provision for repurchase losses: |  |  |  |  |  |  |  |  |  |  |                   |          |          |          |           |              |           |
| Loan sales                       |  |  |  |  |  |  |  |  |  |  | <b>28</b>         | 40       | 59       | 66       | 75        | <b>127</b>   | 209       |
| Change in estimate (1)           |  |  |  |  |  |  |  |  |  |  | -                 | 25       | 250      | 313      | 387       | <b>275</b>   | 1,352     |
| Total additions                  |  |  |  |  |  |  |  |  |  |  | <b>28</b>         | 65       | 309      | 379      | 462       | <b>402</b>   | 1,561     |

|     |   |    |              |       |       |       |       |  |                |       |
|-----|---|----|--------------|-------|-------|-------|-------|--|----------------|-------|
|     | Losses (2)  |    | <b>(829)</b> | (160) | (198) | (206) | (193) |  | <b>(1,187)</b> | (854) |
|     | Balance, end of period  | \$ | <b>1,421</b> | 2,222 | 2,317 | 2,206 | 2,033 |  | <b>1,421</b>   | 2,033 |
| (1) | Results from changes in investor demand and mortgage insurer practices, credit deterioration and changes in the financial stability of correspondent lenders.   |    |              |       |       |       |       |  |                |       |
| (2) | Quarter and nine months ended September 30, 2013, reflect \$746 million as a result of the agreement with FHLMC that resolves substantially all repurchase liabilities related to loans sold to FHLMC prior to January 1, 2009. |    |              |       |       |       |       |  |                |       |
|     |   |    |              |       |       |       |       |  |                |       |

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

Our liability for mortgage repurchases, included in “Accrued expenses and other liabilities” in our consolidated balance sheet, was \$1.4 billion at September 30, 2013 and \$2.2 billion at December 31, 2012. In the quarter ended September 30, 2013, we provided \$28 million, which reduced net gains on mortgage loan origination/sales activities, compared with a provision of \$462 million a year ago. The higher provision in third quarter 2012 reflected a change in estimate of \$387 million, primarily related to an increase in projections of future GSE demands, net of appeals, for the 2006 through 2008 vintages.

The mortgage repurchase liability of \$1.4 billion at September 30, 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 \$1.4 billion at September 30, 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 believe that 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 believe we have successfully executed activities required under both the Consumer Relief (and state-level sub-commitments) and the Refinance Programs in accordance with the terms of our commitments. In our August 14, 2013, submission to the Monitor of the National Mortgage Settlement, we reported sufficient credits to satisfy the requirements of both programs. We reported \$3.2 billion of earned credits toward our Consumer Relief commitment and \$1.2 billion of earned credits toward our Refinance Program commitment for a total credit of \$4.4 billion. Since the Refinance commitment is only \$900 million, we are able to apply the excess Refinance credit of \$343 million to achieve our total Consumer Relief Program Commitment. While we actually completed \$1.7 billion in calculated credits associated with the Refinance Program, earned credits, under the terms of our commitment, are capped at \$1.2 billion. Our earned credits are subject to review and approval by the Monitor.

Under the Refinance Program, we refinanced approximately 31,000 borrowers with an unpaid principal balance of approximately \$6.7 billion. 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.

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 Independent Foreclosure Review (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 was \$766 million, which was based on the proportionate share of Wells Fargo-serviced loans in the overall IFR population. We 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 second quarter 2013, we no longer incur significant costs associated with the independent foreclosure reviews, which approximated \$125 million per quarter during 2012 for external consultants and additional staffing.

## Asset/Liability Management

Asset/liability management involves evaluating, monitoring and managing of interest rate risk, market risk, liquidity and funding. Primary oversight of these risks resides with the Finance Committee of our Board of Directors (Board), 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 MSR's 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. 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 could take more time to develop. For example, our lower rate scenarios (scenario 1 and scenario 2) in the following table initially measure a decline in long-term interest rates versus our most likely scenario. Although the performance in both lower rate scenarios contains initial benefit from increased mortgage banking activity, each results in lower earnings relative to the most likely scenario over time given pressure on net interest income. The higher rate scenarios (scenario 3 and scenario 4) measure the impact of varying degrees of rising short-term and long-term interest rates over the course of the forecast horizon relative to the most likely scenario, both resulting in positive earnings sensitivity.

As of September 30, 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).

|                      |                                      |  | Most   |   | Lower rates |            |  | Higher rates |            |
|----------------------|--------------------------------------|--|--------|---|-------------|------------|--|--------------|------------|
|                      |                                      |  | likely |   | Scenario 1  | Scenario 2 |  | Scenario 3   | Scenario 4 |
| Ending rates:        |                                      |  |        |   |             |            |  |              |            |
|                      | Fed funds                            |  | 0.75   | % | 0.25        | 0.25       |  | 1.25         | 4.25       |
|                      | 10-year treasury (1)                 |  | 3.45   |   | 1.70        | 2.95       |  | 3.95         | 5.40       |
| Earnings relative to |                                      |  |        |   |             |            |  |              |            |
|                      | most likely                          |  | N/A    |   | -5.2%       | -2.2%      |  | 0 - 5%       | >5%        |
| (1)                  | U.S. Constant Maturity Treasury Rate |  |        |   |             |            |  |              |            |

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 September 30, 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 MSR's 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 ARM's. Additionally, hedge-carry income on our economic hedges for the MSR's 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 MSR's was \$15.7 billion at September 30, 2013, and \$12.7 billion at December 31, 2012. The weighted-average note rate on our portfolio of loans serviced for others was 4.54% at September 30, 2013, and 4.77% at December 31, 2012. The carrying value of our total MSR's represented 0.82% of mortgage loans serviced for others at September 30, 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.

Table 35 presents total revenue from trading activities.

| <b>Table 35: Income from Trading Activities</b>  |  |  |  |  |                         |      |                 |       |       |  |
|--|--|--|--|--|-------------------------|------|-----------------|-------|-------|--|
|  |  |  |  |  | Nine months             |      |                 |       |       |  |
|  |  |  |  |  | Quarter ended Sept. 30, |      | ended Sept. 30, |       |       |  |
| (in millions)  |  |  |  |  | 2013                    | 2012 | 2013            | 2012  |       |  |
| Interest income (1)  |  |  |  |  | \$                      | 331  | 299             | 998   | 1,019 |  |
| Less: Interest expense (2)   |  |  |  |  |                         | 80   | 60              | 220   | 189   |  |
| Net interest income  |  |  |  |  |                         | 251  | 239             | 778   | 830   |  |
| Noninterest income:  |  |  |  |  |                         |      |                 |       |       |  |
| Net gains from trading   |  |  |  |  |                         |      |                 |       |       |  |
| activities (3):  |  |  |  |  |                         |      |                 |       |       |  |
| Customer accommodation   |  |  |  |  |                         | 263  | 393             | 1,067 | 1,083 |  |
| Economic hedging and other (4)   |  |  |  |  |                         | 125  | 134             | 213   | 333   |  |
| Proprietary trading  |  |  |  |  |                         | 9    | 2               | 18    | 16    |  |
| Total net trading gains  |  |  |  |  |                         | 397  | 529             | 1,298 | 1,432 |  |
| Total trading-related net interest   |  |  |  |  |                         |      |                 |       |       |  |
| and noninterest income   |  |  |  |  | \$                      | 648  | 768             | 2,076 | 2,262 |  |
| <p>(1) Represents interest and dividend income earned on trading securities.</p> <p>(2) Represents interest and dividend expense incurred on trading securities we have sold but have not yet purchased.</p> <p>(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.</p> <p>(4) Excludes economic hedging of mortgage banking activities and asset/liability management.</p> |  |  |  |  |                         |      |                 |       |       |  |

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 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.

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**Risk Management – Asset/Liability Management (continued)**

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 provisions 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 insignificant to our business or financial results.

Table 36 and Table 37 provide information on daily 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 gains and losses. Net trading-related revenue does not include activity related to long-term positions held for economic hedging purposes, period-end adjustments and other activity not representative of daily price changes driven by market factors.

**Table 36: Distribution of Daily Trading-Related Revenues (for the nine months ended September 30, 2013)**



**Table 37: Daily Trading-Related Revenues**

*Market Risk Governance* The Finance Committee of our Board reviews and approves the acceptable level of market risk for the Company. The Corporate Risk Group's Market Risk Committee is responsible for establishing corporate level Value-at-Risk (VaR) and other risk limits. The 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 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, establishing independent risk limits, calculation and analysis of market risk capital, and reporting aggregated and line of business market risk information. Limits are regularly reviewed to ensure they remain relevant and within the market risk appetite for the Company. There is an automated limits monitoring system that enables a daily comprehensive review of multiple limits mandated across businesses by the Corporate Market Risk group. Limits are set with inner boundaries that will be periodically breached to promote an ongoing dialogue of risk exposure within the Company. 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. As described below, we measure and monitor market risk for both management and regulatory capital purposes.

*Market Risk Measurement* Market Risk is the risk of adverse changes in the fair value of the trading and non-trading portfolios and financial instruments held by the Company due to changes in market risk factors such as interest rates, credit spreads, foreign exchange rates, equity, and commodity prices. Market risk is intrinsic to the Company's sales

and trading, market making, investing, and risk management activities.

The Company uses VaR metrics complemented with sensitivity analysis and stress testing in measuring and managing market risk. These market risk measures are monitored at both the business unit level and at aggregated levels on a daily basis. Our corporate market risk management function aggregates all Company exposures to monitor whether risk measures are within our established risk appetite. Changes to the Company's market risk profile are analyzed and reported on a daily basis. The Company monitors various market risk exposure measures from a variety of perspectives, which include line of business, product, risk type and legal entity.

Value-at-Risk Overview VaR is a statistical risk measure used to estimate the potential loss from adverse moves in the financial markets. We utilize VaR models to measure market risk on an aggregate basis as well as on a disaggregated basis for each individual line of business. The VaR measures assume that historical changes in market values (historical simulation analysis) are representative of the potential future outcomes and measure the expected loss over a given time interval (for example, 1 day or 10 days) within a given confidence level. The historical simulation analysis approach uses historical changes of the risk factors from each trading day in the previous 12 months. The risk drivers of each trading position with respect to interest rates, credit spreads, foreign exchange rates, and equity and commodity prices are updated on a daily basis. We measure and report VaR for a 1-day holding period and a 10-day holding period at a 99% confidence level. This means that we would expect to incur single day losses greater than predicted by VaR estimates for the measured positions one time in every 100 trading days. We treat data from all historical periods as equally relevant and consider utilizing data for the previous 12 months as appropriate for determining VaR. We believe using a 12 month look back period helps ensure the Company's VaR is responsive to current market conditions.

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**Risk Management – Asset/Liability Management (continued)**

VaR measurement between different financial institutions is not readily comparable due to modeling and assumption differences from company to company. VaR measures are more useful when interpreted as an indication of trends rather than an absolute measure to be compared across institutions.

**Sensitivity Analysis Overview** Sensitivity analysis is the measure of exposure to a single risk factor, 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 exposure. 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.

**Stress Testing Overview** While VaR captures the risk of loss due to adverse changes in markets using recent historical market data, stress testing captures the Company's exposure to 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 (although experience demonstrates otherwise).

**Market Risk Management** Trading VaR is the VaR measure used to provide insight into the market risk exhibited by the Company's trading positions. The Company calculates Trading VaR for risk management purposes to establish line of business risk limits. Trading VaR is calculated based on all trading positions classified as trading assets or trading liabilities on our balance sheet. In addition, the Company monitors and manages a variety of sensitivity exposures and stress testing estimates.

Table 38 shows the results of the Company's Trading VaR by risk category. As presented in the table, average Trading VaR was \$18 million for the quarter ended September 30, 2013, compared with \$15 million for the quarter ended June 30, 2013. The increase was primarily driven by market volatility as interest rates rose and credit spreads widened.

| <b>Table 38: Trading 1-Day 99% VaR Metrics</b> |    |    |    |    |    |  |  |    |    |                    |    |               |  |
|--|----|----|----|----|----|--|--|----|----|--------------------|----|---------------|--|
|  |    |    |    |    |    |  |  |    |    | Quarter ended      |    |               |  |
|  |    |    |    |    |    |  |  |    |    | September 30, 2013 |    | June 30, 2013 |  |
|  |    |    |    |    |    |  |  |    |    | Period             |    | Period        |  |
|  |    |    |    |    |    |  |  |    |    | end                |    | end           |  |
|  |    |    |    |    |    |  |  |    |    | Average            |    | Average       |  |
|  |    |    |    |    |    |  |  |    |    | Low                |    | Low           |  |
|  |    |    |    |    |    |  |  |    |    | High               |    | High          |  |
| <b>VaR Risk Categories</b>                     |    |    |    |    |    |  |  |    |    |                    |    |               |  |
| Credit   | \$ | 31 | 32 | 29 | 34 |  |  | 31 | 16 | 12                 | 31 |               |  |
| Interest rate                                  |    | 25 | 24 | 17 | 31 |  |  | 20 | 19 | 11                 | 30 |               |  |
| Equity   |    | 6  | 7  | 6  | 8  |  |  | 6  | 5  | 4                  | 8  |               |  |

|                             |  |      |      |   |   |      |      |   |   |
|-----------------------------|--|------|------|---|---|------|------|---|---|
| Commodity                   |  | 3    | 3    | 2 | 4 | 3    | 3    | 2 | 5 |
| Foreign exchange            |  | 1    | 1    | 1 | 2 | 1    | 2    | 1 | 3 |
| Diversification benefit (1) |  | (47) | (49) |   |   | (43) | (30) |   |   |
| Total VaR                   |  | 19   | 18   |   |   | 18   | 15   |   |   |
| (1)                         | The period-end VaR was 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. The diversification benefit is not meaningful for low and high metrics since they may occur on different days. |      |      |   |   |      |      |   |   |

*Regulatory Market Risk Capital* Effective January 1, 2013, U.S. banking regulators adopted “Risk-Based Capital Guidelines: Market Risk” as the regulations covering the calculation of market risk regulatory capital. The market risk capital rule, commonly known as 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. The rule substantially modified the determination of market risk-weighted assets, and implements a more risk sensitive methodology. The Basel 2.5 regulatory market risk capital rule introduced new measures of market risk including stressed VaR, an incremental risk charge, and updates to standard specific risk charges. The market risk capital rule was reflected in the Company’s calculation of risk-weighted assets upon initial adoption in first quarter 2013.

Table 39 summarizes the market risk-based capital requirements charge and market RWA as of September 30, 2013, in accordance with the Basel 2.5 market risk capital rule.

| <b>Table 39: Market Risk Regulatory Capital and RWA</b> |                                  |  |  |  |    |       |                    |
|---|----------------------------------|--|--|--|----|-------|--------------------|
|   |                                  |  |  |  |    |       | Quarter ended      |
|   |                                  |  |  |  |    |       | September 30, 2013 |
|   |                                  |  |  |  |    |       | Risk-              |
|   |                                  |  |  |  |    |       | based              |
|   |                                  |  |  |  |    |       | capital            |
|   |                                  |  |  |  |    |       | Risk-              |
|   |                                  |  |  |  |    |       | weighted           |
|   |                                  |  |  |  |    |       | assets             |
| (in millions)   |                                  |  |  |  |    |       |                    |
| Total VaR Measure                                       |                                  |  |  |  | \$ | 209   | 2,609              |
| Total Stressed VaR Measure                              |                                  |  |  |  |    | 1,066 | 13,328             |
| Incremental Risk Charge (IRC)                           |                                  |  |  |  |    | 348   | 4,349              |
| Total Modeled Capital (1)                               |                                  |  |  |  |    | 1,623 | 20,286             |
| Comprehensive Risk Charge (CRC)                         |                                  |  |  |  |    | -     | -                  |
| Standard Specific Risk Charge:                          |                                  |  |  |  |    |       |                    |
| Securitized Charge                                      |                                  |  |  |  |    | 551   | 6,882              |
| Non-securitized Charge                                  |                                  |  |  |  |    | 475   | 5,943              |
| Total Standard Specific Risk Charge                     |                                  |  |  |  |    | 1,026 | 12,825             |
| De minimus Charges                                      |                                  |  |  |  |    | 223   | 2,785              |
| Total   |                                  |  |  |  |    | 2,872 | 35,896             |
| (1)   | Includes the capital multiplier. |  |  |  |    |       |                    |

*Composition of Material Portfolio of Covered Positions* The Basel 2.5 market risk capital rule substantially modified the determination of market RWA, and implemented a more risk sensitive methodology for the risks inherent in certain “covered” trading positions. The positions that are “covered” by the market risk capital rule are generally 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.

The material portfolio of the Company’s “covered” positions is predominantly concentrated in the trading assets and trading liabilities managed within Wholesale Banking, which is the predominant contributor to the Company’s overall VaR. Wholesale Banking engages in the fixed income, traded credit, foreign exchange, equities, and commodities markets businesses.

*Regulatory Market Risk Capital Components* The Company’s “covered” positions are subject to the market risk capital requirements, which are based on internally developed models or standardized specific risk charges. The market risk regulatory capital models are subject to internal model risk management and validation. The models are continuously monitored and enhanced in response to changes in market conditions, improvements in system capabilities, and changes in the Company’s market risk exposure. The Company is required to obtain and has received prior written approval from its regulators before using its internally developed models to calculate the market risk capital charge.

Basel 2.5 prescribes various VaR measures (e.g., Total VaR Measure) in the determination of regulatory capital and risk-weighted assets.

Regulatory VaR The Regulatory VaR measures include:

- Total VaR Measure – is composed of General VaR and Specific Risk VaR and uses the previous 12 months of historical market data to comply with regulatory requirements.
  - 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, and commodity prices.
    - § Uses historical simulation analysis 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 or name specific market risk.
    - § Uses Monte Carlo simulation analysis based on a 99% confidence level and a 10-day time horizon.
- Total Stressed VaR Measure – uses a historical period of significant financial stress over a continuous 12 month period using historically available market data and is composed of General Stressed VaR and Specific Risk Stressed VaR. Stressed VaR uses the same methodology and models as Total VaR measure.

Incremental Risk Charge An Incremental Risk model, according to the market risk capital rule, must capture losses due to both issuer default and migration risk at the 99.9% confidence level over the one-year capital horizon under the assumption of constant level of risk or a constant position assumption. The model covers all credit-sensitive non-securitized products.

The Company calculates Incremental Risk by generating a portfolio loss distribution utilizing Monte Carlo simulation, which assumes numerous scenarios, where an assumption is made that the portfolio's composition remains constant for a one-year time horizon. That is, the model will utilize a constant positions assumption. Individual issuer credit grade migration and issuer default risk is modeled through generation of the issuer's credit rating transition based upon statistical modeling. Correlation between credit grade migration and default is captured by a multifactor proprietary model which takes into account industry classifications as well as regional effects. Additionally, the impact of market and issuer specific concentrations is reflected in the modeling framework by assignment of a higher charge for portfolios that have increasing concentrations in particular issuers or sectors. Lastly, the model captures product basis risk; that is, it reflects the material disparity between a position and its hedge.

The Company's regulatory capital models have all been approved for use by the Company's regulators. The Company uses the same VaR models for both market risk management purposes as well as regulatory capital calculations.

Table 40 shows the General VaR measure categorized by major risk categories. Table 41 shows the results of the Company's modeled components for regulatory capital calculations. As presented in Table 40, average 10-day General VaR was \$64 million for the quarter ended September 30, 2013, compared with \$27 million for the quarter ended June 30, 2013. The increase was primarily driven by market volatility as interest rates rose and credit spreads widened.







**Securitization Positions** Basel 2.5 imposes a separate market risk capital charge for positions classified as a securitization or re-securitization. The primary criteria for classification as a securitization is whether there is a transfer of risk and whether the credit risk associated with the underlying exposures has been separated into at least two tranches reflecting different levels of seniority. 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. The securitization capital requirements are the greater of the capital requirements of the net long or short exposure, and are capped at the maximum loss that could be incurred on any given transaction. 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 third quarter 2013.

| <b>Table 42: Covered Securitization Positions by Exposure Type (Market Value)</b> |  |  |  |     |      |      |         |      |
|---|--|--|--|-----|------|------|---------|------|
|   |  |  |  |     |      |      |         |      |
| Quarter ended September 30, 2013  |  |  |  |     |      |      |         |      |
| (in millions)   |  |  |  | ABS | CMBS | RMBS | CLO/CDO |      |
| <b>Securitization Exposure</b>  |  |  |  |     |      |      |         |      |
| Securities  |  |  |  | \$  | 582  | 653  | 515     | 726  |
| Derivatives   |  |  |  |     | (5)  | 23   | 4       | (72) |
| Total   |  |  |  | \$  | 577  | 676  | 519     | 654  |

**Securitization Due Diligence and Risk Monitoring** The market risk capital rule requires that for every covered trading securitization and re-securitization position, the Company conducts due diligence on the risk of each position within three days of the execution of the purchase of that position. The Company's due diligence attempts to provide an understanding of the features that would materially affect the performance of a securitization or re-securitization. The due diligence procedures are again performed on a quarterly basis for each securitization and re-securitization position. The Company has implemented an automated solution intended to track the due diligence associated with every transaction and position.

**Comprehensive Risk Charge / Correlation Trading** The 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 at September 30, 2013 was a net loss of \$3 million, all of which were long positions. Correlation trading is a discontinued business in which the Company is no longer active, with current positions hedged and maturing over time. Given the immaterial aspect of this discontinued activity, the Company has elected not to develop an internal model based approach but will utilize standard specific risk charges for these positions.

**Other Specific Risk** For positions that are not evaluated by the approved internal specific risk models, a regulatory prescribed standard specific risk charge is applied. The standard specific risk add-on for sovereigns, public sector entities and depository institutions is based on the Organization for Economic Co-operation and Development



(OECD) country risk classifications (CRC) and the remaining contractual maturity of the position. These risk add-ons for debt positions ranges from 0.25% to 12%. The add-on for corporate debt is based on credit spreads and the remaining contractual maturity of the position. All other types of debt positions are subject to an 8% add-on. The standard specific risk add-on for equity positions is generally 8%.

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**Risk Management – Asset/Liability Management (continued)**

VaR Backtesting The Basel 2.5 market risk capital rule requires conducting backtesting as one form of validation of the VaR model. Backtesting is a comparison of the daily VaR estimate with the actual “clean” profit and loss as defined by the market risk capital rule. “Clean P&L” is the change in the value of the Company’s covered trading positions that would have occurred had previous end-of-day covered trading positions remained unchanged (therefore, excluding fees, commissions, net interest income, and intraday trading). The backtesting analysis compares the daily VaR estimate for each of the trading days in the preceding 12 months with the net “clean P&L”. “Clean P&L” does not include credit adjustments and other activity not representative of daily price changes driven by market risk factors. The “clean P&L” measure of revenue is used to evaluate the performance of the Total VaR Measure and is not comparable to our actual daily trading net revenues, as reported elsewhere in this Report.

Any observed “clean P&L” loss in excess of the VaR estimate is considered an exception. The actual number of exceptions (that is, the number of business days for which the clean P&L losses exceed the corresponding 99% one-day Regulatory VaR) over the preceding 12 months is used to determine the VaR multiplier for the capital calculation. The number of actual backtesting exceptions is dependent on current market performance relative to historic market volatility. This capital multiplier increases from a minimum of three to a maximum of four, depending on the number of exceptions.

There were no backtesting exceptions which occurred in third quarter 2013. There were exceptions in second quarter 2013 that were driven by increased volatility in the fixed income markets from uncertainty about the Federal Reserve’s intentions regarding their quantitative easing efforts. These exceptions did not result in an increase in the capital multiplier.

Table 43 shows daily Total VaR Measure (1-day, 99%) for the previous 12 months ended September 30, 2013. The Wells Fargo average Total VaR Measure for third quarter 2013 was \$21 million with a low of \$17 million and a high of \$23 million.

**Table 43: Daily Total VaR Measure**



**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) 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 44 provides information regarding our marketable and nonmarketable equity investments.

| <b>Table 44: Nonmarketable and Marketable Equity Investments</b> |  |  |  |  |  |           |          |
|--|--|--|--|--|--|-----------|----------|
|  |  |  |  |  |  | Sept. 30, | Dec. 31, |
| (in millions)  |  |  |  |  |  | 2013      | 2012     |
| Nonmarketable equity investments:                                |  |  |  |  |  |           |          |
| Cost method:   |  |  |  |  |  |           |          |
| Private equity investments                                       |  |  |  |  |  | \$ 2,413  | 2,572    |
| Federal bank stock   |  |  |  |  |  | 4,788     | 4,227    |
| Total cost method  |  |  |  |  |  | 7,201     | 6,799    |
| Equity method and other:   |  |  |  |  |  |           |          |
| LIHTC investments (1)  |  |  |  |  |  | 5,914     | 4,767    |
| Private equity and other   |  |  |  |  |  | 5,714     | 6,156    |
| Total equity method and other                                    |  |  |  |  |  | 11,628    | 10,923   |
| Fair value (2)   |  |  |  |  |  | 911       | -        |
| Total nonmarketable equity investments (3)                       |  |  |  |  |  | \$ 19,740 | 17,722   |
| Marketable equity securities:                                    |  |  |  |  |  |           |          |

|     |   |  |  |                       |    |       |       |
|-----|---|--|--|-----------------------|----|-------|-------|
|     | Cost  |  |  |                       | \$ | 2,113 | 2,337 |
|     | Net unrealized gains  |  |  |                       |    | 1,467 | 448   |
|     |   |  |  | Total marketable      |    |       |       |
|     |   |  |  | equity securities (4) | \$ | 3,580 | 2,785 |
| (1) | Represents low income housing tax credit investments.   |  |  |                       |    |       |       |
| (2) | Represents nonmarketable equity investments for which we have elected the fair value option. See Note 6 (Other Assets) and Note 13 (Fair Values of Assets and Liabilities) to Financial Statements in this Report for additional information. |  |  |                       |    |       |       |
| (3) | Included in other assets on the balance sheet. See Note 6 (Other Assets) to Financial Statements in this Report for additional information.   |  |  |                       |    |       |       |
| (4) | Included in securities available for sale. See Note 4 (Securities Available for Sale) to Financial Statements in this Report for additional information.  |  |  |                       |    |       |       |
|     |   |  |  |                       |    |       |       |

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**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 September 30, 2013, core deposits were 117% of total loans, compared with 115% a year ago. Additional funding is provided by long-term debt, other foreign deposits, and short-term borrowings.

Table 45 shows selected information for short-term borrowings, which generally mature in less than 30 days.

| <b>Table 45: Short-Term Borrowings</b>   |  |    |        |        |               |              |        |
|--|--|----|--------|--------|---------------|--------------|--------|
|  |  |    |        |        | Quarter ended |              |        |
|  |  |    |        |        | Sept.<br>30,  | Sept.<br>30, |        |
|  |  |    |        |        | 2013          | 2012         |        |
|  |  |    |        |        | June 30,      | Mar. 31,     |        |
|  |  |    |        |        | 2013          | 2012         |        |
|  |  |    |        |        | Dec. 31,      | 2012         |        |
|  |  |    |        |        | 2012          | 2012         |        |
| (in millions)  |  |    |        |        |               |              |        |
| <b>Balance, period end</b>   |  |    |        |        |               |              |        |
| Commercial paper and other short-term borrowings                               |  | \$ | 16,970 | 18,497 | 22,263        | 22,202       | 20,474 |
| Federal funds purchased and securities sold under agreements to repurchase     |  |    | 36,881 | 38,486 | 38,430        | 34,973       | 31,483 |
| Total  |  | \$ | 53,851 | 56,983 | 60,693        | 57,175       | 51,957 |
| <b>Average daily balance for period</b>  |  |    |        |        |               |              |        |
| Commercial paper and other short-term borrowings                               |  | \$ | 17,509 | 19,606 | 20,850        | 20,609       | 19,675 |
| Federal funds purchased and securities sold under agreements to repurchase     |  |    | 35,894 | 38,206 | 34,561        | 32,212       | 32,182 |
| Total  |  | \$ | 53,403 | 57,812 | 55,411        | 52,821       | 51,857 |
| <b>Maximum month-end balance for period</b>                                    |  |    |        |        |               |              |        |
| Commercial paper and other short-term borrowings (1)                           |  | \$ | 18,155 | 19,834 | 22,263        | 22,202       | 20,474 |
| Federal funds purchased and securities sold under agreements to repurchase (2) |  |    | 36,881 | 39,451 | 38,430        | 35,941       | 32,766 |
|  |  |    |        |        |               |              |        |
|  |  |    |        |        |               |              |        |

|     |   |  |
|-----|---|--|
| (1) | Highest month-end balance in each of the last five quarters was in July, April and March 2013, and December and September 2012. |  |
| (2) | Highest month-end balance in each of the last five quarters was in September, May and March 2013, and October and July 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. This year, both Moody's Investors Service (Moody's) and Standard & Poor's Ratings Services (S&P) have announced that they intend to reassess their assumptions regarding the probability and extent of federal support in certain ratings applicable to certain bank holding companies, including us, in light of recent regulatory developments related to the Title II Orderly Liquidation Authority of the Dodd-Frank Act that could make federal support less certain and predictable. Moody's expects to complete their review by year-end 2013; S&P has not provided a timeframe for their review. All of these bank holding companies, including the Parent, have a negative outlook from S&P, and Moody's has placed certain ratings applicable to these bank holding companies, as well as some of their related banks, under review, with varying potential outcomes. Moody's placed certain ratings of the Parent and Wells Fargo Bank, N.A. on review for downgrade on August 22, 2013. Concurrently, Moody's began reviewing whether the same regulatory developments were likely to reduce the severity of losses for bank holding company creditors in the event of default, reflecting the potential benefits of a more orderly resolution of such bank holding companies and their related banks. Moody's has indicated that the results of this review could potentially offset some or all of the negative ratings effect of a higher probability of default stemming from a reduction in government support assumptions. Generally, rating agencies review a firm's ratings at least annually. There were no changes to our credit ratings in third quarter 2013. On October 8, 2013, Fitch Ratings affirmed all the ratings of Wells Fargo and its rated subsidiaries. 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 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 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 the first nine months of 2013, the Parent issued \$11.6 billion of senior notes, of which \$5.4 billion were registered with the SEC. In addition, during the first nine months of 2013, the Parent issued \$3.5 billion of registered subordinated notes. In October 2013, the Parent issued an additional \$1.5 billion of registered senior notes and \$2.0 billion of registered subordinated notes.

The Parent’s proceeds from securities issued in the first nine months of 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 46 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.

| <b>Table 46: Medium-Term Note (MTN) Programs</b> |                  |               |  |  |    |      |                    |           |
|--|------------------|---------------|--|--|----|------|--------------------|-----------|
|  |                  |               |  |  |    |      | September 30, 2013 |           |
|  |                  |               |  |  |    |      | Debt               | Available |
|  |                  |               |  |  |    |      | issuance           | for       |
| (in billions)                                    |                  |               |  |  |    |      | authority          | issuance  |
| MTN program:                                     |                  | Date          |  |  |    |      |                    |           |
|  |                  | established   |  |  |    |      |                    |           |
|  | Series L & M (1) | May 2012      |  |  | \$ | 25.0 | 12.9               |           |
|  | Series K (1)(3)  | April 2010    |  |  |    | 25.0 | 22.4               |           |
|  | European (2)(4)  | December 2009 |  |  |    | 25.0 | 16.7               |           |



|     |  |             |     |  |      |      |
|-----|--|-------------|-----|--|------|------|
|     | European (2)(5)  | August 2013 |     |  | 10.0 | 10.0 |
|     | Australian (2)(6)  | June 2005   | AUD |  | 10.0 | 5.7  |
|     |  |             |     |  |      |      |
|     |  |             |     |  |      |      |
| (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 April 2012 and April 2013. For securities to be admitted to listing on the Official List of the United Kingdom Financial Conduct Authority and to trade on the Regulated Market of the London Stock Exchange.  |             |     |  |      |      |
| (5) | For securities that will not be admitted to listing, trading and/or quotation by any stock exchange or quotation system, or will be admitted to listing, trading and/or quotation by a stock exchange or quotation system that is not considered to be a regulated market. |             |     |  |      |      |
| (6) | As amended in October 2005, March 2010 and September 2013.   |             |     |  |      |      |
|     |  |             |     |  |      |      |

**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 September 30, 2013, Wells Fargo Bank, N.A. had available \$100 billion in short-term debt issuance authority and \$78 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 the first nine months of 2013, Wells Fargo Bank, N.A. issued \$8.9 billion of senior notes under the bank note program. At September 30, 2013, Wells Fargo Bank, N.A. had remaining issuance capacity under the bank note program of \$50 billion in short-term senior notes and \$36.6 billion in long-term senior or subordinated notes. In addition, during the first nine months of 2013, Wells Fargo Bank, N.A. executed advances of \$19.0 billion with the Federal Home Loan Bank of Des Moines.

**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 the first nine months of 2013, WFCC issued CAD \$500 million in medium-term notes. At September 30, 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

## **Risk Management – Asset/Liability Management (continued)**

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.

## **Capital Management**

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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. 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 primarily include retention of earnings net of dividends, as well as issuances of common and preferred stock. Retained earnings increased \$10.9 billion from December 31, 2012, predominantly from Wells Fargo net income of \$16.3 billion, less common and preferred stock dividends of \$5.3 billion. During third quarter 2013, we issued approximately 22 million shares of common stock (approximately 102 million for the first nine months of 2013), substantially all of which related to employee benefit plans. In July 2013, we issued 69 million Depository Shares, each representing 1/1,000<sup>th</sup> interest in a share of the Company's newly issued 5.85% Fixed-to-Floating Rate Non-Cumulative Perpetual Class A Preferred Stock, Series Q, for an aggregate public offering price of \$1.7 billion. During third quarter 2013, we also repurchased approximately 51 million shares of common stock in open market transactions and from employee benefit plans, at a net cost of \$2.1 billion. In addition, the Company entered into a \$400 million forward purchase contract in September 2013 with an unrelated third party that is expected to settle in fourth quarter 2013 for approximately 9.8 million shares. For additional information about our forward repurchase agreements see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

Table 47 and Table 48, which appear at the end of this Capital Management section, provide information regarding our Tier 1 common equity calculation under Basel I and our Common Equity Tier 1 (CET1) calculation as estimated under Basel III, respectively.

## **Regulatory Capital Guidelines**

The Company and each of our insured depository institutions 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 September 30, 2013, the Company and each of our insured depository institutions 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 market-related risks, but do not take into account other types of risk facing a financial services company. The current RBC rules are based primarily upon the 1988 capital accord of the Basel Committee on Banking Supervision (BCBS) establishing international guidelines for determining regulatory capital known as “Basel I.” 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 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. The market risk capital rule is reflected in the Company’s calculation of RWA and, upon initial adoption in first quarter 2013, negatively impacted 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 revised 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,” banking organizations must successfully complete an evaluation period under supervision from regulatory agencies in order to be compliant with the Basel II final rule. The parallel run phase will continue until we receive regulatory approval to exit parallel reporting and subsequently begin publicly reporting our Basel II regulatory capital results and related disclosures.

In December 2010, the BCBS finalized a set of further revised 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 previous Basel standards, as well as in the banking sector that contributed to the crisis including excessive leverage, inadequate and low quality capital and insufficient liquidity buffers.

In July 2013, U.S. banking regulators approved final and interim final rules to implement the BCBS Basel III capital guidelines for U.S. banking organizations. These final capital rules, 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 CET1 ratio of 4.5% and a capital conservation buffer of 2.5% (for a total minimum CET1 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;

- require a Tier 1 capital to average total consolidated assets ratio of 4% and introduce, for large and internationally active bank holding companies (BHCs), a Tier 1 supplementary leverage ratio of 3% that incorporates off-balance sheet exposures;
- revise Basel I rules for calculating RWA to enhance risk sensitivity under a standardized approach;
- modify the existing Basel II advanced approaches rules for calculating RWA to implement Basel III;
- deduct certain assets from CET1, such as deferred tax assets that could not be realized through net operating loss carrybacks, significant investments in non-consolidated financial entities, and MSRs, to the extent any one category exceeds 10% of CET1 or all such items, in the aggregate, exceed 15% of CET1;
- eliminate the accumulated other comprehensive income or loss (AOCI) filter that applies under RBC rules over a five-year phase in beginning in 2013; and
- comply with the Dodd-Frank Act provision prohibiting the reliance on external credit ratings.

We will be required to comply with the final Basel III capital rules beginning January 2014, with certain provisions subject to phase-in periods. The Basel III capital rules are scheduled to be fully phased in by January 1, 2022. Based on our interpretation of the final capital rules, we estimate that our CET1 ratio under the final Basel III capital rules using the advanced approach method exceeded the fully phased-in minimum of 7.0% by 256 basis points at September 30, 2013. Because the rules were only recently finalized, the interpretations and assumptions we use in estimating our calculations are subject to change depending on our ongoing review of the final capital rules and any guidance received from our regulators.

Consistent with the Collins Amendment to the Dodd-Frank Act, banking organizations that have completed their parallel run process and have been approved by the FRB to use the advanced approach methodology to determine applicable minimum risk-weighted capital ratios and additional buffers must use the higher of their RWA as calculated under (i) the advanced approach rules, and (ii) from January 1, 2014, to December 31, 2014, the general Basel I RBC rules and, commencing on January 1, 2015, and thereafter, the risk weightings under the standardized approach.

The final Basel III capital rules did not address the proposed Basel III liquidity standards and also did not address additional capital and leverage requirements that are currently under consideration by the BCBS and U.S. banking regulators. However, in July 2013, U.S. banking regulators introduced proposals that would enhance the recently finalized supplementary leverage ratio requirements for large BHCs like Wells Fargo and their insured depository institutions. Under the proposals, effective on January 1, 2018, a covered BHC would be required to maintain a supplementary leverage ratio of at least 5% to avoid restrictions on capital distributions and discretionary bonus payments. The proposals would also require that all of our insured depository institutions maintain a supplementary leverage ratio of 6% in order to be considered well capitalized. Based on our initial review, we believe our current leverage levels would meet the applicable proposed requirements at the holding company and each of its insured depository institutions. U.S. banking regulators, however, have indicated they may make further changes to the U.S. supplementary leverage ratio requirements based on revisions to the Basel III leverage framework recently proposed by the BCBS. In addition, in October 2013, U.S. banking regulators issued a Notice of Proposed Rulemaking (NPR) regarding the U.S. implementation of the Basel III liquidity coverage ratio (LCR) and would apply in full to banks and holding companies with assets greater than \$250 billion like Wells Fargo. The proposal would require us to maintain

an amount of eligible high-quality, liquid assets that equals or exceeds 100% of our projected net cash outflows over a 30-day period. U.S. banking regulators stated that the U.S. proposal is generally consistent with the Basel LCR standard, but more stringent in certain areas. The NPR is open for comment until January 31, 2014.

The FRB has also indicated that it is in the process of considering new rules to address the amount of equity and long-term debt a company must hold to facilitate its orderly liquidation and to address risks related to banking organizations that are substantially reliant on short-term wholesale funding. In addition, the FRB is developing rules to implement an additional CET1 capital surcharge on those U.S. banking organizations, such as the Company, that have been designated by the Financial Stability Board (FSB) as global systemically important banks (G-SIBs). The G-SIB surcharge would be in addition to the minimum Basel III 7.0% CET1 requirement and ranges from 1.0% to 3.5% of RWA, depending on the bank's systemic importance, which would be determined under an indicator-based approach that considers five broad categories: cross-jurisdictional activity; size; inter-connectedness; substitutability/financial institution infrastructure; and complexity. The G-SIB surcharge is expected to be phased in beginning in January 2016 and become fully effective on January 1, 2019. The FSB, in an updated listing 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 is expected to update the list of G-SIBs and their required surcharges prior to implementation based on additional or future data.

### **Capital Planning and Stress Testing**

Under the FRB's capital plan rule, large BHCs are required to submit capital plans annually for review to determine if the FRB has 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.

Our 2013 Comprehensive Capital Analysis and Review (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, which assumed 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.

In addition to CCAR, U.S. banking regulators also require stress tests to evaluate whether an institution has sufficient capital to continue to operate during periods of adverse economic and financial conditions. In October 2012, the FRB issued final rules regarding

### **Capital Management** *(continued)*

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. The FRB issued interim final rules in September 2013 clarifying how companies should incorporate the Basel III capital rules into their capital planning and stress testing exercises. 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. As required under the FRB's stress testing rule, we completed a mid-cycle stress test based on March 31, 2013, data and scenarios developed by the Company. We submitted the results of the mid-cycle stress test to the FRB in July 2013 and disclosed a summary of the results in September 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 September 30, 2013, we had remaining authority under this authorization to purchase approximately 104 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 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 September 30, 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.



| <b>Table 47: Tier 1 Common Equity Under Basel I (1)</b> |  |  |  |  |         |  |  |                   |                 |
|---|--|--|--|--|---------|--|--|-------------------|-----------------|
|   |  |  |  |  |         |  |  |                   |                 |
|   |  |  |  |  |         |  |  | <b>Sept. 30,</b>  | <b>Dec. 31,</b> |
| (in billions)   |  |  |  |  |         |  |  | <b>2013</b>       | <b>2012</b>     |
| Total equity  |  |  |  |  |         |  |  | <b>\$ 168.8</b>   | 158.9           |
| Noncontrolling interests                                |  |  |  |  |         |  |  | <b>(1.6)</b>      | (1.3)           |
| Total Wells Fargo stockholders' equity                  |  |  |  |  |         |  |  | <b>167.2</b>      | 157.6           |
| Adjustments:  |  |  |  |  |         |  |  |                   |                 |
| Preferred equity  |  |  |  |  |         |  |  | <b>(14.3)</b>     | (12.0)          |
| Goodwill and intangible assets (other than MSRs)        |  |  |  |  |         |  |  | <b>(31.8)</b>     | (32.9)          |
| Applicable deferred taxes                               |  |  |  |  |         |  |  | <b>2.9</b>        | 3.2             |
| Deferred tax asset limitation                           |  |  |  |  |         |  |  | <b>-</b>          | -               |
| MSRs over specified limitations                         |  |  |  |  |         |  |  | <b>(0.9)</b>      | (0.7)           |
| Cumulative other comprehensive income                   |  |  |  |  |         |  |  | <b>(2.2)</b>      | (5.6)           |
| Other   |  |  |  |  |         |  |  | <b>(0.6)</b>      | (0.6)           |
| Tier 1 common equity                                    |  |  |  |  | (A)     |  |  | <b>\$ 120.3</b>   | 109.0           |
| Total risk-weighted assets (2)                          |  |  |  |  | (B)     |  |  | <b>\$ 1,135.1</b> | 1,077.1         |
| Tier 1 common equity to total risk-weighted assets (2)  |  |  |  |  | (A)/(B) |  |  | <b>10.60</b>      | % 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.   |  |  |  |         |  |  |                   |                 |
| (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. |  |  |  |         |  |  |                   |                 |

| <b>Table 48: Common Equity Tier 1 Under Basel III (Estimated) (1)</b>                             |  |  |  |  |  |  |  |  |                       |
|---|--|--|--|--|--|--|--|--|-----------------------|
| <b>(2)</b>  |  |  |  |  |  |  |  |  |                       |
|   |  |  |  |  |  |  |  |  |                       |
| (in billions)   |  |  |  |  |  |  |  |  | <b>Sept. 30, 2013</b> |
| Tier 1 common equity under Basel I  |  |  |  |  |  |  |  |  | <b>\$ 120.3</b>       |
| Adjustments from Basel I to Basel III (3) (5):  |  |  |  |  |  |  |  |  |                       |
| Cumulative other comprehensive income related to AFS securities and defined benefit pension plans |  |  |  |  |  |  |  |  | <b>2.2</b>            |
| Other   |  |  |  |  |  |  |  |  | <b>1.1</b>            |



|     |   |  |  |         |    |  |         |   |
|-----|---|--|--|---------|----|--|---------|---|
|     | Total adjustments from Basel I to Basel III   |  |  |         |    |  | 3.3     |   |
|     | Threshold deductions, as defined under Basel III (4) (5)  |  |  |         |    |  | -       |   |
|     | Common Equity Tier 1 anticipated under Basel III  |  |  | (C)     | \$ |  | 123.6   |   |
|     | Total risk-weighted assets anticipated under Basel III (6)  |  |  | (D)     | \$ |  | 1,293.6 |   |
|     | Common Equity Tier 1 to total risk-weighted assets anticipated under Basel III  |  |  | (C)/(D) |    |  | 9.56    | % |
| (1) | Common Equity Tier 1 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 Common Equity Tier 1 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 Common Equity Tier 1 and RWA are estimated based on management's interpretation of the Basel III capital rules adopted July 2, 2013, by the FRB. The rules establish a new comprehensive capital framework for U.S. banking organizations that implement the Basel III capital framework and certain provisions of the Dodd-Frank Act.  |  |  |         |    |  |         |   |
| (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 Common Equity Tier 1 under Basel III.   |  |  |         |    |  |         |   |
| (4) | Threshold deductions, as defined under Basel III, include individual and aggregate limitations, as a percentage of Common Equity Tier 1, 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) | The final Basel III capital rules provide for two capital frameworks: the "standardized" approach intended to replace Basel I, and the "advanced" approach applicable to certain institutions as originally defined under Basel II. Under the final rules, we will be subject to the lower of our Common Equity Tier 1 ratio calculated under the standardized approach and under the advanced approach in the assessment of our capital adequacy. Accordingly, the estimate of RWA reflects management's interpretation of RWA determined under the advanced approach because management expects RWA to be higher using the advanced approach compared with the standardized approach. Basel III capital rules adopted by the Federal Reserve Board incorporate different classification of assets, with certain risk weights based on a borrower's credit rating or Wells Fargo's own models, along with adjustments to address a combination of credit/counterparty, operational and market risks, and other Basel III elements. |  |  |         |    |  |         |   |

**Regulatory Reform**

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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.

The following supplements our discussion of the significant regulations and regulatory oversight initiatives that have affected or may affect our business contained in the “Regulatory Reform” and “Risk Factors” sections of our 2012 Form 10-K and the “Regulatory Reform” section of our 2013 Second Quarter Report on Form 10-Q.

**Regulation of interchange transaction fees (the Durbin Amendment)** On October 1, 2011, the FRB rule enacted to implement the Durbin Amendment to the Dodd-Frank Act that limits debit card interchange transaction fees to those “reasonable” and “proportional” to the cost of the transaction became effective. The rule generally established that the maximum allowable interchange fee that an issuer may receive or charge for an electronic debit transaction is the sum of 21 cents per transaction and 5 basis points multiplied by the value of the transaction. On July 31, 2013, the U.S. District Court for the District of Columbia ruled that the approach used by the FRB in setting the maximum allowable interchange transaction fee impermissibly included costs that were specifically excluded from consideration under the Durbin Amendment. The decision would keep the current interchange transaction fee standards in place until the FRB drafts new regulations or interim standards. On August 21, 2013, the FRB filed a notice of appeal of the decision to the United States Court of Appeals for the District of Columbia. On September 19, 2013, the Court of Appeals granted a joint motion for an expedited appeal, and the District Court’s order has been stayed pending the appeal.

**CHANGES TO ASSET-BACKED SECURITIES MARKETS** U.S. agencies recently issued revisions to a 2011 proposal to implement the credit risk retention requirements in the Dodd-Frank Act, which requires that sponsors of a securitization retain at least 5% of the credit risk of assets collateralizing asset-backed securities. Residential mortgage-backed securities that qualify as “qualified residential mortgages” (QRMs) are exempt from the risk retention requirement, and the recent revisions changed the definition of QRM to align it with the Consumer Financial Protection Bureau’s definition of “qualified mortgage”. The revised proposal also addresses the measures for complying with the risk retention requirement and continues to provide exemptions for qualifying commercial loans, qualifying commercial real estate loans, and qualifying automobile loans that meet certain requirements.

**Critical Accounting  
Policies**

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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.

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**Current Accounting  
Developments**

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The following accounting pronouncements have been issued by the FASB but are not yet effective:

- Accounting Standards Update (ASU or Update) 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*; and
- ASU 2013-08, *Financial Services – Investment Companies (Topic 946): Amendments to the Scope, Measurement and Disclosure Requirements*.

**ASU 2013-11** is expected to eliminate diversity in practice as it provides guidance on financial statement presentation of an unrecognized tax benefit when a net operating loss (NOL) carryforward, a similar tax loss, or a tax credit carryforward exists. These changes are effective for us in first quarter 2014 with prospective application applied to all unrecognized tax benefits that exist at the effective date. Early adoption and retrospective application are permitted. This Update will not have a material effect on our consolidated financial statements.

**ASU 2013-08** amends the scope, measurement and disclosure requirements for investment companies. The Update changes criteria companies use to assess whether an entity is an investment company. In addition, investment companies must measure noncontrolling ownership interests in other investment companies at fair value rather than using the equity method of accounting. This Update also requires new disclosures, including information about changes, if any, in an entity's status as an investment company and information about financial support provided or contractually required to be provided by an investment company to any of its investees. These changes are effective for us in first quarter 2014 with prospective application. Early adoption is not permitted. We are evaluating the impact this Update will have on our consolidated financial statements.

## **Forward-Looking Statements**

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This document contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, we may make forward-looking statements in our other documents filed or furnished with the SEC, and our management may make forward-looking statements orally to analysts, investors, representatives of the media and others. Forward-looking statements can be identified by words such as “anticipates,” “intends,” “plans,” “seeks,” “believes,” “estimates,” “expects,” “target,” “projects,” “outlook,” “forecast,” “will,” “may,” “could,” “should,” “can” and similar future periods. In particular, forward-looking statements include, but are not limited to, statements we make about: (i) the future operating or financial performance of the Company, including our outlook for future growth; (ii) our noninterest expense and efficiency ratio; (iii) future credit quality and performance, including our expectations regarding future loan losses and allowance releases; (iv) the appropriateness of the allowance for credit losses; (v) our expectations regarding net interest income and net interest margin; (vi) loan growth or the reduction or mitigation of risk in our loan portfolios; (vii) future capital levels and our estimated Common Equity Tier 1 ratio under Basel III capital standards; (viii) the performance of our mortgage business and any related exposures; (ix) the expected outcome and impact of legal, regulatory and legislative developments, as well as our expectations regarding compliance therewith; (x) future common stock dividends, common share repurchases and other uses of capital; (xi) our targeted range for return on assets and return on equity; (xii) the outcome of contingencies, such as legal proceedings; and (xiii) the Company’s plans, objectives and strategies.

Forward-looking statements are not based on historical facts but instead represent 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 Basel III capital standards) 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;
- the extent of our success in our loan modification efforts, as well as the effects of regulatory requirements or guidance regarding loan modifications;
- 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 obligations under the settlement with the Department of Justice and other federal and state government entities, as well as changes in 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, 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;
- 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, mortgage servicing rights and mortgages held for sale;
- 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 costs, and declines in asset values and/or recognition of other-than-temporary impairment on securities held in our available-for-sale portfolio;
- 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;
- 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 or other service providers, including as a result of cyber attacks;
- the effect of changes in the level of checking or savings account deposits on our funding costs and net interest margin;
- fiscal and monetary policies of the Federal Reserve Board; and
- the other risk factors and uncertainties described under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2012.

In addition to the above factors, we also caution that the amount and timing of any future common stock dividends or repurchases will depend on the earnings, cash requirements and financial condition of the Company, market conditions, capital requirements (including under Basel capital standards), common stock issuance requirements, applicable law and regulations (including federal securities laws and federal banking regulations), and other factors deemed relevant by the

**Forward-Looking Statements** *(continued)*

Company's Board of Directors, and may be subject to regulatory approval or conditions.

For more information about factors that could cause actual results to differ materially from our expectations, refer to our reports filed with the Securities and Exchange Commission, including the discussion under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2012, as filed with the Securities and Exchange Commission and available on its website at [www.sec.gov](http://www.sec.gov).

Any forward-looking statement made by us 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**

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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.

## Controls and Procedures

### Disclosure Controls and Procedures

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The Company's management evaluated the effectiveness, as of September 30, 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 September 30, 2013.

### Internal Control Over Financial Reporting

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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 third quarter 2013 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.



| Wells Fargo & Company and Subsidiaries                       |    |                         |        |                             |        |
|--|----|-------------------------|--------|-----------------------------|--------|
| Consolidated Statement of Income (Unaudited)                 |    |                         |        |                             |        |
|  |    | Quarter ended Sept. 30, |        | Nine months ended Sept. 30, |        |
| (in millions, except per share amounts)                      |    | 2013                    | 2012   | 2013                        | 2012   |
| <b>Interest income</b>                                       |    |                         |        |                             |        |
| Trading assets   | \$ | 331                     | 299    | 998                         | 1,019  |
| Securities available for sale                                |    | 2,038                   | 1,966  | 5,997                       | 6,201  |
| Mortgages held for sale                                      |    | 320                     | 476    | 1,069                       | 1,412  |
| Loans held for sale  |    | 3                       | 17     | 10                          | 38     |
| Loans  |    | 8,901                   | 9,016  | 26,664                      | 27,455 |
| Other interest income  |    | 183                     | 151    | 515                         | 409    |
| Total interest income  |    | 11,776                  | 11,925 | 35,253                      | 36,534 |
| <b>Interest expense</b>                                      |    |                         |        |                             |        |
| Deposits   |    | 318                     | 428    | 1,040                       | 1,328  |
| Short-term borrowings  |    | 9                       | 19     | 46                          | 55     |
| Long-term debt   |    | 621                     | 756    | 1,950                       | 2,375  |
| Other interest expense                                       |    | 80                      | 60     | 220                         | 189    |
| Total interest expense                                       |    | 1,028                   | 1,263  | 3,256                       | 3,947  |
| <b>Net interest income</b>                                   |    | 10,748                  | 10,662 | 31,997                      | 32,587 |
| Provision for credit losses                                  |    | 75                      | 1,591  | 1,946                       | 5,386  |
| Net interest income after provision for credit losses        |    | 10,673                  | 9,071  | 30,051                      | 27,201 |
| <b>Noninterest income</b>                                    |    |                         |        |                             |        |
| Service charges on deposit accounts                          |    | 1,278                   | 1,210  | 3,740                       | 3,433  |
| Trust and investment fees                                    |    | 3,276                   | 2,954  | 9,972                       | 8,691  |
| Card fees  |    | 813                     | 744    | 2,364                       | 2,102  |
| Other fees   |    | 1,098                   | 1,097  | 3,221                       | 3,326  |
| Mortgage banking   |    | 1,608                   | 2,807  | 7,204                       | 8,570  |
| Insurance  |    | 413                     | 414    | 1,361                       | 1,455  |
| Net gains from trading activities                            |    | 397                     | 529    | 1,298                       | 1,432  |
| Net gains (losses) on debt securities available for sale (1) |    | (6)                     | 3      | (15)                        | (65)   |
| Net gains from equity investments (2)                        |    | 502                     | 164    | 818                         | 770    |
| Lease income   |    | 160                     | 218    | 515                         | 397    |
| Other  |    | 191                     | 411    | 640                         | 1,440  |
| Total noninterest income                                     |    | 9,730                   | 10,551 | 31,118                      | 31,551 |
| <b>Noninterest expense</b>                                   |    |                         |        |                             |        |
| Salaries   |    | 3,910                   | 3,648  | 11,341                      | 10,954 |
| Commission and incentive compensation                        |    | 2,401                   | 2,368  | 7,604                       | 7,139  |

|  |    |                |              |                |               |
|--|----|----------------|--------------|----------------|---------------|
| Employee benefits  |    | 1,172          | 1,063        | 3,873          | 3,720         |
| Equipment  |    | 471            | 510          | 1,417          | 1,526         |
| Net occupancy  |    | 728            | 727          | 2,163          | 2,129         |
| Core deposit and other intangibles                       |    | 375            | 419          | 1,129          | 1,256         |
| FDIC and other deposit assessments                       |    | 214            | 359          | 765            | 1,049         |
| Other  |    | 2,831          | 3,018        | 8,465          | 9,729         |
| Total noninterest expense                                |    | 12,102         | 12,112       | 36,757         | 37,502        |
| <b>Income before income tax expense</b>                  |    | <b>8,301</b>   | <b>7,510</b> | <b>24,412</b>  | <b>21,250</b> |
| Income tax expense                                       |    | 2,618          | 2,480        | 7,901          | 7,179         |
| <b>Net income before noncontrolling interests</b>        |    | <b>5,683</b>   | <b>5,030</b> | <b>16,511</b>  | <b>14,071</b> |
| Less: Net income from noncontrolling interests           |    | 105            | 93           | 243            | 264           |
| <b>Wells Fargo net income</b>                            | \$ | <b>5,578</b>   | <b>4,937</b> | <b>16,268</b>  | <b>13,807</b> |
| Less: Preferred stock dividends and other                |    | 261            | 220          | 748            | 665           |
| <b>Wells Fargo net income applicable to common stock</b> | \$ | <b>5,317</b>   | <b>4,717</b> | <b>15,520</b>  | <b>13,142</b> |
| <b>Per share information</b>                             |    |                |              |                |               |
| Earnings per common share                                | \$ | <b>1.00</b>    | 0.89         | <b>2.93</b>    | 2.48          |
| Diluted earnings per common share                        |    | <b>0.99</b>    | 0.88         | <b>2.89</b>    | 2.45          |
| Dividends declared per common share                      |    | <b>0.30</b>    | 0.22         | <b>0.85</b>    | 0.66          |
| Average common shares outstanding                        |    | <b>5,295.3</b> | 5,288.1      | <b>5,293.0</b> | 5,292.7       |
| Diluted average common shares outstanding                |    | <b>5,381.7</b> | 5,355.6      | <b>5,374.7</b> | 5,355.7       |

(1) Total other-than-temporary impairment (OTTI) gains were \$(13) million and \$(101) million for third quarter 2013 and 2012, respectively. Of total OTTI, losses of \$23 million and \$36 million were recognized in earnings, and gains of \$(36) million and \$(137) million were recognized as non-credit-related OTTI in other comprehensive income for third quarter 2013 and 2012, respectively. Total OTTI losses (gains) were \$36 million and \$(19) million for the first nine months of 2013 and 2012, respectively. Of total OTTI, losses of \$128 million and \$163 million were recognized in earnings, and gains of \$(92) million and \$(182) million were recognized as non-credit-related OTTI in other comprehensive income for the first nine months of 2013 and 2012, respectively.

(2) Includes OTTI losses of \$37 million and \$36 million for third quarter 2013 and 2012, respectively, and \$121 million and \$94 million for the first nine months of 2013 and 2012, respectively.

The accompanying notes are an integral part of these statements.

| Wells Fargo & Company and Subsidiaries                             |  |    |              |  |         |  |                |  |         |
|--|--|----|--------------|--|---------|--|----------------|--|---------|
| <b>Consolidated Statement of Comprehensive Income (Unaudited)</b>  |  |    |              |  |         |  |                |  |         |
|  |  |    |              |  |         |  |                |  |         |
| Nine months  |  |    |              |  |         |  |                |  |         |
|  |  |    |              |  |         |  |                |  |         |
| Quarter ended Sept. 30,  |  |    |              |  |         |  |                |  |         |
| ended Sept. 30,  |  |    |              |  |         |  |                |  |         |
| (in millions)  |  |    |              |  |         |  |                |  |         |
| <b>2013</b>  |  |    |              |  |         |  |                |  |         |
| 2012   |  |    |              |  |         |  |                |  |         |
| <b>2013</b>  |  |    |              |  |         |  |                |  |         |
| 2012   |  |    |              |  |         |  |                |  |         |
| Wells Fargo net income   |  | \$ | <b>5,578</b> |  | 4,937   |  | <b>16,268</b>  |  | 13,807  |
| Other comprehensive income (loss), before tax:                     |  |    |              |  |         |  |                |  |         |
| Securities available for sale:                                     |  |    |              |  |         |  |                |  |         |
|  |  |    | <b>842</b>   |  | 2,892   |  | <b>(5,922)</b> |  | 5,597   |
|  |  |    | <b>(114)</b> |  | (41)    |  | <b>(197)</b>   |  | (290)   |
| Derivatives and hedging activities:                                |  |    |              |  |         |  |                |  |         |
|  |  |    | <b>(7)</b>   |  | 24      |  | <b>(10)</b>    |  | 63      |
|  |  |    | <b>(69)</b>  |  | (89)    |  | <b>(225)</b>   |  | (295)   |
| Defined benefit plans adjustments:                                 |  |    |              |  |         |  |                |  |         |
|  |  |    | <b>297</b>   |  | (1)     |  | <b>1,075</b>   |  | (18)    |
|  |  |    | <b>59</b>    |  | 35      |  | <b>221</b>     |  | 111     |
| Foreign currency translation adjustments:                          |  |    |              |  |         |  |                |  |         |
|  |  |    | <b>12</b>    |  | 45      |  | <b>(27)</b>    |  | (1)     |
|  |  |    | <b>3</b>     |  | --      |  | <b>(12)</b>    |  | (10)    |
| <b>Other comprehensive income (loss), before tax</b>               |  |    | <b>1,023</b> |  | 2,865   |  | <b>(5,097)</b> |  | 5,157   |
| Income tax (expense) benefit related to other comprehensive income |  |    | <b>(265)</b> |  | (1,057) |  | <b>2,002</b>   |  | (1,923) |
| <b>Other comprehensive income (loss), net of tax</b>               |  |    | <b>758</b>   |  | 1,808   |  | <b>(3,095)</b> |  | 3,234   |
| Less: Other comprehensive income from noncontrolling interests     |  |    | <b>266</b>   |  | 2       |  | <b>266</b>     |  | 6       |
| <b>Wells Fargo other comprehensive income (loss), net of tax</b>   |  |    | <b>492</b>   |  | 1,806   |  | <b>(3,361)</b> |  | 3,228   |
| <b>Wells Fargo comprehensive income</b>                            |  |    | <b>6,070</b> |  | 6,743   |  | <b>12,907</b>  |  | 17,035  |
| Comprehensive income from noncontrolling                           |  |    | <b>371</b>   |  | 95      |  | <b>509</b>     |  | 270     |

|                                   |           |              |  |              |  |               |  |               |
|-----------------------------------|-----------|--------------|--|--------------|--|---------------|--|---------------|
| interests                         |           |              |  |              |  |               |  |               |
| <b>Total comprehensive income</b> | <b>\$</b> | <b>6,441</b> |  | <b>6,838</b> |  | <b>13,416</b> |  | <b>17,305</b> |
|                                   |           |              |  |              |  |               |  |               |

The accompanying notes are an integral part of these statements.

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| Wells Fargo & Company and Subsidiaries  |  |  |  |  |  |           |           |           |  |  |
|---|--|--|--|--|--|-----------|-----------|-----------|--|--|
| Consolidated Balance Sheet (Unaudited)  |  |  |  |  |  |           |           |           |  |  |
|   |  |  |  |  |  | Sept. 30, | Dec. 31,  |           |  |  |
| (in millions, except shares)  |  |  |  |  |  | 2013      | 2012      |           |  |  |
| <b>Assets</b>   |  |  |  |  |  |           |           |           |  |  |
| Cash and due from banks   |  |  |  |  |  | \$        | 18,928    | 21,860    |  |  |
| Federal funds sold, securities purchased under resale agreements and other short-term investments |  |  |  |  |  |           | 182,036   | 137,313   |  |  |
| Trading assets  |  |  |  |  |  |           | 60,203    | 57,482    |  |  |
| Securities available for sale   |  |  |  |  |  |           | 259,399   | 235,199   |  |  |
| Mortgages held for sale (includes \$23,209 and \$42,305 carried at fair value)                    |  |  |  |  |  |           | 25,395    | 47,149    |  |  |
| Loans held for sale (includes \$2 and \$6 carried at fair value)                                  |  |  |  |  |  |           | 204       | 110       |  |  |
| Loans (includes \$6,051 and \$6,206 carried at fair value)  |  |  |  |  |  |           | 812,325   | 799,574   |  |  |
| Allowance for loan losses   |  |  |  |  |  |           | (15,159)  | (17,060)  |  |  |
| Net loans   |  |  |  |  |  |           | 797,166   | 782,514   |  |  |
| Mortgage servicing rights:  |  |  |  |  |  |           |           |           |  |  |
| Measured at fair value  |  |  |  |  |  |           | 14,501    | 11,538    |  |  |
| Amortized   |  |  |  |  |  |           | 1,204     | 1,160     |  |  |
| Premises and equipment, net   |  |  |  |  |  |           | 9,120     | 9,428     |  |  |
| Goodwill  |  |  |  |  |  |           | 25,637    | 25,637    |  |  |
| Other assets (includes \$911 and \$0 carried at fair value)                                       |  |  |  |  |  |           | 94,262    | 93,578    |  |  |
| Total assets (1)  |  |  |  |  |  | \$        | 1,488,055 | 1,422,968 |  |  |
| <b>Liabilities</b>  |  |  |  |  |  |           |           |           |  |  |
| Noninterest-bearing deposits  |  |  |  |  |  | \$        | 279,911   | 288,207   |  |  |
| Interest-bearing deposits   |  |  |  |  |  |           | 761,960   | 714,628   |  |  |
| Total deposits  |  |  |  |  |  |           | 1,041,871 | 1,002,835 |  |  |
| Short-term borrowings   |  |  |  |  |  |           | 53,851    | 57,175    |  |  |
| Accrued expenses and other liabilities  |  |  |  |  |  |           | 72,308    | 76,668    |  |  |
| Long-term debt (includes \$0 and \$1 carried at fair value)                                       |  |  |  |  |  |           | 151,212   | 127,379   |  |  |
| Total liabilities (2)   |  |  |  |  |  |           | 1,319,242 | 1,264,057 |  |  |
| <b>Equity</b>   |  |  |  |  |  |           |           |           |  |  |
| Wells Fargo stockholders' equity:   |  |  |  |  |  |           |           |           |  |  |
| Preferred stock   |  |  |  |  |  |           | 15,549    | 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  |  |  |  |  |  |           | 60,188    | 59,802    |  |  |
| Retained earnings   |  |  |  |  |  |           | 88,625    | 77,679    |  |  |

|  |  |           |                  |  |           |
|--|--|-----------|------------------|--|-----------|
|  | Cumulative other comprehensive income                      |           | <b>2,289</b>     |  | 5,650     |
|  | Treasury stock – 208,075,732 shares and 215,497,298 shares |           | <b>(7,290)</b>   |  | (6,610)   |
|  | Unearned ESOP shares                                       |           | <b>(1,332)</b>   |  | (986)     |
|  | Total Wells Fargo stockholders' equity                     |           | <b>167,165</b>   |  | 157,554   |
|  | Noncontrolling interests                                   |           | <b>1,648</b>     |  | 1,357     |
|  | Total equity   |           | <b>168,813</b>   |  | 158,911   |
|  | Total liabilities and equity                               | <b>\$</b> | <b>1,488,055</b> |  | 1,422,968 |
|  |  |           |                  |  |           |

(1) Our consolidated assets at September 30, 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, \$171 million and \$260 million; Trading assets, \$186 million and \$114 million; Securities available for sale, \$1.4 billion and \$2.8 billion; Mortgages held for sale, \$66 million and \$469 million; Net loans, \$8.0 billion and \$10.6 billion; Other assets, \$348 million and 457 million, and Total assets, \$10.2 billion and \$14.6 billion, respectively.

(2) Our consolidated liabilities at September 30, 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, \$23 million and \$0 million; Accrued expenses and other liabilities, \$103 million and \$134 million; Long-term debt, \$2.5 billion and \$3.5 billion; and Total liabilities, \$2.6 billion and \$3.6 billion, respectively.

The accompanying notes are an integral part of these statements.



|  |  |                   |  |                  |  |                      |  |                 |
|--|--|-------------------|--|------------------|--|----------------------|--|-----------------|
| <b>Balance January 1, 2013</b>                               |  | <b>10,558,865</b> |  | <b>\$ 12,883</b> |  | <b>5,266,314,176</b> |  | <b>\$ 9,136</b> |
| <b>Net income</b>  |  |                   |  |                  |  |                      |  |                 |
| <b>Other comprehensive income (loss), net of tax</b>         |  |                   |  |                  |  |                      |  |                 |
| <b>Noncontrolling interests</b>                              |  |                   |  |                  |  |                      |  |                 |
| <b>Common stock issued</b>                                   |  |                   |  |                  |  | <b>78,607,760</b>    |  |                 |
| <b>Common stock repurchased (1)</b>                          |  |                   |  |                  |  | <b>(94,144,984)</b>  |  |                 |
| <b>Preferred stock issued to ESOP</b>                        |  | <b>1,200,000</b>  |  | <b>1,200</b>     |  |                      |  |                 |
| <b>Preferred stock released by ESOP</b>                      |  |                   |  |                  |  |                      |  |                 |
| <b>Preferred stock converted to common shares</b>            |  | <b>(883,752)</b>  |  | <b>(884)</b>     |  | <b>22,958,790</b>    |  |                 |
| <b>Preferred stock issued</b>                                |  | <b>94,000</b>     |  | <b>2,350</b>     |  |                      |  |                 |
| <b>Common stock dividends</b>                                |  |                   |  |                  |  |                      |  |                 |
| <b>Preferred stock dividends</b>                             |  |                   |  |                  |  |                      |  |                 |
| <b>Tax benefit from stock incentive compensation</b>         |  |                   |  |                  |  |                      |  |                 |
| <b>Stock incentive compensation expense</b>                  |  |                   |  |                  |  |                      |  |                 |
| <b>Net change in deferred compensation and related plans</b> |  |                   |  |                  |  |                      |  |                 |
| <b>Net change</b>  |  | <b>410,248</b>    |  | <b>2,666</b>     |  | <b>7,421,566</b>     |  | <b>-</b>        |
| <b>Balance September 30, 2013</b>                            |  | <b>10,969,113</b> |  | <b>\$ 15,549</b> |  | <b>5,273,735,742</b> |  | <b>\$ 9,136</b> |

(1) For the nine months ended September 30, 2013, includes \$400 million related to a private forward repurchase transaction entered into in September 2013 that is expected to settle in fourth quarter 2013 for an estimated 9.8 million shares of common stock. See Note 1 for additional information.

The accompanying notes are an integral part of these statements.





|        |        |         |         |         |  |         |       |         |
|--------|--------|---------|---------|---------|--|---------|-------|---------|
|        | (747)  |         |         |         |  | (747)   |       | (747)   |
| 229    |        |         |         |         |  | 229     |       | 229     |
| 585    |        |         |         |         |  | 585     |       | 585     |
| (468)  |        |         | 6       |         |  | (462)   |       | (462)   |
| 386    | 10,946 | (3,361) | (680)   | (346)   |  | 9,611   | 291   | 9,902   |
| 60,188 | 88,625 | 2,289   | (7,290) | (1,332) |  | 167,165 | 1,648 | 168,813 |
|        |        |         |         |         |  |         |       |         |

| Wells Fargo & Company and Subsidiaries  |  |  |  |  |                             |           |           |  |  |
|---|--|--|--|--|-----------------------------|-----------|-----------|--|--|
| <b>Consolidated Statement of Cash Flows (Unaudited)</b>   |  |  |  |  |                             |           |           |  |  |
|   |  |  |  |  | Nine months ended Sept. 30, |           |           |  |  |
| (in millions)   |  |  |  |  | 2013                        |           | 2012      |  |  |
| <b>Cash flows from operating activities:</b>  |  |  |  |  |                             |           |           |  |  |
| Net income before noncontrolling interests  |  |  |  |  | \$                          | 16,511    | 14,071    |  |  |
| Adjustments to reconcile net income to net cash provided by operating activities:                 |  |  |  |  |                             |           |           |  |  |
| Provision for credit losses   |  |  |  |  |                             | 1,946     | 5,386     |  |  |
| Changes in fair value of MSRs, MHFS and LHFS carried at fair value                                |  |  |  |  |                             | (2,402)   | (1,496)   |  |  |
| Depreciation and amortization   |  |  |  |  |                             | 2,508     | 2,083     |  |  |
| Other net losses (gains)  |  |  |  |  |                             | (7,441)   | 724       |  |  |
| Stock-based compensation  |  |  |  |  |                             | 1,535     | 1,303     |  |  |
| Excess tax benefits related to stock incentive compensation                                       |  |  |  |  |                             | (232)     | (193)     |  |  |
| Originations of MHFS  |  |  |  |  |                             | (274,293) | (372,204) |  |  |
| Proceeds from sales of and principal collected on mortgages originated for sale                   |  |  |  |  |                             | 265,249   | 317,386   |  |  |
| Originations of LHFS  |  |  |  |  |                             | -         | (10)      |  |  |
| Proceeds from sales of and principal collected on LHFS  |  |  |  |  |                             | 373       | 8,792     |  |  |
| Purchases of LHFS   |  |  |  |  |                             | (244)     | (7,221)   |  |  |
| Net change in:  |  |  |  |  |                             |           |           |  |  |
| Trading assets  |  |  |  |  |                             | 39,133    | 86,127    |  |  |
| Deferred income taxes   |  |  |  |  |                             | 2,802     | 202       |  |  |
| Accrued interest receivable   |  |  |  |  |                             | (215)     | (3)       |  |  |
| Accrued interest payable  |  |  |  |  |                             | 10        | 81        |  |  |
| Other assets, net   |  |  |  |  |                             | (2,962)   | (4,499)   |  |  |
| Other accrued expenses and liabilities, net   |  |  |  |  |                             | 940       | (340)     |  |  |
| Net cash provided by operating activities   |  |  |  |  |                             | 43,218    | 50,189    |  |  |
| <b>Cash flows from investing activities:</b>  |  |  |  |  |                             |           |           |  |  |
| Net change in:  |  |  |  |  |                             |           |           |  |  |
| Federal funds sold, securities purchased under resale agreements and other short-term investments |  |  |  |  |                             | (46,419)  | (56,075)  |  |  |
| Securities available for sale:  |  |  |  |  |                             |           |           |  |  |
| Sales proceeds  |  |  |  |  |                             | 2,591     | 4,969     |  |  |
| Prepayments and maturities  |  |  |  |  |                             | 40,476    | 44,592    |  |  |
| Purchases   |  |  |  |  |                             | (78,368)  | (49,703)  |  |  |
| Nonmarketable equity investments:   |  |  |  |  |                             |           |           |  |  |
| Sales proceeds  |  |  |  |  |                             | 1,846     | 1,218     |  |  |
| Purchases   |  |  |  |  |                             | (2,552)   | (1,389)   |  |  |

|   |  |  |  |  |                  |  |                |
|---|--|--|--|--|------------------|--|----------------|
| Loans:  |  |  |  |  |                  |  |                |
|   | Loans originated by banking subsidiaries, net of principal collected   |  |  |  | (26,050)         |  | (29,308)       |
|   | Proceeds from sales (including participations) of loans originated for |  |  |  |                  |  |                |
|   |  | investment                                   |  |  | 5,894            |  | 4,601          |
|   | Purchases (including participations) of loans                          |  |  |  | (10,022)         |  | (7,431)        |
|   | Principal collected on nonbank entities' loans                         |  |  |  | 16,202           |  | 17,719         |
|   | Loans originated by nonbank entities                                   |  |  |  | (13,949)         |  | (16,122)       |
| Net cash paid for acquisitions                              |  |  |  |  | -                |  | (4,319)        |
| Proceeds from sales of foreclosed assets                    |  |  |  |  | 6,256            |  | 7,427          |
| Changes in MSR from purchases and sales                     |  |  |  |  | 471              |  | 159            |
| Other, net  |  |  |  |  | 869              |  | (2,114)        |
|   |  | Net cash used by investing activities        |  |  | (102,755)        |  | (85,776)       |
| <b>Cash flows from financing activities:</b>                |  |  |  |  |                  |  |                |
| Net change in:  |  |  |  |  |                  |  |                |
|   | Deposits   |  |  |  | 39,036           |  | 32,166         |
|   | Short-term borrowings  |  |  |  | (3,335)          |  | 2,481          |
| Long-term debt:   |  |  |  |  |                  |  |                |
|   | Proceeds from issuance   |  |  |  | 44,483           |  | 24,999         |
|   | Repayment  |  |  |  | (18,727)         |  | (22,273)       |
| Preferred stock:  |  |  |  |  |                  |  |                |
|   | Proceeds from issuance   |  |  |  | 2,317            |  | 742            |
|   | Cash dividends paid  |  |  |  | (813)            |  | (726)          |
| Common stock:   |  |  |  |  |                  |  |                |
|   | Proceeds from issuance   |  |  |  | 1,935            |  | 2,000          |
|   | Repurchased  |  |  |  | (3,978)          |  | (2,597)        |
|   | Cash dividends paid  |  |  |  | (4,409)          |  | (3,500)        |
| Excess tax benefits related to stock incentive compensation |  |  |  |  | 232              |  | 193            |
| Net change in noncontrolling interests                      |  |  |  |  | (207)            |  | (352)          |
| Other, net  |  |  |  |  | 71               |  | -              |
|   |  | Net cash provided by financing activities    |  |  | 56,605           |  | 33,133         |
|   |  | <b>Net change in cash and due from banks</b> |  |  | <b>(2,932)</b>   |  | <b>(2,454)</b> |
| Cash and due from banks at beginning of period              |  |  |  |  | 21,860           |  | 19,440         |
| <b>Cash and due from banks at end of period</b>             |  |  |  |  | <b>\$ 18,928</b> |  | <b>16,986</b>  |
| Supplemental cash flow disclosures:                         |  |  |  |  |                  |  |                |
|   | Cash paid for interest   |  |  |  | \$ 3,246         |  | 3,866          |
|   | Cash paid for income taxes   |  |  |  | 5,543            |  | 4,701          |
|   |  |  |  |  |                  |  |                |
|   |  |  |  |  |                  |  |                |

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

*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**

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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. For discussion of our significant accounting policies, see Note 1 in our Annual Report on Form 10-K for the year ended December 31, 2012 (2012 Form 10-K). There were no material changes to these policies in the first nine months of 2013. 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 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.

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

- ASU 2013-10, *Derivatives and Hedging (Topic 815): Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes*

**ASU 2013-10** permits the Fed Funds Effective Swap Rate (Overnight Index Swap Rate) to be used as a U.S. benchmark interest rate for hedge accounting purposes, in addition to LIBOR and U.S. Treasury. The Update also removes the restriction on using different benchmark rates for similar hedges. Our adoption of this guidance in third quarter 2013 with prospective application did not affect our consolidated financial statements.

### **Private Share Repurchases**

From time to time we enter into private forward repurchase transactions with unrelated third parties to complement our open-market common stock repurchase strategies, to allow us to manage our share repurchases in a manner consistent with our capital plans, currently submitted under the 2013 Comprehensive Capital Analysis and Review (CCAR), and to provide an economic benefit to the Company.

Our payments to the counterparties for these contracts are recorded in permanent equity in the quarter paid and are not subject to re-measurement. The classification of the up-front payments as permanent



equity assures that we have appropriate repurchase timing consistent with our 2013 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 agrees to deliver a variable number of shares based on a per share discount to the volume-weighted average stock price over the contract period. There are no scenarios where the contracts would not either physically settle in shares or allow us to choose the settlement method.

In September 2013 we entered into a private forward repurchase contract and paid \$400 million to an unrelated third party. In return, the counterparty agreed to deliver a variable number of shares based on a per share discount to the volume-weighted average stock price over the contract period. This contract expires in fourth quarter 2013. 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.

|   | Nine months         |         |  |        |
|---|---------------------|---------|--|--------|
|   | ended September 30, |         |  |        |
| (in millions)   |                     | 2013    |  | 2012   |
| Transfers from loans to securities available for sale                       | \$                  | 297     |  | 921    |
| Trading assets retained from securitization of MHFS                         |                     | 39,963  |  | 68,905 |
| Capitalization of MSRs from sale of MHFS                                    |                     | 3,068   |  | 3,860  |
| Transfers from MHFS to foreclosed assets                                    |                     | 160     |  | 172    |
| Transfers from loans to MHFS  |                     | 6,199   |  | 5,523  |
| Transfers from loans to LHFS  |                     | 207     |  | 118    |
| Transfers from loans to foreclosed assets (1)                               |                     | 5,835   |  | 6,938  |
| Changes in consolidations (deconsolidations) of variable interest entities: |                     |         |  |        |
| Trading assets  |                     | 1,950   |  | -      |
| Securities available for sale   |                     | -       |  | (40)   |
| Loans   |                     | (2,268) |  | (295)  |
| Long-term debt  |                     | (342)   |  | (338)  |
|   |                     |         |  |        |
|   |                     |         |  |        |

(1) Includes \$4.5 billion and \$4.8 billion in transfers of government insured/guaranteed loans for the nine months ended September 30, 2013 and 2012, respectively.

**Subsequent Events** We have evaluated the effects of events that have occurred subsequent to period end September



30, 2013, and there have been no material events that would require recognition in our third quarter 2013 consolidated financial statements or disclosure in the Notes to the financial statements.

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**Note 2: Business Combinations**

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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 of businesses in the first nine months of 2013. Additionally, we had no pending business combinations as of September 30, 2013.

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

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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 September 30, 2013 and December 31, 2012, were held at the Federal Reserve.

|                                   |                                   |    | Sept. 30, |  | Dec. 31, |
|-----------------------------------|-----------------------------------|----|-----------|--|----------|
| (in millions)                     |                                   |    | 2013      |  | 2012     |
| Federal funds sold and securities |                                   |    |           |  |          |
|                                   | purchased under resale agreements | \$ | 27,093    |  | 33,884   |
| Interest-earning deposits         |                                   |    | 153,464   |  | 102,408  |

|                              |       |    |                |  |         |
|------------------------------|-------|----|----------------|--|---------|
| Other short-term investments |       |    | <b>1,479</b>   |  | 1,021   |
|                              | Total | \$ | <b>182,036</b> |  | 137,313 |
|                              |       |    |                |  |         |

We have classified securities purchased under long-term resale agreements (generally one year or more), which totaled \$11.2 billion and \$9.5 billion at September 30, 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.

**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.

|   |  |  |  |  | Gross             | Gross        |                |                |
|---|--|--|--|--|-------------------|--------------|----------------|----------------|
|   |  |  |  |  | unrealized        | unrealized   | Fair           |                |
| (in millions)   |  |  |  |  | Cost              | gains        | losses         | value          |
| <b>September 30, 2013</b>                                   |  |  |  |  |                   |              |                |                |
| <b>Securities of U.S. Treasury and federal agencies</b>     |  |  |  |  | \$ 6,647          | 19           | (260)          | 6,406          |
| <b>Securities of U.S. states and political subdivisions</b> |  |  |  |  | 42,172            | 1,013        | (892)          | 42,293         |
| <b>Mortgage-backed securities:</b>                          |  |  |  |  |                   |              |                |                |
| Federal agencies  |  |  |  |  | 118,793           | 2,421        | (2,251)        | 118,963        |
| Residential   |  |  |  |  | 12,116            | 1,450        | (42)           | 13,524         |
| Commercial  |  |  |  |  | 17,704            | 1,253        | (152)          | 18,805         |
| <b>Total mortgage-backed securities</b>                     |  |  |  |  | <b>148,613</b>    | <b>5,124</b> | <b>(2,445)</b> | <b>151,292</b> |
| <b>Corporate debt securities</b>                            |  |  |  |  | <b>20,372</b>     | <b>975</b>   | <b>(149)</b>   | <b>21,198</b>  |
| <b>Collateralized loan and other debt obligations (1)</b>   |  |  |  |  | <b>17,261</b>     | <b>602</b>   | <b>(87)</b>    | <b>17,776</b>  |
| <b>Other (2)</b>  |  |  |  |  | <b>16,428</b>     | <b>461</b>   | <b>(35)</b>    | <b>16,854</b>  |
| <b>Total debt securities</b>                                |  |  |  |  | <b>251,493</b>    | <b>8,194</b> | <b>(3,868)</b> | <b>255,819</b> |
| <b>Marketable equity securities:</b>                        |  |  |  |  |                   |              |                |                |
| Perpetual preferred securities                              |  |  |  |  | 1,730             | 239          | (71)           | 1,898          |
| Other marketable equity securities                          |  |  |  |  | 383               | 1,306        | (7)            | 1,682          |
| <b>Total marketable equity securities</b>                   |  |  |  |  | <b>2,113</b>      | <b>1,545</b> | <b>(78)</b>    | <b>3,580</b>   |
| <b>Total</b>  |  |  |  |  | <b>\$ 253,606</b> | <b>9,739</b> | <b>(3,946)</b> | <b>259,399</b> |
| <b>December 31, 2012</b>                                    |  |  |  |  |                   |              |                |                |
| 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         |
| <b>Mortgage-backed securities:</b>                          |  |  |  |  |                   |              |                |                |
| 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         |
| <b>Total mortgage-backed securities</b>                     |  |  |  |  | <b>125,471</b>    | <b>8,034</b> | <b>(321)</b>   | <b>133,184</b> |
| <b>Corporate debt securities</b>                            |  |  |  |  | <b>20,120</b>     | <b>1,282</b> | <b>(69)</b>    | <b>21,333</b>  |

|  |  |  |                                    |            |        |         |         |
|--|--|--|------------------------------------|------------|--------|---------|---------|
| 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 \$533 million and \$700 million, respectively, at September 30, 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 \$5.1 billion and \$5.2 billion, respectively, at September 30, 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 \$594 million and \$831 million, respectively, at September 30, 2013, and \$695 million and \$918 million, respectively, at December 31, 2012. The remaining balances primarily include asset-backed securities collateralized by credit cards.

**Note 4: Securities Available for Sale (continued)****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                   |               |
|---|--|-------------------------|---------------|-------------------------|--------------|-------------------------|---------------|
|   |  | Gross unrealized losses | Fair value    | Gross unrealized losses | Fair value   | Gross unrealized losses | Fair value    |
| (in millions)   |  |                         |               |                         |              |                         |               |
| <b>September 30, 2013</b>                                   |  |                         |               |                         |              |                         |               |
| <b>Securities of U.S. Treasury and federal agencies</b>     |  | \$ (260)                | 5,862         | -                       | -            | (260)                   | 5,862         |
| <b>Securities of U.S. states and political subdivisions</b> |  | (528)                   | 10,893        | (364)                   | 3,889        | (892)                   | 14,782        |
| <b>Mortgage-backed securities:</b>                          |  |                         |               |                         |              |                         |               |
| Federal agencies  |  | (2,245)                 | 52,043        | (6)                     | 514          | (2,251)                 | 52,557        |
| Residential   |  | (19)                    | 1,263         | (23)                    | 249          | (42)                    | 1,512         |
| Commercial  |  | (31)                    | 2,838         | (121)                   | 1,898        | (152)                   | 4,736         |
| <b>Total mortgage-backed securities</b>                     |  | <b>(2,295)</b>          | <b>56,144</b> | <b>(150)</b>            | <b>2,661</b> | <b>(2,445)</b>          | <b>58,805</b> |
| <b>Corporate debt securities</b>                            |  | <b>(100)</b>            | <b>2,854</b>  | <b>(49)</b>             | <b>252</b>   | <b>(149)</b>            | <b>3,106</b>  |
| <b>Collateralized loan and other debt obligations</b>       |  | <b>(46)</b>             | <b>5,653</b>  | <b>(41)</b>             | <b>356</b>   | <b>(87)</b>             | <b>6,009</b>  |
| <b>Other</b>  |  | <b>(19)</b>             | <b>3,007</b>  | <b>(16)</b>             | <b>225</b>   | <b>(35)</b>             | <b>3,232</b>  |
| <b>Total debt securities</b>                                |  | <b>(3,248)</b>          | <b>84,413</b> | <b>(620)</b>            | <b>7,383</b> | <b>(3,868)</b>          | <b>91,796</b> |
| <b>Marketable equity securities:</b>                        |  |                         |               |                         |              |                         |               |
| Perpetual preferred securities                              |  | (37)                    | 441           | (34)                    | 306          | (71)                    | 747           |
| Other marketable equity securities                          |  | (7)                     | 47            | -                       | -            | (7)                     | 47            |
| <b>Total marketable equity securities</b>                   |  | <b>(44)</b>             | <b>488</b>    | <b>(34)</b>             | <b>306</b>   | <b>(78)</b>             | <b>794</b>    |
| <b>Total</b>  |  | <b>\$ (3,292)</b>       | <b>84,901</b> | <b>(654)</b>            | <b>7,689</b> | <b>(3,946)</b>          | <b>92,590</b> |
| <b>December 31, 2012</b>                                    |  |                         |               |                         |              |                         |               |

|  |    |       |        |       |        |         |        |
|--|----|-------|--------|-------|--------|---------|--------|
| 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 |

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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 the first nine months of 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 \$23 million and \$2.0 billion, respectively, at September 30, 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    |            |
|---|-------------------------|------------|-------------------------|------------|
|   | Gross unrealized losses | Fair value | Gross unrealized losses | Fair value |
| (in millions)   |                         |            |                         |            |
| <b>September 30, 2013</b>                                   |                         |            |                         |            |
| <b>Securities of U.S. Treasury and federal agencies</b>     | \$ (260)                | 5,862      | -                       | -          |
| <b>Securities of U.S. states and political subdivisions</b> | (840)                   | 14,278     | (52)                    | 504        |
| <b>Mortgage-backed securities:</b>                          |                         |            |                         |            |
| <b>Federal agencies</b>                                     | (2,251)                 | 52,557     | -                       | -          |
| <b>Residential</b>  | (2)                     | 201        | (40)                    | 1,311      |
| <b>Commercial</b>   | (58)                    | 3,909      | (94)                    | 827        |
| <b>Total mortgage-backed securities</b>                     | (2,311)                 | 56,667     | (134)                   | 2,138      |
| <b>Corporate debt securities</b>                            | (89)                    | 2,184      | (60)                    | 922        |
| <b>Collateralized loan and other debt obligations</b>       | (64)                    | 5,809      | (23)                    | 200        |



|  |  |    |         |        |  |       |       |
|--|--|----|---------|--------|--|-------|-------|
| <b>Other</b>   |  |    | (22)    | 3,050  |  | (13)  | 182   |
| <b>Total debt securities</b>                         |  |    | (3,586) | 87,850 |  | (282) | 3,946 |
| <b>Perpetual preferred securities</b>                |  |    | (71)    | 747    |  | -     | -     |
| <b>Total</b>   |  | \$ | (3,657) | 88,597 |  | (282) | 3,946 |
| 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   |
| <b>Total mortgage-backed securities</b>              |  |    | (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   |
| <b>Total debt securities</b>                         |  |    | (533)   | 17,485 |  | (472) | 3,981 |
| Perpetual preferred securities                       |  |    | (40)    | 654    |  | -     | -     |
| <b>Total</b>   |  | \$ | (573)   | 18,139 |  | (472) | 3,981 |

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

**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 maturities |             |                 |             |                    |             |                   |             |                 |            |
|---|--|--|--|--|--|--|--|--|--|--|--|--|----------------------------------|-------------|-----------------|-------------|--------------------|-------------|-------------------|-------------|-----------------|------------|
|   |  |  |  |  |  |  |  |  |  |  |  |  | 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      |
| <b>September 30, 2013</b>               |  |  |  |  |  |  |  |  |  |  |  |  |                                  |             |                 |             |                    |             |                   |             |                 |            |
| <b>Securities of U.S. Treasury</b>      |  |  |  |  |  |  |  |  |  |  |  |  |                                  |             |                 |             |                    |             |                   |             |                 |            |
| and federal agencies                    |  |  |  |  |  |  |  |  |  |  |  |  | \$ 6,406                         | 1.67 %      | \$ 134          | 1.25 %      | \$ 700             | 1.42 %      | \$ 5,572          | 1.71 %      | \$ -            |            |
| <b>Securities of U.S. states and</b>    |  |  |  |  |  |  |  |  |  |  |  |  |                                  |             |                 |             |                    |             |                   |             |                 |            |
| political subdivisions                  |  |  |  |  |  |  |  |  |  |  |  |  | 42,293                           | 5.23        | 4,844           | 1.84        | 8,461              | 2.20        | 3,177             | 5.32        | 25,811          | 6.8        |
| <b>Mortgage-backed securities:</b>      |  |  |  |  |  |  |  |  |  |  |  |  |                                  |             |                 |             |                    |             |                   |             |                 |            |
| Federal agencies                        |  |  |  |  |  |  |  |  |  |  |  |  | 118,963                          | 3.37        | -               | -           | 435                | 2.71        | 553               | 4.84        | 117,975         | 3.3        |
| Residential                             |  |  |  |  |  |  |  |  |  |  |  |  | 13,524                           | 4.24        | -               | -           | -                  | -           | 452               | 1.92        | 13,072          | 4.3        |
| Commercial                              |  |  |  |  |  |  |  |  |  |  |  |  | 18,805                           | 5.36        | -               | -           | 52                 | 3.33        | 100               | 2.77        | 18,653          | 5.3        |
| <b>Total mortgage-backed securities</b> |  |  |  |  |  |  |  |  |  |  |  |  | <b>\$51,292</b>                  | <b>3.70</b> | <b>-</b>        | <b>-</b>    | <b>487</b>         | <b>2.78</b> | <b>1,105</b>      | <b>3.46</b> | <b>149,700</b>  | <b>3.7</b> |
| <b>Corporate debt securities</b>        |  |  |  |  |  |  |  |  |  |  |  |  | <b>21,198</b>                    | <b>4.21</b> | <b>4,944</b>    | <b>2.39</b> | <b>8,547</b>       | <b>3.77</b> | <b>6,371</b>      | <b>5.86</b> | <b>1,336</b>    | <b>5.7</b> |

|                                  |            |        |    |        |        |    |        |        |    |        |        |    |         |     |  |  |  |  |  |
|----------------------------------|------------|--------|----|--------|--------|----|--------|--------|----|--------|--------|----|---------|-----|--|--|--|--|--|
| Collateralized loan and          |            |        |    |        |        |    |        |        |    |        |        |    |         |     |  |  |  |  |  |
| other debt obligations           | 17,776     | 1.53   |    | 40     | 0.25   |    | 915    | 0.67   |    | 7,185  | 1.14   |    | 9,636   | 1.9 |  |  |  |  |  |
| Other                            | 16,854     | 1.74   |    | 1,693  | 1.50   |    | 8,097  | 1.77   |    | 2,544  | 1.75   |    | 4,520   | 1.7 |  |  |  |  |  |
| Total debt securities            |            |        |    |        |        |    |        |        |    |        |        |    |         |     |  |  |  |  |  |
| at fair value                    | \$ 255,819 | 3.66 % | \$ | 11,655 | 2.01 % | \$ | 27,207 | 2.51 % | \$ | 25,954 | 3.09 % | \$ | 191,003 | 4.0 |  |  |  |  |  |
| 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  | 7.1 |  |  |  |  |  |
| Mortgage-backed securities:      |            |        |    |        |        |    |        |        |    |        |        |    |         |     |  |  |  |  |  |
| Federal agencies                 | 97,285     | 3.82   |    | 1      | 5.40   |    | 106    | 4.87   |    | 1,144  | 3.41   |    | 96,034  | 3.8 |  |  |  |  |  |
| Residential                      | 15,931     | 4.38   |    | -      | -      |    | -      | -      |    | 569    | 2.06   |    | 15,362  | 4.4 |  |  |  |  |  |
| Commercial                       | 19,968     | 5.33   |    | -      | -      |    | 78     | 3.69   |    | 101    | 2.84   |    | 19,789  | 5.3 |  |  |  |  |  |
| Total mortgage-backed securities | 133,184    | 4.12   |    | 1      | 5.40   |    | 184    | 4.37   |    | 1,814  | 2.95   |    | 131,185 | 4.1 |  |  |  |  |  |
| Corporate debt securities        | 21,333     | 4.26   |    | 1,037  | 4.29   |    | 12,792 | 3.19   |    | 6,099  | 6.14   |    | 1,405   | 5.8 |  |  |  |  |  |
| Collateralized loan and          |            |        |    |        |        |    |        |        |    |        |        |    |         |     |  |  |  |  |  |
| other debt obligations           | 13,188     | 1.35   |    | 44     | 0.96   |    | 1,246  | 0.71   |    | 7,376  | 1.01   |    | 4,522   | 2.0 |  |  |  |  |  |
| Other                            | 18,887     | 1.85   |    | 1,715  | 1.14   |    | 9,589  | 1.75   |    | 3,274  | 2.11   |    | 4,309   | 2.1 |  |  |  |  |  |
| Total debt securities            |            |        |    |        |        |    |        |        |    |        |        |    |         |     |  |  |  |  |  |

|  |  |  |                     |    |         |  |      |   |    |       |  |      |   |    |        |  |      |   |    |        |  |      |   |    |         |  |     |
|--|--|--|---------------------|----|---------|--|------|---|----|-------|--|------|---|----|--------|--|------|---|----|--------|--|------|---|----|---------|--|-----|
|  |  |  | at<br>fair<br>value | \$ | 232,414 |  | 3.91 | % | \$ | 5,034 |  | 2.28 | % | \$ | 36,092 |  | 2.37 | % | \$ | 28,052 |  | 3.07 | % | \$ | 163,236 |  | 4.4 |
|  |  |  |                     |    |         |  |      |   |    |       |  |      |   |    |        |  |      |   |    |        |  |      |   |    |         |  |     |

**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         |      | Nine months     |       |
|--|----|--|--|--|--|--|-----------------|------|-----------------|-------|
|  |    |  |  |  |  |  | ended Sept. 30, |      | ended Sept. 30, |       |
| (in millions)  |    |  |  |  |  |  | 2013            | 2012 | 2013            | 2012  |
| Gross realized gains   | \$ |  |  |  |  |  | 161             | 110  | 371             | 527   |
| Gross realized losses  |    |  |  |  |  |  | (8)             | (29) | (21)            | (65)  |
| OTTI write-downs   |    |  |  |  |  |  | (39)            | (39) | (153)           | (172) |
| Net realized gains from securities available for sale          |    |  |  |  |  |  | 114             | 42   | 197             | 290   |
| Net realized gains from nonmarketable equity investments       |    |  |  |  |  |  | 382             | 125  | 606             | 415   |
| Net realized gains from debt securities and equity investments | \$ |  |  |  |  |  | 496             | 167  | 803             | 705   |

**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 |  | Nine months |
|--|--|--|--|--|--|--|--|---------|--|-------------|
|  |  |  |  |  |  |  |  |         |  |             |
|  |  |  |  |  |  |  |  |         |  |             |

|  |  |  |  |  |  | ended Sept.<br>30, |      | ended Sept.<br>30, |      |
|--|--|--|--|--|--|--------------------|------|--------------------|------|
| (in millions)                                  |  |  |  |  |  | 2013               | 2012 | 2013               | 2012 |
| <b>OTTI write-downs included in earnings</b>   |  |  |  |  |  |                    |      |                    |      |
| Debt securities:                               |  |  |  |  |  |                    |      |                    |      |
| U.S. states and political subdivisions         |  |  |  |  |  | \$                 | -    | -                  | 9    |
| Mortgage-backed securities:                    |  |  |  |  |  |                    |      |                    |      |
| Federal agencies                               |  |  |  |  |  |                    | -    | -                  | 1    |
| Residential                                    |  |  |  |  |  |                    | 16   | 17                 | 65   |
| Commercial                                     |  |  |  |  |  |                    | 6    | 8                  | 41   |
| Corporate debt securities                      |  |  |  |  |  |                    | -    | 5                  | 9    |
| Collateralized loan and other debt obligations |  |  |  |  |  |                    | -    | -                  | 1    |
| Other debt securities                          |  |  |  |  |  |                    | 1    | 6                  | 38   |
| Total debt securities                          |  |  |  |  |  |                    | 23   | 36                 | 163  |
| Equity securities:                             |  |  |  |  |  |                    |      |                    |      |
| Marketable equity securities:                  |  |  |  |  |  |                    |      |                    |      |
| Perpetual preferred securities                 |  |  |  |  |  |                    | -    | 2                  | 8    |
| Other marketable equity securities             |  |  |  |  |  |                    | 16   | 1                  | 1    |
| Total marketable equity securities             |  |  |  |  |  |                    | 16   | 3                  | 9    |
| Total securities available for sale            |  |  |  |  |  |                    | 39   | 39                 | 172  |
| Nonmarketable equity investments               |  |  |  |  |  |                    | 21   | 33                 | 85   |
| Total OTTI write-downs included in earnings    |  |  |  |  |  | \$                 | 60   | 72                 | 257  |

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

|  |  |   |  | Quarter ended Sept. 30, |       | Nine months ended Sept. 30, |       |
|--|--|---|--|-------------------------|-------|-----------------------------|-------|
| (in millions)  |  |   |  | 2013                    | 2012  | 2013                        | 2012  |
| <b>OTTI on debt securities</b>   |  |   |  |                         |       |                             |       |
| Recorded as part of gross realized losses:                             |  |   |  |                         |       |                             |       |
|  |  | Credit-related OTTI                                   |  | \$ 23                   | 36    | 79                          | 160   |
|  |  | Intent-to-sell OTTI                                   |  | -                       | -     | 49                          | 3     |
|  |  | Total recorded as part of gross realized losses       |  | 23                      | 36    | 128                         | 163   |
| Changes to OCI for increase (decrease) in non-credit related OTTI (1): |  |   |  |                         |       |                             |       |
|  |  | U.S. states and political subdivisions                |  | -                       | -     | -                           | (7)   |
|  |  | Residential mortgage-backed securities                |  | (2)                     | (85)  | (18)                        | (148) |
|  |  | Commercial mortgage-backed securities                 |  | (33)                    | (56)  | (74)                        | (62)  |
|  |  | Corporate debt securities                             |  | -                       | 6     | -                           | 5     |
|  |  | Collateralized loan and other debt obligations        |  | -                       | (1)   | (1)                         | -     |
|  |  | Other debt securities                                 |  | (1)                     | (1)   | 1                           | 30    |
|  |  | Total changes to OCI for non-credit-related OTTI      |  | (36)                    | (137) | (92)                        | (182) |
|  |  | Total OTTI losses (gains) recorded on debt securities |  | \$ (13)                 | (101) | 36                          | (19)  |

(1) Represents amounts recorded to OCI for impairment, due to factors other than credit, on debt securities that have also had credit-related OTTI write-downs during the period. 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:

|   |   | Quarter ended Sept. 30, |       | Nine months ended Sept. 30, |       |
|---|---|-------------------------|-------|-----------------------------|-------|
|   |   | 2013                    | 2012  | 2013                        | 2012  |
| (in millions)                                     |   |                         |       |                             |       |
| <b>Credit loss component, beginning of period</b> |   | <b>\$ 1,218</b>         | 1,314 | <b>1,289</b>                | 1,272 |
| Additions:  |   |                         |       |                             |       |
|   | Initial credit impairments                        | <b>6</b>                | 14    | <b>11</b>                   | 50    |
|   | Subsequent credit impairments                     | <b>17</b>               | 22    | <b>68</b>                   | 110   |
|   | Total additions                                   | <b>23</b>               | 36    | <b>79</b>                   | 160   |
| Reductions:                                       |   |                         |       |                             |       |
|   | For securities sold or matured                    | <b>(30)</b>             | (100) | <b>(141)</b>                | (170) |
|   | For recoveries of previous credit impairments (1) | <b>(7)</b>              | (5)   | <b>(23)</b>                 | (17)  |
|   | Total reductions                                  | <b>(37)</b>             | (105) | <b>(164)</b>                | (187) |
| <b>Credit loss component, end of period</b>       |   | <b>\$ 1,204</b>         | 1,245 | <b>1,204</b>                | 1,245 |

(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.



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 Sept. 30, |        |      | Nine months ended Sept. 30, |  |
|---|--|--|--|--|-------------------------|--------|------|-----------------------------|--|
| (\$ in millions)  |  |  |  |  | 2013                    | 2012   | 2013 | 2012                        |  |
| <b>Credit impairment losses on residential MBS</b>                |  |  |  |  |                         |        |      |                             |  |
| Non-investment grade  |  |  |  |  | \$ 16                   | 17     | 53   | 65                          |  |
| <b>Significant inputs (non-agency – non-investment grade MBS)</b> |  |  |  |  |                         |        |      |                             |  |
| Expected remaining life of loan loss rate (1):                    |  |  |  |  |                         |        |      |                             |  |
| Range (2)   |  |  |  |  | 1-14                    | % 3-36 | 1-20 | 1-44                        |  |
| Credit impairment loss rate distribution (3):                     |  |  |  |  |                         |        |      |                             |  |
| 0 - 10% range   |  |  |  |  | 78                      | 95     | 91   | 71                          |  |
| 10 - 20% range  |  |  |  |  | 22                      | 5      | 8    | 13                          |  |
| 20 - 30% range  |  |  |  |  | -                       | -      | 1    | 6                           |  |
| Greater than 30%  |  |  |  |  | -                       | -      | -    | 10                          |  |
| Weighted average loss rate (4)                                    |  |  |  |  | 5                       | 7      | 6    | 9                           |  |
| Current subordination levels (5):                                 |  |  |  |  |                         |        |      |                             |  |
| Range (2)   |  |  |  |  | 0-3                     | 0-9    | 0-41 | 0-57                        |  |
| Weighted average (4)  |  |  |  |  | -                       | 3      | -    | 2                           |  |
| Prepayment speed (annual CPR (6)):                                |  |  |  |  |                         |        |      |                             |  |
| Range (2)   |  |  |  |  | 6-18                    | 9-23   | 4-20 | 5-29                        |  |
| Weighted average (4)  |  |  |  |  | 16                      | 16     | 16   | 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 78% of credit impairment losses recognized in earnings for the quarter ended September 30, 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 \$7 million for the quarters ended September 30, 2013 and 2012, respectively, and \$21 million and \$41 million for the nine months ended September 30, 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 3% to 14% for the quarters ended September 30, 2013 and 2012, respectively, and 4% to 14% and 3% to 17% for the nine months ended September 30, 2013 and 2012, respectively. The current subordination level ranges were 4% to 12% and 0% to 12% for the quarters ended September 30, 2013 and 2012, respectively, and 0% to 21% and 0% to 12% for the nine months ended September 30, 2013 and 2012, respectively.

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**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 \$6.5 billion and \$7.4 billion at September 30, 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.

|               |   | Sept. 30,  | Dec. 31, |
|---------------|---|------------|----------|
|               |   | 2013       | 2012     |
| (in millions) |   |            |          |
| Commercial:   |   |            |          |
|               | Commercial and industrial                   | \$ 191,738 | 187,759  |
|               | Real estate mortgage                        | 105,540    | 106,340  |
|               | Real estate construction                    | 16,413     | 16,904   |
|               | Lease financing                             | 11,688     | 12,424   |
|               | Foreign (1)                                 | 46,666     | 37,771   |
|               | Total commercial                            | 372,045    | 361,198  |
| Consumer:     |   |            |          |
|               | Real estate 1-4 family first mortgage       | 254,924    | 249,900  |
|               | Real estate 1-4 family junior lien mortgage | 67,675     | 75,465   |
|               | Credit card                                 | 25,448     | 24,640   |
|               | Automobile                                  | 49,693     | 45,998   |
|               | Other revolving credit and installment      | 42,540     | 42,373   |
|               | Total consumer                              | 440,280    | 438,376  |
|               | Total loans                                 | \$ 812,325 | 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 purchased or sales of whole loan or participating 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.

|  |                            |    |         | 2013       |          |         | 2012       |          |       |
|--|----------------------------|----|---------|------------|----------|---------|------------|----------|-------|
| (in millions)                          |                            |    |         | Commercial | Consumer | Total   | Commercial | Consumer | Total |
| <b>Quarter ended September 30,</b>     |                            |    |         |            |          |         |            |          |       |
| Loans - held for investment:           |                            |    |         |            |          |         |            |          |       |
|  | Purchases (1)              | \$ | 6,226   | -          | 6,226    | 1,021   | -          | 1,021    |       |
|  | Sales                      |    | (1,177) | (24)       | (1,201)  | (796)   | (164)      | (960)    |       |
|  | Transfers to MHFS/LHFS (1) |    | (65)    | (3)        | (68)     | (41)    | (5)        | (46)     |       |
| <b>Nine months ended September 30,</b> |                            |    |         |            |          |         |            |          |       |
| Loans - held for investment:           |                            |    |         |            |          |         |            |          |       |
|  | Purchases (1)              | \$ | 9,374   | 581        | 9,955    | 10,196  | 167        | 10,363   |       |
|  | Sales                      |    | (4,989) | (470)      | (5,459)  | (3,731) | (487)      | (4,218)  |       |
|  | Transfers to MHFS/LHFS (1) |    | (198)   | (15)       | (213)    | (59)    | (10)       | (69)     |       |

(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 \$2.4 billion and \$1.5 billion for the third quarter 2013 and 2012, respectively, and \$5.2 billion and \$7.0 billion for the first nine months ended of 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 to other financial institutions in an arrangement that reduces our credit risk to the borrower. 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:

|               |                           |    | Sept. 30, | Dec. 31, |
|---------------|---------------------------|----|-----------|----------|
|               |                           |    | 2013      | 2012     |
| (in millions) |                           |    |           |          |
| Commercial:   |                           |    |           |          |
|               | Commercial and industrial | \$ | 231,576   | 215,626  |
|               | Real estate mortgage      |    | 5,913     | 6,165    |
|               | Real estate construction  |    | 10,180    | 9,109    |
|               | Foreign                   |    | 13,660    | 8,423    |
|               | Total commercial          |    | 261,329   | 239,323  |
| Consumer:     |                           |    |           |          |

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|  |  |    |                |         |
|--|--|----|----------------|---------|
|  | Real estate 1-4 family first mortgage  |    | <b>33,845</b>  | 42,657  |
|  | Real estate 1-4 family                 |    |                |         |
|  | junior lien mortgage                   |    | <b>48,145</b>  | 50,934  |
|  | Credit card                            |    | <b>77,187</b>  | 70,960  |
|  | Other revolving credit and installment |    | <b>23,165</b>  | 19,791  |
|  | Total consumer                         |    | <b>182,343</b> | 184,342 |
|  | Total unfunded                         |    |                |         |
|  | credit commitments                     | \$ | <b>443,672</b> | 423,665 |

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**Note 5: Loans and Allowance for Credit Losses (continued)****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 Sept. 30, |         | Nine months ended Sept. 30, |         |
|---|---|-------------------------|---------|-----------------------------|---------|
| (in millions)                                 |   | 2013                    | 2012    | 2013                        | 2012    |
| <b>Balance, beginning of period</b>           |   | <b>\$ 16,618</b>        | 18,646  | <b>17,477</b>               | 19,668  |
| Provision for credit losses                   |   | <b>75</b>               | 1,591   | <b>1,946</b>                | 5,386   |
| Interest income on certain impaired loans (1) |   | <b>(63)</b>             | (76)    | <b>(209)</b>                | (245)   |
| Loan charge-offs:                             |   |                         |         |                             |         |
| Commercial:                                   |   |                         |         |                             |         |
|   | Commercial and industrial                   | <b>(151)</b>            | (285)   | <b>(516)</b>                | (1,004) |
|   | Real estate mortgage                        | <b>(44)</b>             | (100)   | <b>(153)</b>                | (296)   |
|   | Real estate construction                    | <b>(6)</b>              | (41)    | <b>(18)</b>                 | (181)   |
|   | Lease financing                             | <b>(3)</b>              | (5)     | <b>(30)</b>                 | (18)    |
|   | Foreign                                     | <b>(4)</b>              | (35)    | <b>(23)</b>                 | (81)    |
|   | Total commercial                            | <b>(208)</b>            | (466)   | <b>(740)</b>                | (1,580) |
| Consumer:                                     |   |                         |         |                             |         |
|   | Real estate 1-4 family first mortgage       | <b>(303)</b>            | (719)   | <b>(1,170)</b>              | (2,319) |
|   | Real estate 1-4 family junior lien mortgage | <b>(345)</b>            | (1,095) | <b>(1,287)</b>              | (2,672) |
|   | Credit card                                 | <b>(239)</b>            | (255)   | <b>(771)</b>                | (842)   |
|   | Automobile                                  | <b>(153)</b>            | (152)   | <b>(443)</b>                | (462)   |
|   | Other revolving credit and installment      | <b>(191)</b>            | (184)   | <b>(558)</b>                | (565)   |
|   | Total consumer                              | <b>(1,231)</b>          | (2,405) | <b>(4,229)</b>              | (6,860) |
|   | Total loan charge-offs                      | <b>(1,439)</b>          | (2,871) | <b>(4,969)</b>              | (8,440) |
| Loan recoveries:                              |   |                         |         |                             |         |
| Commercial:                                   |   |                         |         |                             |         |
|   | Commercial and industrial                   | <b>93</b>               | 154     | <b>288</b>                  | 368     |
|   | Real estate mortgage                        | <b>64</b>               | 46      | <b>149</b>                  | 115     |
|   | Real estate construction                    | <b>23</b>               | 40      | <b>114</b>                  | 96      |
|   | Lease financing                             | <b>3</b>                | 4       | <b>13</b>                   | 15      |
|   | Foreign                                     | <b>6</b>                | 5       | <b>23</b>                   | 26      |
|   | Total commercial                            | <b>189</b>              | 249     | <b>587</b>                  | 620     |
| Consumer:                                     |   |                         |         |                             |         |
|   | Real estate 1-4 family first mortgage       | <b>61</b>               | 46      | <b>171</b>                  | 112     |
|   | Real estate 1-4 family junior lien mortgage | <b>70</b>               | 59      | <b>204</b>                  | 184     |
|   | Credit card                                 | <b>32</b>               | 43      | <b>95</b>                   | 148     |

|  |  |  |                  |  |         |  |                |  |         |
|--|--|--|------------------|--|---------|--|----------------|--|---------|
|  | Automobile   |  | <b>75</b>        |  | 77      |  | <b>247</b>     |  | 285     |
|  | Other revolving credit and installment                                       |  | <b>37</b>        |  | 39      |  | <b>119</b>     |  | 138     |
|  | Total consumer   |  | <b>275</b>       |  | 264     |  | <b>836</b>     |  | 867     |
|  | Total loan recoveries  |  | <b>464</b>       |  | 513     |  | <b>1,423</b>   |  | 1,487   |
|  | Net loan charge-offs (2)   |  | <b>(975)</b>     |  | (2,358) |  | <b>(3,546)</b> |  | (6,953) |
|  | Allowances related to business combinations/other                            |  | <b>(8)</b>       |  | -       |  | <b>(21)</b>    |  | (53)    |
|  | <b>Balance, end of period</b>  |  | <b>\$ 15,647</b> |  | 17,803  |  | <b>15,647</b>  |  | 17,803  |
|  | Components:  |  |                  |  |         |  |                |  |         |
|  | Allowance for loan losses  |  | <b>\$ 15,159</b> |  | 17,385  |  | <b>15,159</b>  |  | 17,385  |
|  | Allowance for unfunded credit commitments                                    |  | <b>488</b>       |  | 418     |  | <b>488</b>     |  | 418     |
|  | Allowance for credit losses (3)  |  | <b>\$ 15,647</b> |  | 17,803  |  | <b>15,647</b>  |  | 17,803  |
|  | Net loan charge-offs (annualized) as a percentage of average total loans (2) |  | <b>0.48</b> %    |  | 1.21    |  | <b>0.59</b>    |  | 1.20    |
|  | Allowance for loan losses as a percentage of total loans (3)                 |  | <b>1.87</b>      |  | 2.22    |  | <b>1.87</b>    |  | 2.22    |
|  | Allowance for credit losses as a percentage of total loans (3)               |  | <b>1.93</b>      |  | 2.27    |  | <b>1.93</b>    |  | 2.27    |
|  |  |  |                  |  |         |  |                |  |         |

(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 \$22 million and \$160 million at September 30, 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.



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

|  |  |  | 2013       |          |         | 2012       |          |         |
|--|--|--|------------|----------|---------|------------|----------|---------|
| (in millions)                                    |  |  | Commercial | Consumer | Total   | Commercial | Consumer | Total   |
| <b>Quarter ended September 30,</b>               |  |  |            |          |         |            |          |         |
| Balance, beginning of period                     |  |  | \$ 5,896   | 10,722   | 16,618  | 6,159      | 12,487   | 18,646  |
| Provision for credit losses                      |  |  | 65         | 10       | 75      | (108)      | 1,699    | 1,591   |
| Interest income on certain impaired loans        |  |  | (11)       | (52)     | (63)    | (22)       | (54)     | (76)    |
| Loan charge-offs                                 |  |  | (208)      | (1,231)  | (1,439) | (466)      | (2,405)  | (2,871) |
| Loan recoveries                                  |  |  | 189        | 275      | 464     | 249        | 264      | 513     |
| Net loan charge-offs                             |  |  | (19)       | (956)    | (975)   | (217)      | (2,141)  | (2,358) |
| Allowance related to business combinations/other |  |  | (8)        | -        | (8)     | -          | -        | -       |
| Balance, end of period                           |  |  | \$ 5,923   | 9,724    | 15,647  | 5,812      | 11,991   | 17,803  |
| <b>Nine months ended September 30,</b>           |  |  |            |          |         |            |          |         |
| Balance, beginning of period                     |  |  | \$ 5,714   | 11,763   | 17,477  | 6,358      | 13,310   | 19,668  |
| Provision for credit losses                      |  |  | 429        | 1,517    | 1,946   | 490        | 4,896    | 5,386   |
| Interest income on certain impaired loans        |  |  | (46)       | (163)    | (209)   | (76)       | (169)    | (245)   |
| Loan charge-offs                                 |  |  | (740)      | (4,229)  | (4,969) | (1,580)    | (6,860)  | (8,440) |
| Loan recoveries                                  |  |  | 587        | 836      | 1,423   | 620        | 867      | 1,487   |
| Net loan charge-offs                             |  |  | (153)      | (3,393)  | (3,546) | (960)      | (5,993)  | (6,953) |
| Allowance related to business combinations/other |  |  | (21)       | -        | (21)    | -          | (53)     | (53)    |
| Balance, end of period                           |  |  | \$ 5,923   | 9,724    | 15,647  | 5,812      | 11,991   | 17,803  |

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

|               |  |  | Allowance for credit losses |          |       | Recorded investment in loans |          |       |
|---------------|--|--|-----------------------------|----------|-------|------------------------------|----------|-------|
| (in millions) |  |  | Commercial                  | Consumer | Total | Commercial                   | Consumer | Total |
|               |  |  |                             |          |       |                              |          |       |

| September 30, 2013         |    |       |        |        |  |         |         |         |  |
|----------------------------|----|-------|--------|--------|--|---------|---------|---------|--|
| Collectively evaluated (1) | \$ | 4,566 | 5,473  | 10,039 |  | 363,050 | 392,594 | 755,644 |  |
| Individually evaluated (2) |    | 1,340 | 4,246  | 5,586  |  | 6,018   | 22,829  | 28,847  |  |
| PCI (3)                    |    | 17    | 5      | 22     |  | 2,977   | 24,857  | 27,834  |  |
| Total                      | \$ | 5,923 | 9,724  | 15,647 |  | 372,045 | 440,280 | 812,325 |  |
| 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 June 30, 2013. 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

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

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 \$14.6 billion in criticized commercial real estate (CRE) loans, \$3.0 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.

|                           |  |  |  |  | Commercial | Real     | Real         |           |         |         |
|---------------------------|--|--|--|--|------------|----------|--------------|-----------|---------|---------|
|                           |  |  |  |  | and        | estate   | estate       | Lease     |         |         |
| (in millions)             |  |  |  |  | industrial | mortgage | construction | financing | Foreign | Total   |
| <b>September 30, 2013</b> |  |  |  |  |            |          |              |           |         |         |
| <b>By risk category:</b>  |  |  |  |  |            |          |              |           |         |         |
|                           | <b>Pass</b>  |  |  |  | \$ 175,435 | 91,622   | 13,730       | 11,207    | 43,118  | 335,112 |
|                           | <b>Criticized</b>                                  |  |  |  | 16,093     | 12,499   | 2,078        | 481       | 2,805   | 33,956  |
|                           | <b>Total commercial loans (excluding PCI)</b>      |  |  |  | 191,528    | 104,121  | 15,808       | 11,688    | 45,923  | 369,068 |
|                           | <b>Total commercial PCI loans (carrying value)</b> |  |  |  | 210        | 1,419    | 605          | -         | 743     | 2,977   |
|                           | <b>Total commercial loans</b>                      |  |  |  | \$ 191,738 | 105,540  | 16,413       | 11,688    | 46,666  | 372,045 |
| <b>December 31, 2012</b>  |  |  |  |  |            |          |              |           |         |         |
| <b>By risk category:</b>  |  |  |  |  |            |          |              |           |         |         |
|                           | <b>Pass</b>  |  |  |  | \$ 169,293 | 87,183   | 12,224       | 11,787    | 35,380  | 315,867 |
|                           | <b>Criticized</b>                                  |  |  |  | 18,207     | 17,187   | 3,803        | 637       | 1,520   | 41,354  |
|                           | <b>Total commercial loans (excluding PCI)</b>      |  |  |  | 187,500    | 104,370  | 16,027       | 12,424    | 36,900  | 357,221 |
|                           | <b>Total commercial PCI loans (carrying value)</b> |  |  |  | 259        | 1,970    | 877          | -         | 871     | 3,977   |
|                           | <b>Total commercial loans</b>                      |  |  |  | \$ 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.

|                               |  |  |  |  | Commercial | Real           | Real           |               |               |               |                |
|-------------------------------|--|--|--|--|------------|----------------|----------------|---------------|---------------|---------------|----------------|
|                               |  |  |  |  | and        | estate         | estate         | Lease         |               |               |                |
| (in millions)                 |  |  |  |  | industrial | mortgage       | construction   | financing     | Foreign       | Total         |                |
| <b>September 30, 2013</b>     |  |  |  |  |            |                |                |               |               |               |                |
| <b>By delinquency status:</b> |  |  |  |  |            |                |                |               |               |               |                |
|                               |  | <b>Current-29 DPD and still accruing</b>           |  |  | \$         | <b>190,267</b> | <b>101,046</b> | <b>15,019</b> | <b>11,634</b> | <b>45,870</b> | <b>363,836</b> |
|                               |  | <b>30-89 DPD and still accruing</b>                |  |  |            | <b>327</b>     | <b>539</b>     | <b>271</b>    | <b>37</b>     | <b>5</b>      | <b>1,179</b>   |
|                               |  | <b>90+ DPD and still accruing</b>                  |  |  |            | <b>125</b>     | <b>40</b>      | <b>1</b>      | <b>-</b>      | <b>1</b>      | <b>167</b>     |
|                               |  | <b>Nonaccrual loans</b>                            |  |  |            | <b>809</b>     | <b>2,496</b>   | <b>517</b>    | <b>17</b>     | <b>47</b>     | <b>3,886</b>   |
|                               |  | <b>Total commercial loans (excluding PCI)</b>      |  |  |            | <b>191,528</b> | <b>104,121</b> | <b>15,808</b> | <b>11,688</b> | <b>45,923</b> | <b>369,068</b> |
|                               |  | <b>Total commercial PCI loans (carrying value)</b> |  |  |            | <b>210</b>     | <b>1,419</b>   | <b>605</b>    | <b>-</b>      | <b>743</b>    | <b>2,977</b>   |
|                               |  | <b>Total commercial loans</b>                      |  |  | \$         | <b>191,738</b> | <b>105,540</b> | <b>16,413</b> | <b>11,688</b> | <b>46,666</b> | <b>372,045</b> |
| <b>December 31, 2012</b>      |  |  |  |  |            |                |                |               |               |               |                |
| <b>By delinquency status:</b> |  |  |  |  |            |                |                |               |               |               |                |
|                               |  | <b>Current-29 DPD and still accruing</b>           |  |  | \$         | <b>185,614</b> | <b>100,317</b> | <b>14,861</b> | <b>12,344</b> | <b>36,837</b> | <b>349,973</b> |
|                               |  | <b>30-89 DPD and still accruing</b>                |  |  |            | <b>417</b>     | <b>503</b>     | <b>136</b>    | <b>53</b>     | <b>12</b>     | <b>1,121</b>   |
|                               |  | <b>90+ DPD and still accruing</b>                  |  |  |            | <b>47</b>      | <b>228</b>     | <b>27</b>     | <b>-</b>      | <b>1</b>      | <b>303</b>     |
|                               |  | <b>Nonaccrual loans</b>                            |  |  |            | <b>1,422</b>   | <b>3,322</b>   | <b>1,003</b>  | <b>27</b>     | <b>50</b>     | <b>5,824</b>   |
|                               |  | <b>Total commercial loans (excluding PCI)</b>      |  |  |            | <b>187,500</b> | <b>104,370</b> | <b>16,027</b> | <b>12,424</b> | <b>36,900</b> | <b>357,221</b> |
|                               |  | <b>Total commercial PCI loans (carrying value)</b> |  |  |            | <b>259</b>     | <b>1,970</b>   | <b>877</b>    | <b>-</b>      | <b>871</b>    | <b>3,977</b>   |
|                               |  | <b>Total commercial loans</b>                      |  |  | \$         | <b>187,759</b> | <b>106,340</b> | <b>16,904</b> | <b>12,424</b> | <b>37,771</b> | <b>361,198</b> |

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

|                               |  |    |                | Real estate    | Real estate          |               |               | Other                  |       |
|-------------------------------|--|----|----------------|----------------|----------------------|---------------|---------------|------------------------|-------|
|                               |  |    |                | 1-4 family     | 1-4 family           |               |               | revolving              |       |
|                               |  |    |                | first mortgage | junior lien mortgage | Credit card   | Automobile    | credit and installment | Total |
| (in millions)                 |  |    |                |                |                      |               |               |                        |       |
| <b>September 30, 2013</b>     |  |    |                |                |                      |               |               |                        |       |
| <b>By delinquency status:</b> |  |    |                |                |                      |               |               |                        |       |
|                               | <b>Current-29 DPD</b>                            | \$ | <b>189,734</b> | <b>65,911</b>  | <b>24,836</b>        | <b>48,821</b> | <b>31,115</b> | <b>360,417</b>         |       |
|                               | <b>30-59 DPD</b>                                 |    | <b>2,775</b>   | <b>453</b>     | <b>196</b>           | <b>654</b>    | <b>144</b>    | <b>4,222</b>           |       |
|                               | <b>60-89 DPD</b>                                 |    | <b>1,209</b>   | <b>265</b>     | <b>131</b>           | <b>155</b>    | <b>107</b>    | <b>1,867</b>           |       |
|                               | <b>90-119 DPD</b>                                |    | <b>648</b>     | <b>180</b>     | <b>112</b>           | <b>57</b>     | <b>71</b>     | <b>1,068</b>           |       |
|                               | <b>120-179 DPD</b>                               |    | <b>800</b>     | <b>244</b>     | <b>172</b>           | <b>5</b>      | <b>19</b>     | <b>1,240</b>           |       |
|                               | <b>180+ DPD</b>                                  |    | <b>5,472</b>   | <b>495</b>     | <b>1</b>             | <b>1</b>      | <b>7</b>      | <b>5,976</b>           |       |
|                               | <b>Government insured/guaranteed loans (1)</b>   |    | <b>29,556</b>  | <b>-</b>       | <b>-</b>             | <b>-</b>      | <b>11,077</b> | <b>40,633</b>          |       |
|                               | <b>Total consumer loans (excluding PCI)</b>      |    | <b>230,194</b> | <b>67,548</b>  | <b>25,448</b>        | <b>49,693</b> | <b>42,540</b> | <b>415,423</b>         |       |
|                               | <b>Total consumer PCI loans (carrying value)</b> |    | <b>24,730</b>  | <b>127</b>     | <b>-</b>             | <b>-</b>      | <b>-</b>      | <b>24,857</b>          |       |
|                               | <b>Total consumer loans</b>                      | \$ | <b>254,924</b> | <b>67,675</b>  | <b>25,448</b>        | <b>49,693</b> | <b>42,540</b> | <b>440,280</b>         |       |
| <b>December 31, 2012</b>      |  |    |                |                |                      |               |               |                        |       |
| <b>By delinquency status:</b> |  |    |                |                |                      |               |               |                        |       |
|                               | <b>Current-29 DPD</b>                            | \$ | <b>179,870</b> | <b>73,256</b>  | <b>23,976</b>        | <b>44,973</b> | <b>29,546</b> | <b>351,621</b>         |       |
|                               | <b>30-59 DPD</b>                                 |    | <b>3,295</b>   | <b>577</b>     | <b>211</b>           | <b>798</b>    | <b>168</b>    | <b>5,049</b>           |       |
|                               | <b>60-89 DPD</b>                                 |    | <b>1,528</b>   | <b>339</b>     | <b>143</b>           | <b>164</b>    | <b>108</b>    | <b>2,282</b>           |       |
|                               | <b>90-119 DPD</b>                                |    | <b>853</b>     | <b>265</b>     | <b>122</b>           | <b>57</b>     | <b>73</b>     | <b>1,370</b>           |       |

|   |                                      |    |         |        |        |        |        |         |
|---|--------------------------------------|----|---------|--------|--------|--------|--------|---------|
|   | 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 \$19.7 billion at September 30, 2013, compared with \$20.2 billion at December 31, 2012. Student loans 90+ DPD totaled \$917 million at September 30, 2013, compared with \$1.1 billion at December 31, 2012.

Of the \$8.3 billion of consumer loans not government insured/guaranteed that are 90 days or more past due at September 30, 2013, \$883 million 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 \$5.5 billion, or 2.4% of total first mortgages (excluding PCI), at September 30, 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 \$4.9 billion at September 30, 2013, and \$5.4 billion at December 31, 2012.

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

|                           |  |  |    |                | Real estate               | Real estate                     |               |               |  | Other                            |                |
|---------------------------|--|--|----|----------------|---------------------------|---------------------------------|---------------|---------------|--|----------------------------------|----------------|
|                           |  |  |    |                | 1-4 family first mortgage | 1-4 family junior lien mortgage | Credit card   | Automobile    |  | revolving credit and installment | Total          |
| (in millions)             |  |  |    |                |                           |                                 |               |               |  |                                  |                |
| <b>September 30, 2013</b> |  |  |    |                |                           |                                 |               |               |  |                                  |                |
| <b>By updated FICO:</b>   |  |  |    |                |                           |                                 |               |               |  |                                  |                |
|                           | < 600  |  | \$ | 14,914         | 5,270                     | 2,295                           | 8,013         | 921           |  |                                  | 31,413         |
|                           | 600-639  |  |    | 9,397          | 3,366                     | 2,072                           | 5,945         | 997           |  |                                  | 21,777         |
|                           | 640-679  |  |    | 15,407         | 6,141                     | 3,996                           | 8,880         | 2,111         |  |                                  | 36,535         |
|                           | 680-719  |  |    | 24,809         | 10,413                    | 5,192                           | 8,850         | 3,873         |  |                                  | 53,137         |
|                           | 720-759  |  |    | 33,414         | 14,160                    | 5,289                           | 6,400         | 5,177         |  |                                  | 64,440         |
|                           | 760-799  |  |    | 70,177         | 19,740                    | 4,244                           | 6,076         | 6,651         |  |                                  | 106,888        |
|                           | 800+   |  |    | 29,576         | 7,461                     | 2,114                           | 5,100         | 4,957         |  |                                  | 49,208         |
|                           | No FICO available                                |  |    | 2,944          | 997                       | 246                             | 429           | 1,921         |  |                                  | 6,537          |
|                           | FICO not required                                |  |    | -              | -                         | -                               | -             | 4,855         |  |                                  | 4,855          |
|                           | Government insured/guaranteed loans (1)          |  |    | 29,556         | -                         | -                               | -             | 11,077        |  |                                  | 40,633         |
|                           | <b>Total consumer loans (excluding PCI)</b>      |  |    | <b>230,194</b> | <b>67,548</b>             | <b>25,448</b>                   | <b>49,693</b> | <b>42,540</b> |  |                                  | <b>415,423</b> |
|                           | <b>Total consumer PCI loans (carrying value)</b> |  |    | <b>24,730</b>  | <b>127</b>                | <b>-</b>                        | <b>-</b>      | <b>-</b>      |  |                                  | <b>24,857</b>  |
|                           | <b>Total consumer loans</b>                      |  | \$ | <b>254,924</b> | <b>67,675</b>             | <b>25,448</b>                   | <b>49,693</b> | <b>42,540</b> |  |                                  | <b>440,280</b> |
| <b>December 31, 2012</b>  |  |  |    |                |                           |                                 |               |               |  |                                  |                |
| <b>By updated FICO:</b>   |  |  |    |                |                           |                                 |               |               |  |                                  |                |
|                           | < 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. We consider the trends in residential real estate markets as 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.



|               |  |  |  | September 30, 2013 |             |         | December 31, 2012 |             |         |
|---------------|--|--|--|--------------------|-------------|---------|-------------------|-------------|---------|
|               |  |  |  | Real estate        | Real estate |         | Real estate       | Real estate |         |
|               |  |  |  | 1-4 family         | 1-4 family  |         | 1-4 family        | 1-4 family  |         |
|               |  |  |  | first              | junior lien |         | first             | junior lien |         |
|               |  |  |  | mortgage           | mortgage    |         | mortgage          | mortgage    |         |
| (in millions) |  |  |  | by LTV             | by CLTV     | Total   | by LTV            | by CLTV     | Total   |
| By LTV/CLTV:  |  |  |  |                    |             |         |                   |             |         |
|               |  |  |  | \$ 70,848          | 12,791      | 83,639  | 56,247            | 12,170      | 68,417  |
|               |  |  |  | 74,080             | 16,097      | 90,177  | 69,759            | 15,168      | 84,927  |
|               |  |  |  | 33,386             | 16,406      | 49,792  | 34,830            | 18,038      | 52,868  |
|               |  |  |  | 12,551             | 11,060      | 23,611  | 17,004            | 13,576      | 30,580  |
|               |  |  |  | 8,066              | 9,724       | 17,790  | 13,529            | 14,610      | 28,139  |
|               |  |  |  | 1,707              | 1,470       | 3,177   | 1,973             | 1,751       | 3,724   |
|               |  |  |  | 29,556             | -           | 29,556  | 29,719            | -           | 29,719  |
|               |  |  |  | 230,194            | 67,548      | 297,742 | 223,061           | 75,313      | 298,374 |
|               |  |  |  | 24,730             | 127         | 24,857  | 26,839            | 152         | 26,991  |
|               |  |  |  | \$ 254,924         | 67,675      | 322,599 | 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.

|               |  |  |  | Sept. 30, |  | Dec. 31, |
|---------------|--|--|--|-----------|--|----------|
| (in millions) |  |  |  | 2013      |  | 2012     |
| Commercial:   |  |  |  |           |  |          |
|               |  |  |  | \$ 809    |  | 1,422    |

|           |   |  |  |                  |        |
|-----------|---|--|--|------------------|--------|
|           | Real estate mortgage                        |  |  | <b>2,496</b>     | 3,322  |
|           | Real estate construction                    |  |  | <b>517</b>       | 1,003  |
|           | Lease financing                             |  |  | <b>17</b>        | 27     |
|           | Foreign                                     |  |  | <b>47</b>        | 50     |
|           | Total commercial (1)                        |  |  | <b>3,886</b>     | 5,824  |
| Consumer: |   |  |  |                  |        |
|           | Real estate 1-4 family first mortgage (2)   |  |  | <b>10,450</b>    | 11,455 |
|           | Real estate 1-4 family junior lien mortgage |  |  | <b>2,333</b>     | 2,922  |
|           | Automobile                                  |  |  | <b>188</b>       | 245    |
|           | Other revolving credit and installment      |  |  | <b>36</b>        | 40     |
|           | Total consumer                              |  |  | <b>13,007</b>    | 14,662 |
|           | Total nonaccrual loans                      |  |  |                  |        |
|           | (excluding PCI)                             |  |  | <b>\$ 16,893</b> | 20,486 |
|           |   |  |  |                  |        |

(1) Includes LHFS of \$26 million and \$16 million at September 30, 2013 and December 31, 2012, respectively.

(2) Includes MHFS of \$288 million and \$336 million at September 30, 2013 and December 31, 2012, respectively.

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

**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 \$4.9 billion at September 30, 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 because they continue to earn interest from accretable yield, independent of performance in accordance with their contractual terms. 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 \$21.1 billion at September 30, 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.

|   |  |  |  |  |  | Sept. 30, | Dec. 31, |        |
|---|--|--|--|--|--|-----------|----------|--------|
|   |  |  |  |  |  | 2013      | 2012     |        |
| (in millions)                                     |  |  |  |  |  |           |          |        |
| Loan 90 days or more past due and still accruing: |  |  |  |  |  |           |          |        |
| Total (excluding PCI):                            |  |  |  |  |  | \$        | 22,181   | 23,245 |
| Less: FHA insured/VA guaranteed (1)(2)            |  |  |  |  |  |           | 20,214   | 20,745 |
| Less: Student loans guaranteed                    |  |  |  |  |  |           |          |        |
| under the FFELP (3)                               |  |  |  |  |  |           | 917      | 1,065  |
| <b>Total, not government</b>                      |  |  |  |  |  |           |          |        |
| <b>insured/guaranteed</b>                         |  |  |  |  |  | \$        | 1,050    | 1,435  |
| By segment and class, not government              |  |  |  |  |  |           |          |        |
| insured/guaranteed:                               |  |  |  |  |  |           |          |        |
| Commercial:                                       |  |  |  |  |  |           |          |        |
| Commercial and industrial                         |  |  |  |  |  | \$        | 125      | 47     |
| Real estate mortgage                              |  |  |  |  |  |           | 40       | 228    |
| Real estate construction                          |  |  |  |  |  |           | 1        | 27     |
| Foreign   |  |  |  |  |  |           | 1        | 1      |
| Total commercial                                  |  |  |  |  |  |           | 167      | 303    |
| Consumer:   |  |  |  |  |  |           |          |        |
| Real estate 1-4 family first mortgage (2)         |  |  |  |  |  |           | 383      | 564    |
| Real estate 1-4 family junior lien mortgage (2)   |  |  |  |  |  |           | 89       | 133    |
| Credit card                                       |  |  |  |  |  |           | 285      | 310    |
| Automobile  |  |  |  |  |  |           | 48       | 40     |
| Other revolving credit and installment            |  |  |  |  |  |           | 78       | 85     |
| Total consumer                                    |  |  |  |  |  |           | 883      | 1,132  |
| <b>Total, not government</b>                      |  |  |  |  |  |           |          |        |

|  |  |  |  |                           |  |           |              |       |
|--|--|--|--|---------------------------|--|-----------|--------------|-------|
|  |  |  |  | <b>insured/guaranteed</b> |  | <b>\$</b> | <b>1,050</b> | 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.

**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. We have impaired loans with no allowance for credit losses when loss content has been previously recognized through charge-offs and we do not anticipate additional charge-offs or losses, or certain loans are currently performing in accordance with their terms and for which no loss has been estimated. Impaired loans exclude PCI loans. The table below includes trial modifications that totaled \$717 million at September 30, 2013, and \$705 million at December 31, 2012.

For additional information on our impaired loans and allowance for credit losses, see Note 1 (Summary of Significant Accounting Policies) in our 2012 Form 10-K.

|                           |  |  |  |  |    |           |          | Recorded investment |               |
|---------------------------|--|--|--|--|----|-----------|----------|---------------------|---------------|
|                           |  |  |  |  |    |           |          | Impaired loans      |               |
|                           |  |  |  |  |    | Unpaid    |          | with related        | Related       |
|                           |  |  |  |  |    | principal | Impaired | allowance for       | allowance for |
|                           |  |  |  |  |    | balance   | loans    | credit losses       | credit losses |
| (in millions)             |  |  |  |  |    |           |          |                     |               |
| <b>September 30, 2013</b> |  |  |  |  |    |           |          |                     |               |
| <b>Commercial:</b>        |  |  |  |  |    |           |          |                     |               |
|                           | <b>Commercial and industrial</b>                   |  |  |  | \$ | 2,343     | 1,418    | 1,154               | 234           |
|                           | <b>Real estate mortgage</b>                        |  |  |  |    | 4,788     | 3,765    | 3,624               | 955           |
|                           | <b>Real estate construction</b>                    |  |  |  |    | 1,125     | 789      | 760                 | 137           |
|                           | <b>Lease financing</b>                             |  |  |  |    | 58        | 24       | 24                  | 8             |
|                           | <b>Foreign</b>                                     |  |  |  |    | 106       | 22       | 22                  | 6             |
|                           | <b>Total commercial (1)</b>                        |  |  |  |    | 8,420     | 6,018    | 5,584               | 1,340         |
| <b>Consumer:</b>          |  |  |  |  |    |           |          |                     |               |
|                           | <b>Real estate 1-4 family first mortgage</b>       |  |  |  |    | 22,625    | 19,614   | 14,194              | 3,353         |
|                           | <b>Real estate 1-4 family junior lien mortgage</b> |  |  |  |    | 3,053     | 2,516    | 2,038               | 729           |
|                           | <b>Credit card</b>                                 |  |  |  |    | 455       | 455      | 455                 | 149           |
|                           | <b>Automobile</b>                                  |  |  |  |    | 265       | 212      | 111                 | 13            |
|                           | <b>Other revolving credit and installment</b>      |  |  |  |    | 42        | 32       | 25                  | 2             |
|                           | <b>Total consumer (2)</b>                          |  |  |  |    | 26,440    | 22,829   | 16,823              | 4,246         |
|                           | <b>Total impaired loans (excluding PCI)</b>        |  |  |  | \$ | 34,860    | 28,847   | 22,407              | 5,586         |

| 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 (2)                          |  | 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 that have been fully charged off or otherwise have zero recorded investment.

(2) At September 30, 2013 and December 31, 2012, includes the recorded investment of \$2.4 billion and \$1.9 billion, respectively, of government insured/guaranteed loans that are predominantly insured by the FHA or guaranteed by the VA and generally do not have an allowance.

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

Commitments to lend additional funds on loans whose terms have been modified in a TDR amounted to \$415 million at September 30, 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 September 30, |                            |                             |                            | Nine months ended September 30, |                            |                             |                            |
|--------------------|---|-----------------------------|----------------------------|-----------------------------|----------------------------|---------------------------------|----------------------------|-----------------------------|----------------------------|
|                    |   | 2013                        |                            | 2012                        |                            | 2013                            |                            | 2012                        |                            |
|                    |   | Average recorded investment | Recognized interest income | Average recorded investment | Recognized interest income | Average recorded investment     | Recognized interest income | Average recorded investment | Recognized interest income |
| (in millions)      |   | investment                  | income                     | investment                  | income                     | investment                      | income                     | investment                  | income                     |
| <b>Commercial:</b> |   |                             |                            |                             |                            |                                 |                            |                             |                            |
|                    | Commercial and industrial                   | \$ 1,362                    | 28                         | 2,488                       | 19                         | 1,580                           | 76                         | 2,493                       |                            |
|                    | Real estate mortgage                        | 3,868                       | 38                         | 5,147                       | 37                         | 4,093                           | 106                        | 4,826                       |                            |
|                    | Real estate construction                    | 878                         | 6                          | 1,831                       | 15                         | 1,070                           | 29                         | 1,897                       |                            |
|                    | Lease financing                             | 25                          | 1                          | 61                          | 1                          | 30                              | 1                          | 62                          |                            |
|                    | Foreign                                     | 27                          | -                          | 63                          | 1                          | 36                              | -                          | 34                          |                            |
|                    | Total commercial                            | 6,160                       | 73                         | 9,590                       | 73                         | 6,809                           | 212                        | 9,312                       |                            |
| <b>Consumer:</b>   |   |                             |                            |                             |                            |                                 |                            |                             |                            |
|                    | Real estate 1-4 family first mortgage       | 19,593                      | 270                        | 14,768                      | 183                        | 19,359                          | 785                        | 14,631                      |                            |
|                    | Real estate 1-4 family junior lien mortgage | 2,499                       | 36                         | 2,102                       | 20                         | 2,492                           | 109                        | 2,078                       |                            |
|                    | Credit card                                 | 467                         | 14                         | 566                         | 17                         | 491                             | 43                         | 580                         |                            |
|                    | Automobile                                  | 228                         | 7                          | 290                         | 7                          | 263                             | 24                         | 290                         |                            |
|                    | Other revolving credit and installment      | 32                          | 1                          | 26                          | 1                          | 28                              | 2                          | 25                          |                            |
|                    | Total consumer (1)                          | 22,819                      | 328                        | 17,752                      | 228                        | 22,633                          | 963                        | 17,604                      |                            |

|                         |  |                                  |    |            |     |        |     |        |              |        |
|-------------------------|--|----------------------------------|----|------------|-----|--------|-----|--------|--------------|--------|
|                         |  | Total<br>impaired<br>loans       |    |            |     |        |     |        |              |        |
|                         |  | (excluding<br>PCI)               | \$ | 28,979     | 401 | 27,342 | 301 | 29,442 | 1,175        | 26,916 |
| <b>Interest income:</b> |  |                                  |    |            |     |        |     |        |              |        |
|                         |  | Cash basis of<br>accounting      | \$ | 129        |     |        | 72  |        | 371          |        |
|                         |  | Other (2)                        |    | 272        |     |        | 229 |        | 804          |        |
|                         |  | <b>Total interest<br/>income</b> | \$ | <b>401</b> |     |        | 301 |        | <b>1,175</b> |        |

(1) Quarter and nine months ended September 30, 2013, reflect 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 September 30, 2013, the loans in trial modification period were \$314 million under HAMP, \$48 million under 2MP and \$355 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 \$305 million at September 30, 2013, and \$276 million at December 31, 2012, were accruing loans and \$412 million and \$429 million, respectively, were nonaccruing loans. Our 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. Our allowance process considers the impact of those modifications that are probable to occur.

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 modify more than once, the table reflects each modification that occurred during the period.

|   |  |    |   |    |     |     |   |      |   | Primary modification type (1) |    |                       |  |  | Financial effects of modifications |  |                          |  |               |  |  |
|---|--|----|---|----|-----|-----|---|------|---|-------------------------------|----|-----------------------|--|--|------------------------------------|--|--------------------------|--|---------------|--|--|
|   |  |    |   |    |     |     |   |      |   |                               |    |                       |  |  | Weighted average                   |  | Recorded investment      |  |               |  |  |
|   |  |    |   |    |     |     |   |      |   | Interest rate                 |    |                       |  |  | interest rate                      |  | related to interest rate |  |               |  |  |
|   |  |    |   |    |     |     |   |      |   | Principal reduction (2)       |    | Other concessions (3) |  |  | Total                              |  | Charge-offs (4)          |  | reduction (5) |  |  |
| (in millions)                           |  |    |   |    |     |     |   |      |   |                               |    |                       |  |  |                                    |  |                          |  |               |  |  |
| <b>Quarter ended September 30, 2013</b> |  |    |   |    |     |     |   |      |   |                               |    |                       |  |  |                                    |  |                          |  |               |  |  |
| <b>Commercial:</b>                      |  |    |   |    |     |     |   |      |   |                               |    |                       |  |  |                                    |  |                          |  |               |  |  |
| <b>Commercial and industrial</b>        |  | \$ | 2 | 73 | 316 | 391 | 6 | 3.58 | % | \$                            | 73 |                       |  |  |                                    |  |                          |  |               |  |  |
| <b>Real estate mortgage</b>             |  |    | - | 62 | 345 | 407 | 1 | 1.65 |   |                               | 62 |                       |  |  |                                    |  |                          |  |               |  |  |
|   |  |    | - | 6  | 54  | 60  | - | 1.08 |   |                               | 6  |                       |  |  |                                    |  |                          |  |               |  |  |







| Nine months ended September 30, 2012 |  |    |       |       |       |        |     |       |   |    |       |  |  |
|--------------------------------------|--|----|-------|-------|-------|--------|-----|-------|---|----|-------|--|--|
| Commercial:                          |  |    |       |       |       |        |     |       |   |    |       |  |  |
|                                      | Commercial and industrial  | \$ | 11    | 27    | 1,113 | 1,151  | 22  | 1.53  | % | \$ | 28    |  |  |
|                                      | Real estate mortgage   |    | 13    | 160   | 1,341 | 1,514  | 9   | 1.47  |   |    | 164   |  |  |
|                                      | Real estate construction   |    | 12    | 8     | 395   | 415    | 10  | 2.49  |   |    | 8     |  |  |
|                                      | Lease financing  |    | -     | -     | 3     | 3      | -   | -     |   |    | -     |  |  |
|                                      | Foreign  |    | -     | -     | 16    | 16     | -   | -     |   |    | -     |  |  |
|                                      | Total commercial   |    | 36    | 195   | 2,868 | 3,099  | 41  | 1.52  |   |    | 200   |  |  |
| Consumer:                            |  |    |       |       |       |        |     |       |   |    |       |  |  |
|                                      | Real estate 1-4 family first mortgage  |    | 1,033 | 894   | 4,194 | 6,121  | 354 | 2.96  |   |    | 1,728 |  |  |
|                                      | Real estate 1-4 family junior lien mortgage  |    | 50    | 194   | 558   | 802    | 461 | 3.79  |   |    | 238   |  |  |
|                                      | Credit card  |    | -     | 191   | -     | 191    | -   | 10.83 |   |    | 191   |  |  |
|                                      | Automobile   |    | 5     | 46    | 227   | 278    | 26  | 6.94  |   |    | 48    |  |  |
|                                      | Other revolving credit and installment   |    | -     | 2     | 18    | 20     | 1   | 4.57  |   |    | 2     |  |  |
|                                      | Trial modifications (6)  |    | -     | -     | 678   | 678    | -   | -     |   |    | -     |  |  |
|                                      | Total consumer   |    | 1,088 | 1,327 | 5,675 | 8,090  | 842 | 3.82  |   |    | 2,207 |  |  |
|                                      | Total  | \$ | 1,124 | 1,522 | 8,543 | 11,189 | 883 | 3.63  | % | \$ | 2,407 |  |  |
| (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. The reported amounts include loans remodified in the current reporting period, which total \$807 million and \$652 million for the third quarter 2013 and 2012 and \$2.4 billion and \$1.8 billion for the nine months ended September 30, 2013 and 2012, respectively.   |    |       |       |       |        |     |       |   |    |       |  |  |
| (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 concessions include loans for which the interest rate is not commensurate with the credit risk that results from modification. These modifications would include renewals, term extensions and other interest and noninterest adjustments, but exclude modifications that also forgive principal and/or reduce the interest rate. Includes \$703 million and \$2.6 billion of consumer loans discharged in bankruptcy for the quarter and nine months ended September 30, 2013, respectively, and \$4.3 billion for the quarter and nine months ended September 30, 2012, as a result of the OCC guidance implementation. The OCC guidance issued in third quarter 2012 required 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 \$87 million and \$141 million for the third quarters of 2013 and 2012 and \$316 million and \$362 million for the nine months ended of September 30, 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.                            |
|     |  |

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.

|                    |   | Recorded investment of defaults |      |                                |       |
|--------------------|---|---------------------------------|------|--------------------------------|-------|
|                    |   | Quarter ended<br>Sept. 30,      |      | Nine months<br>ended Sept. 30, |       |
| (in millions)      |   | 2013                            | 2012 | 2013                           | 2012  |
| <b>Commercial:</b> |   |                                 |      |                                |       |
|                    | Commercial and industrial                   | \$ 19                           | 119  | 214                            | 269   |
|                    | Real estate mortgage                        | 51                              | 124  | 228                            | 473   |
|                    | Real estate construction                    | 10                              | 23   | 62                             | 252   |
|                    | Lease financing                             | -                               | -    | -                              | -     |
|                    | Foreign                                     | 1                               | -    | 1                              | -     |
|                    | Total commercial                            | 81                              | 266  | 505                            | 994   |
| <b>Consumer:</b>   |   |                                 |      |                                |       |
|                    | Real estate 1-4 family first mortgage       | 107                             | 150  | 271                            | 447   |
|                    | Real estate 1-4 family junior lien mortgage | 9                               | 12   | 26                             | 48    |
|                    | Credit card                                 | 13                              | 22   | 45                             | 73    |
|                    | Automobile                                  | 5                               | 18   | 14                             | 45    |
|                    | Other revolving credit and installment      | 1                               | -    | 1                              | 1     |
|                    | Total consumer                              | 135                             | 202  | 357                            | 614   |
|                    | Total                                       | \$ 216                          | 468  | 862                            | 1,608 |

#### 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.

|                    |   |  |  |  |                  | <b>Sept.<br/>30,</b> | December 31, |
|--------------------|---|--|--|--|------------------|----------------------|--------------|
| (in millions)      |   |  |  |  |                  | <b>2013</b>          | 2012 2008    |
| <b>Commercial:</b> |   |  |  |  |                  |                      |              |
|                    | Commercial and industrial                   |  |  |  | <b>\$ 210</b>    | 259                  | 4,580        |
|                    | Real estate mortgage                        |  |  |  | <b>1,419</b>     | 1,970                | 5,803        |
|                    | Real estate construction                    |  |  |  | <b>605</b>       | 877                  | 6,462        |
|                    | Foreign                                     |  |  |  | <b>743</b>       | 871                  | 1,859        |
|                    | Total commercial                            |  |  |  | <b>2,977</b>     | 3,977                | 18,704       |
| <b>Consumer:</b>   |   |  |  |  |                  |                      |              |
|                    | Real estate 1-4 family first mortgage       |  |  |  | <b>24,730</b>    | 26,839               | 39,214       |
|                    | Real estate 1-4 family junior lien mortgage |  |  |  | <b>127</b>       | 152                  | 728          |
|                    | Automobile                                  |  |  |  | <b>-</b>         | -                    | 151          |
|                    | Total consumer                              |  |  |  | <b>24,857</b>    | 26,991               | 40,093       |
|                    | Total PCI loans (carrying value)            |  |  |  | <b>\$ 27,834</b> | 30,968               | 58,797       |
|                    | Total PCI loans (unpaid principal balance)  |  |  |  | <b>\$ 39,870</b> | 45,174               | 98,182       |

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**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         |
| <b>Balance, December 31, 2012</b>  |  |  |  |  |  |    | <b>18,548</b>  |
| <b>Addition of accretable yield due to acquisitions</b>  |  |  |  |  |  |    | <b>1</b>       |
| <b>Accretion into interest income (1)</b>  |  |  |  |  |  |    | <b>(1,386)</b> |
| <b>Accretion into noninterest income due to sales (2)</b>  |  |  |  |  |  |    | <b>(151)</b>   |
| <b>Reclassification from nonaccretable difference for loans with improving credit-related cash flows</b> |  |  |  |  |  |    | <b>916</b>     |
| <b>Changes in expected cash flows that do not affect nonaccretable difference (3)</b>                    |  |  |  |  |  |    | <b>1,588</b>   |
| <b>Balance, September 30, 2013</b>   |  |  |  |  |  | \$ | <b>19,516</b>  |
| <b>Balance, June 30, 2013</b>  |  |  |  |  |  | \$ | <b>20,021</b>  |
| <b>Addition of accretable yield due to acquisitions</b>  |  |  |  |  |  |    | <b>1</b>       |
| <b>Accretion into interest income (1)</b>  |  |  |  |  |  |    | <b>(481)</b>   |



**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 through the provision for losses. The following table summarizes the changes in allowance for PCI loan losses.

|  |    |            |            | Other     |            |
|--|----|------------|------------|-----------|------------|
| (in millions)                                    |    | Commercial | Pick-a-Pay | 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)    |
| <b>Balance, December 31, 2012</b>                |    | <b>88</b>  | <b>-</b>   | <b>29</b> | <b>117</b> |
| Reversal of provision for losses                 |    | (65)       | -          | (15)      | (80)       |
| Charge-offs                                      |    | (6)        | -          | (9)       | (15)       |
| <b>Balance, September 30, 2013</b>               | \$ | <b>17</b>  | <b>-</b>   | <b>5</b>  | <b>22</b>  |
|  |    |            |            |           |            |
| <b>Balance, June 30, 2013</b>                    | \$ | <b>49</b>  | <b>-</b>   | <b>22</b> | <b>71</b>  |
| Reversal of provision for losses                 |    | (31)       | -          | (16)      | (47)       |
| Charge-offs                                      |    | (1)        | -          | (1)       | (2)        |
| <b>Balance, September 30, 2013</b>               | \$ | <b>17</b>  | <b>-</b>   | <b>5</b>  | <b>22</b>  |

**Commercial PCI Credit Quality Indicators** The following

table provides a breakdown of commercial PCI loans by risk category.

|                           |    |     |     |     | Commercial | Real     | Real         |         |       |
|---------------------------|----|-----|-----|-----|------------|----------|--------------|---------|-------|
|                           |    |     |     |     | and        | estate   | estate       |         |       |
| (in millions)             |    |     |     |     | industrial | mortgage | construction | Foreign | Total |
| <b>September 30, 2013</b> |    |     |     |     |            |          |              |         |       |
| <b>By risk category:</b>  |    |     |     |     |            |          |              |         |       |
| Pass                      | \$ | 108 | 357 | 215 | 7          | 687      |              |         |       |

|                   |                                   |           |            |              |            |            |              |
|-------------------|-----------------------------------|-----------|------------|--------------|------------|------------|--------------|
|                   | <b>Criticized</b>                 |           | <b>102</b> | <b>1,062</b> | <b>390</b> | <b>736</b> | <b>2,290</b> |
|                   | <b>Total commercial PCI loans</b> | <b>\$</b> | <b>210</b> | <b>1,419</b> | <b>605</b> | <b>743</b> | <b>2,977</b> |
| December 31, 2012 |                                   |           |            |              |            |            |              |
| By risk category: |                                   |           |            |              |            |            |              |
|                   | Pass                              | <b>\$</b> | <b>95</b>  | <b>341</b>   | <b>207</b> | <b>255</b> | <b>898</b>   |
|                   | Criticized                        |           | <b>164</b> | <b>1,629</b> | <b>670</b> | <b>616</b> | <b>3,079</b> |
|                   | <b>Total commercial PCI loans</b> | <b>\$</b> | <b>259</b> | <b>1,970</b> | <b>877</b> | <b>871</b> | <b>3,977</b> |

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

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

|                               |  | Commercial | Real       | Real         |            |              |
|-------------------------------|--|------------|------------|--------------|------------|--------------|
|                               |  | and        | estate     | estate       |            |              |
| (in millions)                 |  | industrial | mortgage   | construction | Foreign    | Total        |
| <b>September 30, 2013</b>     |  |            |            |              |            |              |
| <b>By delinquency status:</b> |  |            |            |              |            |              |
|                               | <b>Current-29 DPD and still accruing</b> | \$         | <b>202</b> | <b>1,315</b> | <b>491</b> | <b>2,642</b> |
|                               | <b>30-89 DPD and still accruing</b>      |            | <b>3</b>   | <b>51</b>    | <b>32</b>  | <b>96</b>    |
|                               | <b>90+ DPD and still accruing</b>        |            | <b>5</b>   | <b>53</b>    | <b>82</b>  | <b>239</b>   |
|                               | <b>Total commercial PCI loans</b>        | \$         | <b>210</b> | <b>1,419</b> | <b>605</b> | <b>2,977</b> |
| <b>December 31, 2012</b>      |  |            |            |              |            |              |
| <b>By delinquency status:</b> |  |            |            |              |            |              |
|                               | <b>Current-29 DPD and still accruing</b> | \$         | <b>235</b> | <b>1,804</b> | <b>699</b> | <b>3,442</b> |
|                               | <b>30-89 DPD and still accruing</b>      |            | <b>1</b>   | <b>26</b>    | <b>51</b>  | <b>78</b>    |
|                               | <b>90+ DPD and still accruing</b>        |            | <b>23</b>  | <b>140</b>   | <b>127</b> | <b>457</b>   |
|                               | <b>Total commercial PCI loans</b>        | \$         | <b>259</b> | <b>1,970</b> | <b>877</b> | <b>3,977</b> |

**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.

|               |  | <b>September 30, 2013</b> |                    |              | <b>December 31, 2012</b> |                    |              |
|---------------|--|---------------------------|--------------------|--------------|--------------------------|--------------------|--------------|
|               |  | <b>Real estate</b>        | <b>Real estate</b> |              | <b>Real estate</b>       | <b>Real estate</b> |              |
|               |  | <b>1-4 family</b>         | <b>1-4 family</b>  |              | <b>1-4 family</b>        | <b>1-4 family</b>  |              |
|               |  | <b>first</b>              | <b>junior lien</b> |              | <b>first</b>             | <b>junior lien</b> |              |
| (in millions) |  | <b>mortgage</b>           | <b>mortgage</b>    | <b>Total</b> | <b>mortgage</b>          | <b>mortgage</b>    | <b>Total</b> |
|               |  |                           |                    |              |                          |                    |              |

| By delinquency status: |  |    |               |            |               |        |     |        |
|------------------------|--|----|---------------|------------|---------------|--------|-----|--------|
|                        | Current-29 DPD and still accruing                                  | \$ | <b>20,942</b> | <b>173</b> | <b>21,115</b> | 22,304 | 198 | 22,502 |
|                        | 30-59 DPD and still accruing                                       |    | <b>2,247</b>  | <b>9</b>   | <b>2,256</b>  | 2,587  | 11  | 2,598  |
|                        | 60-89 DPD and still accruing                                       |    | <b>1,178</b>  | <b>5</b>   | <b>1,183</b>  | 1,361  | 7   | 1,368  |
|                        | 90-119 DPD and still accruing                                      |    | <b>494</b>    | <b>3</b>   | <b>497</b>    | 650    | 6   | 656    |
|                        | 120-179 DPD and still accruing                                     |    | <b>566</b>    | <b>4</b>   | <b>570</b>    | 804    | 7   | 811    |
|                        | 180+ DPD and still accruing  |    | <b>4,576</b>  | <b>101</b> | <b>4,677</b>  | 5,356  | 116 | 5,472  |
|                        | Total consumer PCI loans<br>(adjusted unpaid principal<br>balance) | \$ | <b>30,003</b> | <b>295</b> | <b>30,298</b> | 33,062 | 345 | 33,407 |
|                        | Total consumer PCI loans<br>(carrying value)                       | \$ | <b>24,730</b> | <b>127</b> | <b>24,857</b> | 26,839 | 152 | 26,991 |
|                        |  |    |               |            |               |        |     |        |

The following table provides FICO scores for consumer PCI loans.

|                   |  |    | September 30, 2013 |             |        | December 31, 2012 |             |        |
|-------------------|--|----|--------------------|-------------|--------|-------------------|-------------|--------|
|                   |  |    | Real estate        | Real estate |        | Real estate       | Real estate |        |
|                   |  |    | 1-4 family         | 1-4 family  |        | 1-4 family        | 1-4 family  |        |
|                   |  |    | first              | junior lien |        | first             | junior lien |        |
| (in millions)     |  |    | mortgage           | mortgage    | Total  | mortgage          | mortgage    | Total  |
| By FICO:          |  |    |                    |             |        |                   |             |        |
|                   | < 600  | \$ | 10,590             | 108         | 10,698 | 13,163            | 144         | 13,307 |
|                   | 600-639  |    | 6,200              | 62          | 6,262  | 6,673             | 68          | 6,741  |
|                   | 640-679  |    | 6,736              | 71          | 6,807  | 6,602             | 73          | 6,675  |
|                   | 680-719  |    | 3,659              | 36          | 3,695  | 3,635             | 39          | 3,674  |
|                   | 720-759  |    | 1,657              | 10          | 1,667  | 1,757             | 11          | 1,768  |
|                   | 760-799  |    | 829                | 5           | 834    | 874               | 6           | 880    |
|                   | 800+   |    | 207                | 1           | 208    | 202               | 1           | 203    |
| No FICO available |  |    | 125                | 2           | 127    | 156               | 3           | 159    |
|                   | Total consumer PCI loans (adjusted unpaid principal balance) | \$ | 30,003             | 295         | 30,298 | 33,062            | 345         | 33,407 |
|                   | Total consumer PCI loans (carrying value)                    | \$ | 24,730             | 127         | 24,857 | 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.

|               |       |    | September 30, 2013 |             |       | December 31, 2012 |             |       |
|---------------|-------|----|--------------------|-------------|-------|-------------------|-------------|-------|
|               |       |    | Real estate        | Real estate |       | Real estate       | Real estate |       |
|               |       |    | 1-4 family         | 1-4 family  |       | 1-4 family        | 1-4 family  |       |
|               |       |    | first              | junior lien |       | first             | junior lien |       |
| (in millions) |       |    | mortgage           | mortgage    | Total | mortgage          | mortgage    | Total |
|               |       |    | by LTV             | by CLTV     | Total | by LTV            | by CLTV     | Total |
|               | 0-60% | \$ | 1,938              | 28          | 1,966 | 1,374             | 21          | 1,395 |

|  |  |    |               |            |               |  |        |     |        |
|--|--|----|---------------|------------|---------------|--|--------|-----|--------|
|  | 60.01-80%  |    | <b>6,122</b>  | <b>34</b>  | <b>6,156</b>  |  | 4,119  | 30  | 4,149  |
|  | 80.01-100%   |    | <b>10,403</b> | <b>75</b>  | <b>10,478</b> |  | 9,576  | 61  | 9,637  |
|  | 100.01-120% (1)  |    | <b>6,339</b>  | <b>78</b>  | <b>6,417</b>  |  | 8,084  | 93  | 8,177  |
|  | > 120% (1)   |    | <b>5,192</b>  | <b>79</b>  | <b>5,271</b>  |  | 9,889  | 138 | 10,027 |
|  | No LTV/CLTV available  |    | <b>9</b>      | <b>1</b>   | <b>10</b>     |  | 20     | 2   | 22     |
|  | Total consumer PCI loans<br>(adjusted unpaid principal<br>balance) | \$ | <b>30,003</b> | <b>295</b> | <b>30,298</b> |  | 33,062 | 345 | 33,407 |
|  | Total consumer PCI loans<br>(carrying value)                       | \$ | <b>24,730</b> | <b>127</b> | <b>24,857</b> |  | 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.



**Note 6: Other  
Assets**

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The components of other assets were:

|   |                          |  |  |  |  |    | Sept. 30, | Dec. 31, |
|---|--------------------------|--|--|--|--|----|-----------|----------|
| (in millions)   |                          |  |  |  |  |    | 2013      | 2012     |
| Nonmarketable equity investments:                     |                          |  |  |  |  |    |           |          |
| Cost method:  |                          |  |  |  |  |    |           |          |
|   | Private equity           |  |  |  |  | \$ | 2,413     | 2,572    |
|   | Federal bank stock       |  |  |  |  |    | 4,788     | 4,227    |
|   | Total cost method        |  |  |  |  |    | 7,201     | 6,799    |
| Equity method:  |                          |  |  |  |  |    |           |          |
|   | LIHTC investments (1)    |  |  |  |  |    | 5,914     | 4,767    |
|   | Private equity and other |  |  |  |  |    | 5,714     | 6,156    |
|   | Total equity method      |  |  |  |  |    | 11,628    | 10,923   |
| Fair value (2)  |                          |  |  |  |  |    | 911       | -        |
| Total nonmarketable equity investments                |                          |  |  |  |  |    | 19,740    | 17,722   |
| Corporate/bank-owned life insurance                   |                          |  |  |  |  |    | 18,694    | 18,649   |
| Accounts receivable                                   |                          |  |  |  |  |    | 27,715    | 25,828   |
| Interest receivable                                   |                          |  |  |  |  |    | 5,221     | 5,006    |
| Core deposit intangibles                              |                          |  |  |  |  |    | 4,984     | 5,915    |
| Customer relationship and other amortized intangibles |                          |  |  |  |  |    | 1,151     | 1,352    |
| Foreclosed assets:                                    |                          |  |  |  |  |    |           |          |
|   | GNMA (3)                 |  |  |  |  |    | 1,781     | 1,509    |
|   | Other                    |  |  |  |  |    | 2,021     | 2,514    |
| Operating lease assets                                |                          |  |  |  |  |    | 1,983     | 2,001    |
| Due from customers on acceptances                     |                          |  |  |  |  |    | 352       | 282      |
| Other   |                          |  |  |  |  |    | 10,620    | 12,800   |
| Total other assets                                    |                          |  |  |  |  |    | \$ 94,262 | 93,578   |

(1) Represents low income housing tax credit investments.

(2) Represents nonmarketable equity investments for which we have elected the fair value option. See Note 13 for additional information.

(3) These are foreclosed real estate resulting from government insured/guaranteed loans. Both principal and interest related to these foreclosed real estate assets are collectible because the loans were

predominantly insured by the FHA or guaranteed by the VA.

| Income (expense) related to nonmarketable equity investments was: |    |      |      |  |                 |                 |
|---|----|------|------|--|-----------------|-----------------|
|   |    |      |      |  |                 |                 |
|   |    |      |      |  | Quarter         | Nine months     |
|   |    |      |      |  | ended Sept. 30, | ended Sept. 30, |
| (in millions)   |    | 2013 | 2012 |  | 2013            | 2012            |
| Net realized gains  |    |      |      |  |                 |                 |
| from nonmarketable  |    |      |      |  |                 |                 |
| equity investments  | \$ | 382  | 125  |  | 606             | 415             |
| All other   |    | (56) | (27) |  | (147)           | (51)            |
| Total   | \$ | 326  | 98   |  | 459             | 364             |

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**Note 7: Securitizations and Variable Interest Entities**

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**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.

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**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:

|   |  |  |  |              |        |             |     | Transfers that |        |
|---|--|--|--|--------------|--------|-------------|-----|----------------|--------|
|   |  |  |  | VIEs that we |        | VIEs        |     | we account     |        |
|   |  |  |  | do not       |        | that we     |     | for as         |        |
|   |  |  |  | consolidate  |        | consolidate |     | secured        |        |
| (in millions)                                 |  |  |  |              |        |             |     | borrowings     | Total  |
| <b>September 30, 2013</b>                     |  |  |  |              |        |             |     |                |        |
| <b>Cash</b>                                   |  |  |  | \$           | -      | 171         |     | 27             | 198    |
| <b>Trading assets</b>                         |  |  |  |              | 1,751  | 186         |     | 195            | 2,132  |
| <b>Securities available for sale (1)</b>      |  |  |  |              | 19,034 | 1,377       |     | 10,647         | 31,058 |
| <b>Mortgages held for sale</b>                |  |  |  |              | -      | 66          |     | -              | 66     |
| <b>Loans</b>                                  |  |  |  |              | 7,490  | 8,007       |     | 6,257          | 21,754 |
| <b>Mortgage servicing rights</b>              |  |  |  |              | 13,975 | -           |     | -              | 13,975 |
| <b>Other assets</b>                           |  |  |  |              | 5,868  | 348         |     | 138            | 6,354  |
| <b>Total assets</b>                           |  |  |  |              | 48,118 | 10,155      |     | 17,264         | 75,537 |
| <b>Short-term borrowings</b>                  |  |  |  |              | -      | 23          | (2) | 8,184          | 8,207  |
| <b>Accrued expenses and other liabilities</b> |  |  |  |              | 3,842  | 807         | (2) | 5              | 4,654  |
| <b>Long-term debt</b>                         |  |  |  |              | -      | 2,571       | (2) | 5,889          | 8,460  |
| <b>Total liabilities</b>                      |  |  |  |              | 3,842  | 3,401       |     | 14,078         | 21,321 |
| <b>Noncontrolling interests</b>               |  |  |  |              | -      | 7           |     | -              | 7      |
| <b>Net assets</b>                             |  |  |  | \$           | 44,276 | 6,747       |     | 3,186          | 54,209 |
| <b>December 31, 2012</b>                      |  |  |  |              |        |             |     |                |        |
| <b>Cash</b>                                   |  |  |  | \$           | -      | 260         |     | 30             | 290    |
| <b>Trading assets</b>                         |  |  |  |              | 1,902  | 114         |     | 218            | 2,234  |
| <b>Securities available for sale (1)</b>      |  |  |  |              | 19,900 | 2,772       |     | 14,848         | 37,520 |
| <b>Mortgages held for sale</b>                |  |  |  |              | -      | 469         |     | -              | 469    |
| <b>Loans</b>                                  |  |  |  |              | 9,841  | 10,553      |     | 7,088          | 27,482 |
| <b>Mortgage servicing rights</b>              |  |  |  |              | 11,114 | -           |     | -              | 11,114 |
| <b>Other assets</b>                           |  |  |  |              | 4,993  | 457         |     | 161            | 5,611  |
| <b>Total assets</b>                           |  |  |  |              | 47,750 | 14,625      |     | 22,345         | 84,720 |
| <b>Short-term borrowings</b>                  |  |  |  |              | -      | 2,059       | (2) | 13,228         | 15,287 |
| <b>Accrued expenses and other liabilities</b> |  |  |  |              | 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 September 30, 2013 and December 31, 2012, respectively, with recourse to the general credit of Wells Fargo: Short-term borrowings, \$0 and \$2.1 billion; Accrued expenses and other liabilities, \$704 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 balances presented in the following table 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.

|  |                     |    |                  |  |               |               |  | Carrying value - asset (liability) |           |                |               |             |        |
|--|---------------------|----|------------------|--|---------------|---------------|--|------------------------------------|-----------|----------------|---------------|-------------|--------|
|  |                     |    |                  |  |               |               |  | Other                              |           |                |               |             |        |
|  |                     |    |                  |  |               |               |  | Total                              | Debt and  |                | Other         |             |        |
|  |                     |    |                  |  |               |               |  | VIE                                | equity    | Servicing      |               | commitments | Net    |
|  |                     |    |                  |  |               |               |  | assets                             | interests | assets         | Derivatives   | guarantees  | assets |
| (in millions)                              |                     |    |                  |  |               |               |  |                                    | (1)       |                |               |             |        |
| <b>September 30, 2013</b>                  |                     |    |                  |  |               |               |  |                                    |           |                |               |             |        |
| <b>Residential mortgage loan</b>           |                     |    |                  |  |               |               |  |                                    |           |                |               |             |        |
| <b>securitizations:</b>                    |                     |    |                  |  |               |               |  |                                    |           |                |               |             |        |
|  | Conforming          | \$ | 1,311,328        |  | 3,175         | 13,337        |  | -                                  |           | (1,150)        | 15,362        |             |        |
|  | Other/nonconforming |    | 40,113           |  | 1,841         | 252           |  | -                                  |           | (47)           | 2,046         |             |        |
| <b>Commercial mortgage securitizations</b> |                     |    |                  |  |               |               |  |                                    |           |                |               |             |        |
|  |                     |    | 170,356          |  | 7,466         | 362           |  | 256                                |           | -              | 8,084         |             |        |
| <b>Collateralized debt obligations:</b>    |                     |    |                  |  |               |               |  |                                    |           |                |               |             |        |
|  | Debt securities     |    | 6,284            |  | 36            | -             |  | 339                                |           | (130)          | 245           |             |        |
|  | Loans (2)           |    | 6,038            |  | 5,905         | -             |  | -                                  |           | -              | 5,905         |             |        |
| <b>Asset-based finance structures</b>      |                     |    |                  |  |               |               |  |                                    |           |                |               |             |        |
|  |                     |    | 11,030           |  | 7,015         | -             |  | (91)                               |           | -              | 6,924         |             |        |
| <b>Tax credit structures</b>               |                     |    |                  |  |               |               |  |                                    |           |                |               |             |        |
|  |                     |    | 21,642           |  | 6,135         | -             |  | -                                  |           | (2,164)        | 3,971         |             |        |
| <b>Collateralized loan obligations</b>     |                     |    |                  |  |               |               |  |                                    |           |                |               |             |        |
|  |                     |    | 4,791            |  | 984           | -             |  | -                                  |           | -              | 984           |             |        |
| <b>Investment funds</b>                    |                     |    |                  |  |               |               |  |                                    |           |                |               |             |        |
|  |                     |    | 3,700            |  | 51            | -             |  | -                                  |           | -              | 51            |             |        |
| <b>Other (3)</b>                           |                     |    |                  |  |               |               |  |                                    |           |                |               |             |        |
|  |                     |    | 9,515            |  | 871           | 24            |  | (3)                                |           | (188)          | 704           |             |        |
|  | <b>Total</b>        | \$ | <b>1,584,797</b> |  | <b>33,479</b> | <b>13,975</b> |  | <b>501</b>                         |           | <b>(3,679)</b> | <b>44,276</b> |             |        |
| <b>Maximum exposure to loss</b>            |                     |    |                  |  |               |               |  |                                    |           |                |               |             |        |
|  |                     |    |                  |  |               |               |  | Other                              |           |                |               |             |        |
|  |                     |    |                  |  |               |               |  | Debt and                           |           | Other          |               |             |        |
|  |                     |    |                  |  |               |               |  | equity                             | Servicing | commitments    | Total         |             |        |
|  |                     |    |                  |  |               |               |  | interests                          | assets    | Derivatives    | guarantees    | exposure    |        |
| <b>Residential mortgage loan</b>           |                     |    |                  |  |               |               |  |                                    |           |                |               |             |        |
| <b>securitizations:</b>                    |                     |    |                  |  |               |               |  |                                    |           |                |               |             |        |
|  | Conforming (4)      | \$ |                  |  | 3,175         | 13,337        |  | -                                  |           | 3,225          | 19,737        |             |        |
|  | Other/nonconforming |    |                  |  | 1,841         | 252           |  | -                                  |           | 369            | 2,462         |             |        |
| <b>Commercial mortgage securitizations</b> |                     |    |                  |  |               |               |  |                                    |           |                |               |             |        |
|  |                     |    |                  |  | 7,466         | 362           |  | 359                                |           | -              | 8,187         |             |        |

|   |                        |  |  |                  |               |            |              |               |
|---|------------------------|--|--|------------------|---------------|------------|--------------|---------------|
| <b>Collateralized debt obligations:</b> |                        |  |  |                  |               |            |              |               |
|   | <b>Debt securities</b> |  |  | <b>36</b>        | <b>-</b>      | <b>339</b> | <b>130</b>   | <b>505</b>    |
|   | <b>Loans (2)</b>       |  |  | <b>5,905</b>     | <b>-</b>      | <b>-</b>   | <b>-</b>     | <b>5,905</b>  |
| <b>Asset-based finance structures</b>   |                        |  |  | <b>7,015</b>     | <b>-</b>      | <b>91</b>  | <b>1,687</b> | <b>8,793</b>  |
| <b>Tax credit structures</b>            |                        |  |  | <b>6,135</b>     | <b>-</b>      | <b>-</b>   | <b>499</b>   | <b>6,634</b>  |
| <b>Collateralized loan obligations</b>  |                        |  |  | <b>984</b>       | <b>-</b>      | <b>-</b>   | <b>158</b>   | <b>1,142</b>  |
| <b>Investment funds</b>                 |                        |  |  | <b>51</b>        | <b>-</b>      | <b>-</b>   | <b>33</b>    | <b>84</b>     |
| <b>Other (3)</b>                        |                        |  |  | <b>871</b>       | <b>24</b>     | <b>177</b> | <b>188</b>   | <b>1,260</b>  |
|   | <b>Total</b>           |  |  | <b>\$ 33,479</b> | <b>13,975</b> | <b>966</b> | <b>6,289</b> | <b>54,709</b> |
| <i>(continued on following page)</i>    |                        |  |  |                  |               |            |              |               |

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

| <i>(continued from previous page)</i>      |    |           |        |        |       |         |        |
|--|----|-----------|--------|--------|-------|---------|--------|
|  |    |           |        |        |       |         |        |
|  |    |           |        |        |       |         |        |
| Carrying value - asset (liability)         |    |           |        |        |       |         |        |
|  |    |           |        |        |       |         |        |
| Other                                      |    |           |        |        |       |         |        |
|  |    |           |        |        |       |         |        |
| commitments                                |    |           |        |        |       |         |        |
|  |    |           |        |        |       |         |        |
| and  |    |           |        |        |       |         |        |
|  |    |           |        |        |       |         |        |
| Net  |    |           |        |        |       |         |        |
|  |    |           |        |        |       |         |        |
| assets                                     |    |           |        |        |       |         |        |
|  |    |           |        |        |       |         |        |
| interests                                  |    |           |        |        |       |         |        |
|  |    |           |        |        |       |         |        |
| (1)  |    |           |        |        |       |         |        |
|  |    |           |        |        |       |         |        |
| assets                                     |    |           |        |        |       |         |        |
|  |    |           |        |        |       |         |        |
| Servicing                                  |    |           |        |        |       |         |        |
|  |    |           |        |        |       |         |        |
| assets                                     |    |           |        |        |       |         |        |
|  |    |           |        |        |       |         |        |
| Derivatives                                |    |           |        |        |       |         |        |
|  |    |           |        |        |       |         |        |
| guarantees                                 |    |           |        |        |       |         |        |
|  |    |           |        |        |       |         |        |
| assets                                     |    |           |        |        |       |         |        |
| <i>(in millions)</i>                       |    |           |        |        |       |         |        |
| December 31, 2012                          |    |           |        |        |       |         |        |
| 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                   |    |           |        |        |       |         |        |
|  |    |           |        |        |       |         |        |
| Other                                      |    |           |        |        |       |         |        |
|  |    |           |        |        |       |         |        |
| commitments                                |    |           |        |        |       |         |        |
|  |    |           |        |        |       |         |        |
| and  |    |           |        |        |       |         |        |
|  |    |           |        |        |       |         |        |
| Total                                      |    |           |        |        |       |         |        |
|  |    |           |        |        |       |         |        |
| exposure                                   |    |           |        |        |       |         |        |
|  |    |           |        |        |       |         |        |
| Residential mortgage loan securitizations: |    |           |        |        |       |         |        |
| Conforming (4)                             | \$ |           | 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 \$6.6 billion at September 30, 2013 and \$5.8 billion at December 31, 2012. 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 72% and 83% were rated as investment grade by the primary rating agencies at September 30, 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.

(4) Maximum exposure to loss for conforming residential mortgage loan securitizations at September 30, 2013 reflects the benefit of a settlement reached with FHLMC on September 27, 2013, that resolved substantially all repurchase liabilities associated with loans sold to FHLMC prior to January 1, 2009. For additional information on the agreement reached with FHLMC see Note 8.

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** Auction rate securities (ARS) are debt instruments with long-term maturities, but which re-price more frequently, and preferred equities with no maturity. At September 30, 2013, we held in our securities available-for-sale portfolio \$661 million of ARS issued by VIEs redeemed pursuant to agreements entered into in 2008 and 2009, compared with \$686 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** 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, 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. In our consolidated balance sheet at September 30, 2013 and December 31, 2012, we reported the debt securities issued to the VIEs as long-term junior subordinated debt with a carrying value of \$1.9 billion and \$4.9 billion, respectively, and the preferred equity securities issued to the VIEs as preferred stock with a carrying value of \$2.5 billion at both dates. These amounts are in addition to the involvements in these VIEs included in the preceding table.

In the first nine months of 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. The following table presents the cash flows with our securitization trusts that were involved in transfers accounted for as sales.

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

|   |    | 2013     |                 | 2012     |                 |
|---|----|----------|-----------------|----------|-----------------|
|   |    | Mortgage | Other financial | Mortgage | Other financial |
| (in millions)                           |    | loans    | assets          | loans    | assets          |
| <b>Quarter ended September 30,</b>      |    |          |                 |          |                 |
| Sales proceeds from securitizations (1) | \$ | 86,423   | -               | 135,596  | -               |
| Fees from servicing rights retained     |    | 1,051    | 2               | 1,088    | 3               |
| Other interests held                    |    | 1,014    | 24              | 466      | 20              |
| Purchases of delinquent assets          |    | -        | -               | 2        | -               |
| Servicing advances, net of repayments   |    | (181)    | -               | 25       | -               |
|   |    |          |                 |          |                 |
|   |    |          |                 |          |                 |
| <b>Nine months ended September 30,</b>  |    |          |                 |          |                 |
| Sales proceeds from securitizations (1) | \$ | 308,016  | -               | 412,465  | -               |
| Fees from servicing rights retained     |    | 3,178    | 7               | 3,312    | 8               |
| Other interests held                    |    | 1,861    | 72              | 1,333    | 114             |
| Purchases of delinquent assets          |    | 16       | -               | 54       | -               |
| Servicing advances, net of repayments   |    | 633      | -               | 151      | -               |
|   |    |          |                 |          |                 |
|   |    |          |                 |          |                 |

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

In the third quarter and first nine months of 2013, we recognized net gains of \$28 million and \$138 million, respectively, from transfers accounted for as sales of financial assets in securitizations, compared with \$97 million and \$161 million, respectively, in the same periods of 2012. 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 third quarter and first nine months of 2013 and 2012 predominantly related to securitizations of residential mortgages that are sold to the GSEs, including FNMA, FHLMC and GNMA (conforming residential mortgage securitizations). During the third quarter and first nine months of 2013 we transferred \$84.4 billion and \$296.3 billion respectively, in fair value of conforming residential mortgages to unconsolidated VIEs and recorded the transfers as sales, compared with \$129.3 billion and \$398.4 billion, respectively, in the same periods of 2012. 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 nine months of 2013 we recorded a \$2.9 billion servicing asset, measured at fair value using a Level 3 measurement technique, and a \$127 million liability for probable repurchase losses which reflects management's estimate of probable losses related to various representations and warranties for the loans transferred, initially measured at fair value. In the first nine months of 2012, we recorded a \$3.8 billion servicing asset and a \$209 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 |
| <b>Quarter ended September 30,</b>     |    |  |                                       |      |
| Prepayment speed (1)                   |    |  | 9.6                                   | 13.9 |
| Discount rate                          |    |  | 7.5                                   | 7.3  |
| Cost to service (\$ per loan) (2)      | \$ |  | 181                                   | 169  |
| <b>Nine months ended September 30,</b> |    |  |                                       |      |
| Prepayment speed (1)                   |    |  | 11.2                                  | 13.4 |
| Discount rate                          |    |  | 7.2                                   | 7.3  |
| Cost to service (\$ per loan) (2)      | \$ |  | 187                                   | 143  |

(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 the third quarter and first nine months of 2013 we transferred \$1.1 billion and \$4.3 billion, respectively, in fair value of commercial mortgages to unconsolidated VIEs and recorded the transfers as sales, compared with \$1.2 billion and \$2.2 billion in the third quarter and first nine months of 2012, respectively. These transfers resulted in gains of \$29 million and \$129 million in the third quarter and first nine months of 2013, respectively, because the loans were carried at LOCOM, compared with gains of \$74 million and \$113 million in the third quarter and first nine months of 2012, respectively. In connection with these transfers, in the first nine months of 2013 we recorded a servicing asset of \$14 million, initially measured at fair value using a Level 3 measurement technique, and securities available-for-sale of \$54 million, classified as Level 2. In the first nine months of 2012, we recorded a servicing asset of \$9 million and securities available-for-sale of \$41 million.

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 rights (1) |               | Interest-only strips |          | Consumer Subordinated Senior bonds |            | Commercial (2) Subordinated Senior bonds |  |
| (\$ in millions, except cost to service amounts)          |  |   |               |                      |          |                                    |            |  |  |
| <b>Fair value of interests held at September 30, 2013</b> |  | <b>\$ 14,501</b>                          | <b>147</b>    | <b>40</b>            | <b>-</b> | <b>256</b>                         | <b>613</b> |  |  |
| <b>Expected weighted-average life (in years)</b>          |  | <b>6.0</b>                                | <b>3.9</b>    | <b>5.9</b>           | <b>-</b> | <b>4.3</b>                         | <b>6.6</b> |  |  |
| <b>Key economic assumptions:</b>                          |  |   |               |                      |          |                                    |            |  |  |
| <b>Prepayment speed assumption (3)</b>                    |  | <b>11.7</b>                               | <b>% 10.6</b> | <b>6.7</b>           | <b>-</b> |                                    |            |  |  |
| <b>Decrease in fair value from:</b>                       |  |   |               |                      |          |                                    |            |  |  |
| <b>10% adverse change</b>                                 |  | <b>\$ 888</b>                             | <b>3</b>      | <b>-</b>             | <b>-</b> |                                    |            |  |  |
| <b>25% adverse change</b>                                 |  | <b>2,113</b>                              | <b>7</b>      | <b>-</b>             | <b>-</b> |                                    |            |  |  |
| <b>Discount rate assumption</b>                           |  | <b>7.6</b>                                | <b>% 18.1</b> | <b>4.6</b>           | <b>-</b> | <b>9.5</b>                         | <b>4.0</b> |  |  |
| <b>Decrease in fair value from:</b>                       |  |   |               |                      |          |                                    |            |  |  |
| <b>100 basis point increase</b>                           |  | <b>\$ 784</b>                             | <b>3</b>      | <b>2</b>             | <b>-</b> | <b>9</b>                           | <b>33</b>  |  |  |
| <b>200 basis point increase</b>                           |  | <b>1,499</b>                              | <b>5</b>      | <b>4</b>             | <b>-</b> | <b>18</b>                          | <b>63</b>  |  |  |
| <b>Cost to service assumption (\$ per loan)</b>           |  | <b>198</b>                                |               |                      |          |                                    |            |  |  |

|  |  |   |              |          |             |  |  |            |          |          |          |             |          |            |  |  |  |  |  |  |
|--|--|---|--------------|----------|-------------|--|--|------------|----------|----------|----------|-------------|----------|------------|--|--|--|--|--|--|
|  |  | <b>Decrease in fair value from:</b>               |              |          |             |  |  |            |          |          |          |             |          |            |  |  |  |  |  |  |
|  |  | <b>10% adverse change</b>                         | <b>606</b>   |          |             |  |  |            |          |          |          |             |          |            |  |  |  |  |  |  |
|  |  | <b>25% adverse change</b>                         | <b>1,514</b> |          |             |  |  |            |          |          |          |             |          |            |  |  |  |  |  |  |
|  |  |   |              |          |             |  |  |            |          |          |          |             |          |            |  |  |  |  |  |  |
|  |  | <b>Credit loss assumption</b>                     |              |          |             |  |  | <b>0.4</b> | <b>%</b> | <b>-</b> |          | <b>1.5</b>  |          | <b>-</b>   |  |  |  |  |  |  |
|  |  | <b>Decrease in fair value from:</b>               |              |          |             |  |  |            |          |          |          |             |          |            |  |  |  |  |  |  |
|  |  | <b>10% higher losses</b>                          |              |          |             |  |  | <b>\$</b>  | <b>-</b> | <b>-</b> |          | <b>4</b>    |          | <b>-</b>   |  |  |  |  |  |  |
|  |  | <b>25% higher losses</b>                          |              |          |             |  |  | <b>-</b>   | <b>-</b> |          | <b>6</b> |             | <b>-</b> |            |  |  |  |  |  |  |
|  |  |   |              |          |             |  |  |            |          |          |          |             |          |            |  |  |  |  |  |  |
|  |  | 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        |          | -        |          |             |          |            |  |  |  |  |  |  |
|  |  | <b>Decrease in fair value from:</b>               |              |          |             |  |  |            |          |          |          |             |          |            |  |  |  |  |  |  |
|  |  | <b>10% adverse change</b>                         | \$ 869       | 5        |             |  |  | -          |          | -        |          |             |          |            |  |  |  |  |  |  |
|  |  | <b>25% adverse change</b>                         | 2,038        | 12       |             |  |  | -          |          | -        |          |             |          |            |  |  |  |  |  |  |
|  |  |   |              |          |             |  |  |            |          |          |          |             |          |            |  |  |  |  |  |  |
|  |  | <b>Discount rate assumption</b>                   | <b>7.4</b>   | <b>%</b> | <b>16.9</b> |  |  | <b>8.9</b> |          | <b>-</b> |          | <b>3.5</b>  |          | <b>2.2</b> |  |  |  |  |  |  |
|  |  | <b>Decrease in fair value from:</b>               |              |          |             |  |  |            |          |          |          |             |          |            |  |  |  |  |  |  |
|  |  | <b>100 basis point increase</b>                   | \$ 562       | 4        |             |  |  | 2          |          | -        |          | 12          |          | 43         |  |  |  |  |  |  |
|  |  | <b>200 basis point increase</b>                   | 1,073        | 8        |             |  |  | 4          |          | -        |          | 21          |          | 84         |  |  |  |  |  |  |
|  |  |   |              |          |             |  |  |            |          |          |          |             |          |            |  |  |  |  |  |  |
|  |  | <b>Cost to service assumption (\$ per loan)</b>   | <b>219</b>   |          |             |  |  |            |          |          |          |             |          |            |  |  |  |  |  |  |
|  |  | <b>Decrease in fair value from:</b>               |              |          |             |  |  |            |          |          |          |             |          |            |  |  |  |  |  |  |
|  |  | <b>10% adverse change</b>                         | <b>615</b>   |          |             |  |  |            |          |          |          |             |          |            |  |  |  |  |  |  |
|  |  | <b>25% adverse change</b>                         | <b>1,537</b> |          |             |  |  |            |          |          |          |             |          |            |  |  |  |  |  |  |
|  |  |   |              |          |             |  |  |            |          |          |          |             |          |            |  |  |  |  |  |  |
|  |  | <b>Credit loss assumption</b>                     |              |          |             |  |  | <b>0.4</b> | <b>%</b> | <b>-</b> |          | <b>10.0</b> |          | <b>-</b>   |  |  |  |  |  |  |



|  |  |                              |  |  |  |  |  |    |   |   |  |    |  |  |   |
|--|--|------------------------------|--|--|--|--|--|----|---|---|--|----|--|--|---|
|  |  | 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.

**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 \$1.5 billion and \$1.4 billion at September 30, 2013, and December 31, 2012, respectively. 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 September 30, 2013, and December 31, 2012, results in a decrease in fair value of \$179 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.

|                    |                      |            |          |             |          |                  |      | Net charge-offs   |      |
|--------------------|----------------------|------------|----------|-------------|----------|------------------|------|-------------------|------|
|                    |                      |            |          | Total loans |          | Delinquent loans |      | Nine months ended |      |
|                    |                      | Sept. 30,  | Dec. 31, | Sept. 30,   | Dec. 31, |                  |      | Sept. 30,         |      |
| (in millions)      |                      | 2013       | 2012     | 2013        | 2012     | 2013             | 2012 | 2013              | 2012 |
| <b>Commercial:</b> |                      |            |          |             |          |                  |      |                   |      |
|                    | Real estate mortgage | \$ 123,093 | 128,564  | 8,846       | 12,216   | 465              | 323  |                   |      |
|                    | Total commercial     | 123,093    | 128,564  | 8,846       | 12,216   | 465              | 323  |                   |      |
| <b>Consumer:</b>   |                      |            |          |             |          |                  |      |                   |      |

|  |   |   |                     |           |  |               |        |  |              |       |
|--|---|---|---------------------|-----------|--|---------------|--------|--|--------------|-------|
|  | Real estate 1-4 family first mortgage       |   | <b>1,312,533</b>    | 1,283,504 |  | <b>18,428</b> | 21,574 |  | <b>654</b>   | 876   |
|  | Real estate 1-4 family junior lien mortgage |   | <b>1</b>            | 1         |  | <b>-</b>      | -      |  | <b>-</b>     | -     |
|  | Other revolving credit and installment      |   | <b>1,833</b>        | 2,034     |  | <b>93</b>     | 110    |  | <b>-</b>     | -     |
|  |   | Total consumer                                | <b>1,314,367</b>    | 1,285,539 |  | <b>18,521</b> | 21,684 |  | <b>654</b>   | 876   |
|  |   | Total off-balance sheet securitized loans (1) | <b>\$ 1,437,460</b> | 1,414,103 |  | <b>27,367</b> | 33,900 |  | <b>1,119</b> | 1,199 |
|  |   |   |                     |           |  |               |        |  |              |       |

(1) At September 30, 2013 and December 31, 2012, the table includes total loans of \$1.3 trillion at both dates and delinquent loans of \$15.2 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.

**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.

|                            |  | Carrying value   |               |                 |                |              |
|----------------------------|--|------------------|---------------|-----------------|----------------|--------------|
|                            |  | Total            |               | Third           |                | Net          |
|                            |  | VIE              | consolidated  | party           | Noncontrolling | assets       |
| (in millions)              |  | assets           | assets        | liabilities     | interests      | assets       |
| <b>September 30, 2013</b>  |  |                  |               |                 |                |              |
| <b>Secured borrowings:</b> |  |                  |               |                 |                |              |
|                            | <b>Municipal tender option bond securitizations</b>            | \$ 13,567        | 10,906        | (8,189)         | -              | 2,717        |
|                            | <b>Commercial real estate loans</b>                            | 596              | 596           | (378)           | -              | 218          |
|                            | <b>Residential mortgage securitizations</b>                    | 5,447            | 5,762         | (5,511)         | -              | 251          |
|                            | <b>Total secured borrowings</b>                                | <b>19,610</b>    | <b>17,264</b> | <b>(14,078)</b> | <b>-</b>       | <b>3,186</b> |
| <b>Consolidated VIEs:</b>  |  |                  |               |                 |                |              |
|                            | <b>Nonconforming residential mortgage loan securitizations</b> | 7,141            | 6,332         | (2,381)         | -              | 3,951        |
|                            | <b>Multi-seller commercial paper conduit</b>                   | -                | -             | -               | -              | -            |
|                            | <b>Structured asset finance</b>                                | 60               | 60            | (18)            | -              | 42           |
|                            | <b>Investment funds</b>  | 1,565            | 1,565         | (68)            | -              | 1,497        |
|                            | <b>Other</b>   | 2,270            | 2,198         | (934)           | (7)            | 1,257        |
|                            | <b>Total consolidated VIEs</b>                                 | <b>11,036</b>    | <b>10,155</b> | <b>(3,401)</b>  | <b>(7)</b>     | <b>6,747</b> |
|                            | <b>Total secured borrowings and consolidated VIEs</b>          | <b>\$ 30,646</b> | <b>27,419</b> | <b>(17,479)</b> | <b>(7)</b>     | <b>9,933</b> |
| <b>December 31, 2012</b>   |  |                  |               |                 |                |              |
| <b>Secured borrowings:</b> |  |                  |               |                 |                |              |
|                            | <b>Municipal tender option bond securitizations</b>            | \$ 16,782        | 15,130        | (13,248)        | -              | 1,882        |
|                            | <b>Commercial real estate loans</b>                            | 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 September 30, 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 September 30, 2013, and December 31, 2012, we pledged approximately \$6.7 billion and \$6.4 billion in loans (principal and interest eligible to be capitalized), \$169 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.

During second quarter 2013, we redeemed the outstanding commercial paper issued from our multi-seller conduit to third party investors at par. The conduit was dissolved in July 2013.

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.

**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 commercial MSR's and apply the fair value method to residential MSR's. The changes in MSR's measured using the fair value method were:

|  |  | Quarter ended<br>Sept. 30, |         | Nine months<br>ended Sept. 30, |         |
|--|--|----------------------------|---------|--------------------------------|---------|
| (in millions)  |  | 2013                       | 2012    | 2013                           | 2012    |
| Fair value, beginning of period                          |  | \$ 14,185                  | 12,081  | 11,538                         | 12,603  |
| Servicing from securitizations or asset transfers (1)    |  | 954                        | 1,173   | 2,949                          | 4,088   |
| Sales  |  | -                          | -       | (583)                          | (293)   |
| Net additions  |  | 954                        | 1,173   | 2,366                          | 3,795   |
| Changes in fair value:                                   |  |                            |         |                                |         |
| Due to changes in valuation model inputs or assumptions: |  |                            |         |                                |         |
| Mortgage interest rates (2)                              |  | 61                         | (1,131) | 3,314                          | (2,480) |
| Servicing and foreclosure costs (3)                      |  | (34)                       | (350)   | (174)                          | (550)   |
| Discount rates (4)                                       |  | -                          | -       | -                              | (344)   |
| Prepayment estimates and other (5)                       |  | (240)                      | 54      | (725)                          | 158     |
| Net changes in valuation model inputs or assumptions     |  | (213)                      | (1,427) | 2,415                          | (3,216) |
| Other changes in fair value (6)                          |  | (425)                      | (871)   | (1,818)                        | (2,226) |
| Total changes in fair value                              |  | (638)                      | (2,298) | 597                            | (5,442) |
| Fair value, end of period                                |  | \$ 14,501                  | 10,956  | 14,501                         | 10,956  |

(1) Nine months ended September 30, 2012, includes \$315 million residential MSR's transferred from amortized MSR's 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 nine months ended September 30, 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 MSR were:

|   |  | Quarter ended<br>Sept. 30, |       | Nine months<br>ended Sept. 30, |       |
|---|--|----------------------------|-------|--------------------------------|-------|
|   |  | 2013                       | 2012  | 2013                           | 2012  |
| (in millions)   |  |                            |       |                                |       |
| Balance, beginning of period                              |  | \$ 1,176                   | 1,130 | 1,160                          | 1,445 |
| Purchases   |  | 59                         | 42    | 112                            | 134   |
| Servicing from securitizations or asset transfers (1)     |  | 32                         | 30    | 119                            | (263) |
| Amortization  |  | (63)                       | (58)  | (187)                          | (172) |
| Balance, end of period                                    |  | 1,204                      | 1,144 | 1,204                          | 1,144 |
| Valuation allowance:                                      |  |                            |       |                                |       |
| Balance, beginning of period                              |  | -                          | -     | -                              | (37)  |
| Reversal of provision for MSR in excess of fair value (1) |  | -                          | -     | -                              | 37    |
| Balance, end of period (2)                                |  | -                          | -     | -                              | -     |
| Amortized MSR, net  |  | \$ 1,204                   | 1,144 | 1,204                          | 1,144 |
| Fair value of amortized MSR (3):                          |  |                            |       |                                |       |
| Beginning of period                                       |  | \$ 1,533                   | 1,450 | 1,400                          | 1,756 |
| End of period   |  | 1,525                      | 1,399 | 1,525                          | 1,399 |

(1) Nine months ended September 30, 2012, is net of \$350 million (\$313 million after valuation allowance) of residential MSR 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 MSR 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 MSR. Residential amortized MSR 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 nine months ended September 30, 2012, valuation allowance of \$37 million for residential MSR was reversed upon election to carry at fair value.

(3) Represent commercial amortized MSR. The beginning of period balance for nine months ended September 30, 2012 also includes fair value of \$316 million in residential amortized MSR.





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.

|   |                                   |  |  | Sept. 30, | Dec. 31, |
|---|-----------------------------------|--|--|-----------|----------|
|   |                                   |  |  | 2013      | 2012     |
| (in billions)                                     |                                   |  |  |           |          |
| Residential mortgage servicing:                   |                                   |  |  |           |          |
|   | Serviced for others               |  |  | \$ 1,494  | 1,498    |
|   | Owned loans serviced              |  |  | 344       | 368      |
|   | Subservicing                      |  |  | 6         | 7        |
|   | Total residential servicing       |  |  | 1,844     | 1,873    |
| Commercial mortgage servicing:                    |                                   |  |  |           |          |
|   | Serviced for others               |  |  | 416       | 408      |
|   | Owned loans serviced              |  |  | 106       | 106      |
|   | Subservicing                      |  |  | 11        | 13       |
|   | Total commercial servicing        |  |  | 533       | 527      |
|   | Total managed servicing portfolio |  |  | \$ 2,377  | 2,400    |
| Total serviced for others                         |                                   |  |  | \$ 1,910  | 1,906    |
| Ratio of MSR to related loans serviced for others |                                   |  |  | 0.82 %    | 0.67     |

The components of mortgage banking noninterest income were:

|   |   |  |  | Quarter ended |         | Nine months     |         |
|---|---|--|--|---------------|---------|-----------------|---------|
|   |   |  |  | Sept. 30,     |         | ended Sept. 30, |         |
|   |   |  |  | 2013          | 2012    | 2013            | 2012    |
| (in millions)                                       |   |  |  |               |         |                 |         |
| Servicing income, net:                              |   |  |  |               |         |                 |         |
| Servicing fees:                                     |   |  |  |               |         |                 |         |
|   | Contractually specified servicing fees  |  |  | \$ 1,108      | 1,136   | 3,335           | 3,448   |
|   | Late charges                            |  |  | 56            | 66      | 174             | 195     |
|   | Ancillary fees                          |  |  | 91            | 89      | 258             | 229     |
|   | Unreimbursed direct servicing costs (1) |  |  | (289)         | (307)   | (774)           | (807)   |
|   | Net servicing fees                      |  |  | 966           | 984     | 2,993           | 3,065   |
| Changes in fair value of MSR carried at fair value: |   |  |  |               |         |                 |         |
|   |   |  |  | (213)         | (1,427) | 2,415           | (3,216) |

|  |  |   |  |                 |         |  |                |         |
|--|--|---|--|-----------------|---------|--|----------------|---------|
|  |  | Due to changes in valuation model inputs or assumptions (2)               |  |                 |         |  |                |         |
|  |  | Other changes in fair value (3)   |  | <b>(425)</b>    | (871)   |  | <b>(1,818)</b> | (2,226) |
|  |  | Total changes in fair value of MSR's carried at fair value                |  | <b>(638)</b>    | (2,298) |  | <b>597</b>     | (5,442) |
|  |  | Amortization  |  | <b>(63)</b>     | (58)    |  | <b>(187)</b>   | (172)   |
|  |  | Net derivative gains (losses) from economic hedges (4)                    |  | <b>239</b>      | 1,569   |  | <b>(2,192)</b> | 3,677   |
|  |  | Total servicing income, net   |  | <b>504</b>      | 197     |  | <b>1,211</b>   | 1,128   |
|  |  | Net gains on mortgage loan origination/sales activities                   |  | <b>1,104</b>    | 2,610   |  | <b>5,993</b>   | 7,442   |
|  |  | Total mortgage banking noninterest income                                 |  | <b>\$ 1,608</b> | 2,807   |  | <b>7,204</b>   | 8,570   |
|  |  | Market-related valuation changes to MSR's, net of hedge results (2) + (4) |  | <b>\$ 26</b>    | 142     |  | <b>223</b>     | 461     |
|  |  |   |  |                 |         |  |                |         |
|  |  |   |  |                 |         |  |                |         |

(1) Primarily associated with foreclosure expenses and other interest costs.

(2) Refer to the changes in fair value of MSR's 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 MSR's. See Note 12 – Free-Standing Derivatives for additional discussion and detail.

**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 balance sheet 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. The Company reached a settlement with FHLMC on September 27, 2013 that resolved substantially all repurchase liabilities associated with loans sold to FHLMC prior to January 1, 2009.

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 \$1.4 billion at September 30, 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.

|                              |  | Quarter         |       | Nine months     |       |
|------------------------------|--|-----------------|-------|-----------------|-------|
|                              |  | ended Sept. 30, |       | ended Sept. 30, |       |
| (in millions)                |  | 2013            | 2012  | 2013            | 2012  |
| Balance, beginning of period |  | \$ 2,222        | 1,764 | 2,206           | 1,326 |
| Provision for                |  |                 |       |                 |       |
| repurchase losses:           |  |                 |       |                 |       |
| Loan sales                   |  | 28              | 75    | 127             | 209   |
| Change in estimate (1)       |  | -               | 387   | 275             | 1,352 |
| Total additions              |  | 28              | 462   | 402             | 1,561 |
| Losses (2)                   |  | (829)           | (193) | (1,187)         | (854) |
| Balance, end of period       |  | \$ 1,421        | 2,033 | 1,421           | 2,033 |

(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.

(2) Quarter and nine months ended September 30, 2013, reflect \$746 million as a result of the settlement reached with FHLMC that resolved substantially all repurchase liabilities associated with loans sold to FHLMC prior to January 1, 2009.



**Note 9: Intangible  
Assets**

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

|                                  |   | September 30, 2013 |              |          | December 31, 2012 |              |          |
|----------------------------------|---|--------------------|--------------|----------|-------------------|--------------|----------|
|                                  |   | Gross              |              | Net      | Gross             |              | Net      |
|                                  |   | carrying           | Accumulated  | carrying | carrying          | Accumulated  | carrying |
| (in millions)                    |   | value              | amortization | value    | value             | amortization | value    |
| Amortized intangible assets (1): |   |                    |              |          |                   |              |          |
|                                  | MSRs (2)                                    | \$ 2,548           | (1,344)      | 1,204    | 2,317             | (1,157)      | 1,160    |
|                                  | Core deposit intangibles                    | 12,834             | (7,850)      | 4,984    | 12,836            | (6,921)      | 5,915    |
|                                  | Customer relationship and other intangibles | 3,146              | (1,995)      | 1,151    | 3,147             | (1,795)      | 1,352    |
|                                  | Total amortized intangible assets           | \$ 18,528          | (11,189)     | 7,339    | 18,300            | (9,873)      | 8,427    |
| Unamortized intangible assets:   |   |                    |              |          |                   |              |          |
|                                  | MSRs (carried at fair value) (2)            | \$ 14,501          |              |          | 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 September 30, 2013. Future amortization expense may vary from these projections.

|  |  |  |  |  |          |  |  |
|--|--|--|--|--|----------|--|--|
|  |  |  |  |  |          |  |  |
|  |  |  |  |  |          |  |  |
|  |  |  |  |  | Customer |  |  |

|  |           | Core        | relationship |  |       |
|--|-----------|-------------|--------------|--|-------|
|  | Amortized | deposit     | and other    |  |       |
| (in millions)  | MSRs      | intangibles | intangibles  |  | Total |
| <b>Nine months ended September 30, 2013 (actual)</b> | \$ 187    | 932         | 200          |  | 1,319 |
| Estimate for the remainder of 2013                   | \$ 63     | 310         | 66           |  | 439   |
| Estimate for year ended December 31,                 |           |             |              |  |       |
| 2014   | 228       | 1,113       | 250          |  | 1,591 |
| 2015   | 197       | 1,022       | 227          |  | 1,446 |
| 2016   | 162       | 919         | 212          |  | 1,293 |
| 2017   | 121       | 851         | 194          |  | 1,166 |
| 2018   | 88        | 769         | 184          |  | 1,041 |
|  |           |             |              |  |       |
|  |           |             |              |  |       |

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. At the time we acquire a business, we allocate goodwill to applicable reporting units based on their relative fair value, and if we have a significant business reorganization, we may reallocate the goodwill. 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.

|   |           |               |              |               |               |  | Wealth, |  |  |
|---|-----------|---------------|--------------|---------------|---------------|--|---------|--|--|
|   |           | Community     | Wholesale    | Brokerage and | Consolidated  |  |         |  |  |
| (in millions)                                   |           | Banking       | Banking      | Retirement    | Company       |  |         |  |  |
| December 31, 2011                               | \$        | 17,924        | 6,820        | 371           | 25,115        |  |         |  |  |
| Goodwill from business combinations             |           | (2)           | 524          | -             | 522           |  |         |  |  |
| September 30, 2012                              | \$        | 17,922        | 7,344        | 371           | 25,637        |  |         |  |  |
| <b>December 31, 2012 and September 30, 2013</b> | <b>\$</b> | <b>17,922</b> | <b>7,344</b> | <b>371</b>    | <b>25,637</b> |  |         |  |  |

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**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.

|   |  |  |  |  |  |  |  |  |  |  | September 30, 2013       |       |                  |        |                  |        |                |        |                  |  |            |  |       |  |
|---|--|--|--|--|--|--|--|--|--|--|--------------------------|-------|------------------|--------|------------------|--------|----------------|--------|------------------|--|------------|--|-------|--|
|   |  |  |  |  |  |  |  |  |  |  | Maximum exposure to loss |       |                  |        |                  |        |                |        |                  |  |            |  |       |  |
|   |  |  |  |  |  |  |  |  |  |  | Expires<br>after         |       | Expires<br>after |        |                  |        |                |        |                  |  |            |  |       |  |
|   |  |  |  |  |  |  |  |  |  |  | Expires<br>in            |       | three<br>years   |        | Expires<br>after |        | Non-           |        |                  |  |            |  |       |  |
|   |  |  |  |  |  |  |  |  |  |  | one<br>year              |       | through          |        | through          |        | after<br>five  |        | investment       |  |            |  |       |  |
|   |  |  |  |  |  |  |  |  |  |  | Carrying                 |       | value            |        | or less          |        | three<br>years |        | five<br>years    |  | Total      |  | grade |  |
| (in millions)                                 |  |  |  |  |  |  |  |  |  |  |                          |       |                  |        |                  |        |                |        |                  |  |            |  |       |  |
| Standby letters of credit (1)                 |  |  |  |  |  |  |  |  |  |  | \$                       | 54    | 15,659           | 12,211 | 3,930            | 2,719  | 34,519         | 9,039  |                  |  |            |  |       |  |
| Securities lending and other indemnifications |  |  |  |  |  |  |  |  |  |  |                          | -     | 2                | 7      | 37               | 3,236  | 3,282          | 40     |                  |  |            |  |       |  |
| Liquidity agreements (2)                      |  |  |  |  |  |  |  |  |  |  |                          | -     | -                | -      | -                | 14     | 14             | 4      |                  |  |            |  |       |  |
| Written put options (3)                       |  |  |  |  |  |  |  |  |  |  |                          | 981   | 3,766            | 4,465  | 2,375            | 2,495  | 13,101         | 4,409  |                  |  |            |  |       |  |
| Loans and MHFS sold with recourse             |  |  |  |  |  |  |  |  |  |  |                          | 87    | 109              | 464    | 813              | 4,963  | 6,349          | 3,654  |                  |  |            |  |       |  |
| Contingent consideration                      |  |  |  |  |  |  |  |  |  |  |                          | 31    | 16               | 96     | -                | -      | 112            | 110    |                  |  |            |  |       |  |
| Other guarantees                              |  |  |  |  |  |  |  |  |  |  |                          | 3     | 982              | 30     | 17               | 1,029  | 2,058          | 3      |                  |  |            |  |       |  |
| Total guarantees                              |  |  |  |  |  |  |  |  |  |  | \$                       | 1,156 | 20,534           | 17,273 | 7,172            | 14,456 | 59,435         | 17,259 |                  |  |            |  |       |  |
|   |  |  |  |  |  |  |  |  |  |  | December 31, 2012        |       |                  |        |                  |        |                |        |                  |  |            |  |       |  |
|   |  |  |  |  |  |  |  |  |  |  | Maximum exposure to loss |       |                  |        |                  |        |                |        |                  |  |            |  |       |  |
|   |  |  |  |  |  |  |  |  |  |  | Expires<br>after         |       | Expires<br>after |        |                  |        |                |        |                  |  |            |  |       |  |
|   |  |  |  |  |  |  |  |  |  |  | Expires<br>in            |       | one year         |        | three<br>years   |        | Non-           |        |                  |  |            |  |       |  |
|   |  |  |  |  |  |  |  |  |  |  | Carrying                 |       | one year         |        | through          |        | through        |        | Expires<br>after |  | investment |  |       |  |

| (in millions)                                 |    | value | or less | three<br>years | five years | five<br>years | Total  | 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 \$16.4 billion and \$18.5 billion at September 30, 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.



**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 \$412 million at September 30, 2013 and \$443 million at December 31, 2012, in collateral supporting loaned securities with values of \$399 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 were \$717 million and \$579 million and the related collateral was \$3.6 billion and \$3.1 billion at September 30, 2013, and December 31, 2012, respectively. Our estimate of maximum exposure to loss, which requires judgment regarding the range and likelihood of future events, was \$2.9 billion as of September 30, 2013, and \$2.1 billion as of December 31, 2012.

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 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 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. We repurchased \$8 million and \$26 million respectively, of loans associated with these agreements in the third quarter and first nine months of 2013, and \$5 million and \$21 million respectively in the same periods of 2012. 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.

**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.

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

As part of our liquidity management strategy, we pledge assets to secure trust and public deposits, borrowings and letters of credit from the FHLB and FRB, securities sold under agreements to repurchase (repurchase agreements), and for other purposes as required or permitted by law or insurance statutory requirements. 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 \$10.2 billion and \$14.6 billion at September 30, 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.

|                                   |  |  |  |    |  | <b>Sept. 30,</b> | <b>Dec. 31,</b> |
|-----------------------------------|--|--|--|----|--|------------------|-----------------|
| (in millions)                     |  |  |  |    |  | <b>2013</b>      | <b>2012</b>     |
| Trading assets and other (1)      |  |  |  | \$ |  | <b>33,808</b>    | 28,031          |
| Securities available for sale (2) |  |  |  |    |  | <b>99,291</b>    | 96,018          |
| Loans (3)                         |  |  |  |    |  | <b>378,004</b>   | 360,171         |
|                                   | Total pledged assets   |  |  | \$ |  | <b>511,103</b>   | 484,220         |
| (1)                               | Represent assets pledged to collateralize repurchase agreements and other securities financings. Balance includes \$32.5 billion and \$27.4 billion at September 30, 2013, and December 31, 2012, respectively, under agreements that permit the secured parties to sell or repledge the collateral. |  |  |    |  |                  |                 |
| (2)                               | Includes \$8.3 billion and \$8.4 billion in collateral for repurchase agreements at September 30, 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.   |  |  |    |  |                  |                 |

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**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.

|   |  |   |    |                 |  | <b>Sept. 30,</b> | <b>Dec. 31,</b> |
|---|--|---|----|-----------------|--|------------------|-----------------|
|   |  |   |    |                 |  | <b>2013</b>      | <b>2012</b>     |
| (in millions)                                       |  |   |    |                 |  |                  |                 |
| <b>Assets:</b>                                      |  |   |    |                 |  |                  |                 |
| <b>Resale and securities borrowing agreements</b>   |  |   |    |                 |  |                  |                 |
|   |  | Gross amounts recognized  | \$ | <b>43,325</b>   |  |                  | 45,847          |
|   |  | Gross amounts offset in consolidated balance sheet (1)                      |    | <b>(5,101)</b>  |  |                  | (2,561)         |
|   |  | Net amounts in consolidated balance sheet (2)                               |    | <b>38,224</b>   |  |                  | 43,286          |
|   |  | Noncash collateral not recognized in consolidated balance sheet (3)         |    | <b>(37,920)</b> |  |                  | (42,920)        |
|   |  | <b>Net amount (4)</b>   | \$ | <b>304</b>      |  |                  | 366             |
| <b>Liabilities:</b>                                 |  |   |    |                 |  |                  |                 |
| <b>Repurchase and securities lending agreements</b> |  |   |    |                 |  |                  |                 |
|   |  | Gross amounts recognized  | \$ | <b>41,208</b>   |  |                  | 35,876          |
|   |  | Gross amounts offset in consolidated balance sheet (1)                      |    | <b>(5,101)</b>  |  |                  | (2,561)         |
|   |  | Net amounts in consolidated balance sheet (5)                               |    | <b>36,107</b>   |  |                  | 33,315          |
|   |  | Noncash collateral pledged but not netted in consolidated balance sheet (6) |    | <b>(35,677)</b> |  |                  | (33,050)        |
|   |  | <b>Net amount (7)</b>   | \$ | <b>430</b>      |  |                  | 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 September 30, 2013 and December 31, 2012, includes \$27.0 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 \$11.2 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 September 30, 2013 and December 31, 2012, we have received total collateral with a fair value of \$48.2 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 \$27.5 billion at September 30, 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 September 30, 2013 and December 31, 2012, we have pledged total collateral with a fair value of \$42.1 billion and \$36.4 billion, respectively, of which, the counterparty does not have the right to sell or repledge \$9.6 billion as of September 30 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.   |  |  |  |  |  |  |
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**Note 11: Legal  
Actions**

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The following supplements our discussion of certain matters previously reported in Part I, Item 3 (Legal Proceedings) of our 2012 Form 10-K and Part II, Item 1 (Legal Proceedings) of our 2013 first and second quarter Quarterly Reports on Form 10-Q for events occurring during third 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 appealed the decision to the U.S. Court of Appeals for the District of Columbia Circuit, and filed its initial appellate brief on September 20, 2013. 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. On September 24, 2013, the Court entered an order denying the motion with respect to the government's federal statutory claims and granting in part, and denying in part, the motion with respect to the government's common law claims.

**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, subject to Court approval, of all claims which provides for Wells Fargo to pay \$105 million to the plaintiffs. The Court gave final approval to the settlement on August 12, 2013.

**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, including Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC), opted out of the settlement. Wells Fargo settled the opt out claims of FNMA in first quarter 2013 and settled the opt out claims

of FHLMC in third quarter 2013, in each case for an amount that was within a previously established accrual. Both settlements included the Federal Housing Finance Agency, as conservator of FNMA and FHLMC. The combined amount of the settlements was approximately \$335 million.

On October 15, 2010, three actions, captioned *Federal Home Loan Bank of Chicago v. Banc of America Funding Corporation, et al.* (filed in the Cook County Circuit Court, State of Illinois); *Federal Home Loan Bank of Chicago v. Banc of America Securities LLC, et al.* (filed in the Superior Court of the State of California for the County of Los Angeles); and *Federal Home Loan Bank of Indianapolis v. Banc of America Mortgage America Securities, Inc., et al.* (filed in the Superior Court of the State of Indiana for the County of Marion), named multiple defendants, described as issuers/depositors, and underwriters/dealers of private label mortgage-backed securities, in an action asserting claims that defendants used false and misleading statements in offering documents for the sale of such securities. Plaintiffs seek rescission of the sales and damages under state securities and other laws and Section 11 of the Securities Act of 1933. Wells Fargo Asset Securities Corporation, Wells Fargo Bank, N.A. and Wells Fargo & Company were named among the defendants. Wells Fargo has reached a settlement in principle with the Federal Home Loan Bank of Indianapolis to settle the claims against it in the *Federal Home Loan Bank of Indianapolis v. Banc of America Mortgage America Securities, Inc., et al.* action for an amount within a previously established accrual. Wells Fargo has also reached a settlement in principle with the Federal Home Loan Bank of Chicago to settle the claims against it in the *Federal Home Loan Bank of Chicago v. Banc of America Funding Corporation, et al.* and *Federal Home Loan Bank of Chicago v. Banc of America Securities LLC* actions for an amount within a previously established accrual.

On April 20, 2011, a case captioned *Federal Home Loan Bank of Boston v. Ally Financial, Inc., et al.*, was filed in the Superior Court of the Commonwealth of Massachusetts for the County of Suffolk. The case names, among a large number of parties, Wells Fargo & Company, Wells Fargo Asset Securitization Corporation and Wells Fargo Bank, N.A. as parties and asserts claims that defendants used false and misleading statements in offering documents for the sale of mortgage-backed securities. Wells Fargo settled the claims of the Federal Home Loan Bank of Boston for an amount within a previously established accrual and was dismissed, with prejudice, from the *Federal Home Loan Bank of Boston v. Ally Financial, Inc., et al.* action on September 30, 2013.

**ORDER OF POSTING LITIGATION** On August 10, 2010, the U.S. District Court for the Northern District of California issued an order in *Gutierrez v. Wells Fargo Bank, N.A.*, a case that was not consolidated in the multi-district proceedings, enjoining the bank's use of the high to low posting method for debit card transactions with respect to the plaintiff class of California depositors, directing the bank to establish a



different posting methodology and ordering remediation of approximately \$203 million. On October 26, 2010, a final judgment was entered in Gutierrez. On October 28, 2010, Wells Fargo appealed to the U.S. Court of Appeals for the Ninth Circuit. On December 26, 2012, the Ninth Circuit reversed the order requiring Wells Fargo to change its order of posting and vacated the portion of the order granting remediation of approximately \$203 million on the grounds of federal preemption. The Ninth Circuit affirmed the District Court's finding that Wells Fargo violated a California state law prohibition on fraudulent representations and remanded the case to the District Court for further proceedings. On August 5, 2013, the District Court entered a judgment against Wells Fargo in the approximate amount of \$203 million, together with post-judgment interest thereon from October 25, 2010, and, effective as of July 15, 2013, enjoined Wells Fargo from making or disseminating additional misrepresentations about its order of posting of transactions. On August 7, 2013, Wells Fargo appealed the judgment to the Ninth Circuit.

**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 \$1.0 billion as of September 30, 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.

**Note 12:**  
**Derivatives**

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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.

|  |    | September 30, 2013             |  |                   |                       | December 31, 2012              |  |                   |                       |
|--|----|--------------------------------|--|-------------------|-----------------------|--------------------------------|--|-------------------|-----------------------|
|  |    | Notional or contractual amount |  | Fair value        |                       | Notional or contractual amount |  | Fair value        |                       |
|  |    |                                |  | Asset derivatives | Liability derivatives |                                |  | Asset derivatives | Liability derivatives |
| (in millions)  |    | amount                         |  | derivatives       | derivatives           | amount                         |  | derivatives       | derivatives           |
| <b>Derivatives designated as hedging instruments</b>     |    |                                |  |                   |                       |                                |  |                   |                       |
| Interest rate contracts (1)                              | \$ | 91,455                         |  | 5,022             | 2,409                 | 92,004                         |  | 7,284             | 2,696                 |
| Foreign exchange contracts                               |    | 27,429                         |  | 1,390             | 597                   | 27,382                         |  | 1,808             | 274                   |
| Total derivatives designated as                          |    |                                |  |                   |                       |                                |  |                   |                       |
| qualifying hedging instruments                           |    |                                |  | 6,412             | 3,006                 |                                |  | 9,092             | 2,970                 |
| <b>Derivatives not designated as hedging instruments</b> |    |                                |  |                   |                       |                                |  |                   |                       |
| Free-standing derivatives (economic                      |    |                                |  |                   |                       |                                |  |                   |                       |

|          |  |           |           |          |           |          |          |  |
|----------|--|-----------|-----------|----------|-----------|----------|----------|--|
| hedges): |  |           |           |          |           |          |          |  |
|          | Interest rate contracts (2)  | 257,974   | 1,895     | 1,434    | 334,555   | 450      | 694      |  |
|          | Equity contracts   | 2,396     | 273       | 154      | 75        | -        | 50       |  |
|          | Foreign exchange contracts   | 13,052    | 77        | 307      | 3,074     | 3        | 64       |  |
|          | Credit contracts - protection purchased                              | 1         | -         | 2        | 16        | -        | -        |  |
|          | Other derivatives  | 2,131     | -         | 24       | 2,296     | -        | 78       |  |
|          | Subtotal   |           | 2,245     | 1,921    |           | 453      | 886      |  |
|          | Customer accommodation, trading and other free-standing derivatives: |           |           |          |           |          |          |  |
|          | Interest rate contracts  | 3,486,515 | 49,067    | 51,471   | 2,774,783 | 63,617   | 65,305   |  |
|          | Commodity contracts  | 99,926    | 3,041     | 2,937    | 90,732    | 3,456    | 3,590    |  |
|          | Equity contracts   | 78,950    | 5,163     | 5,484    | 71,958    | 3,783    | 4,114    |  |
|          | Foreign exchange contracts   | 176,214   | 3,629     | 3,432    | 166,061   | 3,713    | 3,241    |  |
|          | Credit contracts - protection sold                                   | 20,558    | 302       | 1,776    | 26,455    | 315      | 2,623    |  |
|          | Credit contracts - protection purchased                              | 23,652    | 1,080     | 323      | 29,021    | 1,495    | 329      |  |
|          | Subtotal   |           | 62,282    | 65,423   |           | 76,379   | 79,202   |  |
|          | Total derivatives not designated as hedging instruments              |           | 64,527    | 67,344   |           | 76,832   | 80,088   |  |
|          | Total derivatives before netting                                     |           | 70,939    | 70,350   |           | 85,924   | 83,058   |  |
|          | <b>Netting (3)</b>   |           | (54,567)  | (61,375) |           | (62,108) | (71,116) |  |
|          | Total  |           | \$ 16,372 | 8,975    |           | 23,816   | 11,942   |  |

**Note 12: Derivatives (continued)**

(1) Notional amounts presented exclude \$2.7 billion at September 30, 2013, and \$4.7 billion at December 31, 2012, of certain derivatives that are combined for designation as a hedge on a single 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. The “Gross amounts recognized” in the following table include \$57.3 billion and \$63.0 billion of gross derivative assets and liabilities, respectively, at September 30, 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. The remaining gross derivative assets and liabilities of \$13.6 billion and \$7.4 billion, respectively, at September 30, 2013 and \$17.0 billion and \$7.3 billion, respectively, at December 31, 2012, include those with counterparties subject to master netting arrangements for which we have not assessed the enforceability because they are with counterparties where we do not currently have positions to offset, those subject to master netting arrangements where we have not been able to confirm the enforceability and those not subject to master netting arrangements. As such, we do not net derivative balances or collateral within the balance sheet for these counterparties.

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 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, using 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.

|                                       |    |        |               |              |           | Gross amounts    |             |                  |
|---------------------------------------|----|--------|---------------|--------------|-----------|------------------|-------------|------------------|
|                                       |    |        | Gross amounts |              |           | not offset in    |             |                  |
|                                       |    |        | offset in     | Net amounts  |           | consolidated     |             | Percent          |
|                                       |    |        | consolidated  | consolidated |           | balance sheet    |             | exchanged in     |
|                                       |    |        | Gross amounts | balance      | balance   | (Disclosure-only |             | over-the-counter |
|                                       |    |        | recognized    | sheet (1)    | sheet (2) | netting) (3)     | Net amounts | market (4)       |
| (in millions)                         |    |        |               |              |           |                  |             |                  |
| <b>September 30, 2013</b>             |    |        |               |              |           |                  |             |                  |
| <b>Derivative assets</b>              |    |        |               |              |           |                  |             |                  |
| Interest rate contracts               | \$ | 55,984 | (45,955)      | 10,029       | (963)     | 9,066            |             | 74 %             |
| Commodity contracts                   |    | 3,041  | (732)         | 2,309        | (67)      | 2,242            |             | 47               |
| Equity contracts                      |    | 5,436  | (2,736)       | 2,700        | (109)     | 2,591            |             | 88               |
| Foreign exchange contracts            |    | 5,096  | (4,002)       | 1,094        | (16)      | 1,078            |             | 100              |
| Credit contracts-protection sold      |    | 302    | (259)         | 43           | -         | 43               |             | 96               |
| Credit contracts-protection purchased |    | 1,080  | (883)         | 197          | (34)      | 163              |             | 100              |
| Total derivative assets               | \$ | 70,939 | (54,567)      | 16,372       | (1,189)   | 15,183           |             |                  |
| <b>Derivative liabilities</b>         |    |        |               |              |           |                  |             |                  |
| Interest rate contracts               | \$ | 55,314 | (52,268)      | 3,046        | (192)     | 2,854            |             | 73 %             |
| Commodity contracts                   |    | 2,937  | (1,153)       | 1,784        | -         | 1,784            |             | 75               |
| Equity contracts                      |    | 5,638  | (2,995)       | 2,643        | (134)     | 2,509            |             | 94               |
| Foreign exchange contracts            |    | 4,336  | (2,988)       | 1,348        | -         | 1,348            |             | 100              |

|                        |  |           |               |                 |               |                |               |     |   |
|------------------------|--|-----------|---------------|-----------------|---------------|----------------|---------------|-----|---|
|                        | <b>Credit contracts-protection sold</b>      |           | 1,776         | (1,688)         | 88            | -              | 88            | 100 |   |
|                        | <b>Credit contracts-protection purchased</b> |           | 325           | (283)           | 42            | -              | 42            | 92  |   |
|                        | <b>Other contracts</b>                       |           | 24            | -               | 24            | -              | 24            | 100 |   |
|                        | <b>Total derivative liabilities</b>          | <b>\$</b> | <b>70,350</b> | <b>(61,375)</b> | <b>8,975</b>  | <b>(326)</b>   | <b>8,649</b>  |     |   |
| December 31, 2012      |  |           |               |                 |               |                |               |     |   |
| Derivative assets      |  |           |               |                 |               |                |               |     |   |
|                        | Interest rate contracts                      | <b>\$</b> | 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 |   |
|                        | <b>Total derivative assets</b>               | <b>\$</b> | <b>85,924</b> | <b>(62,108)</b> | <b>23,816</b> | <b>(2,884)</b> | <b>20,932</b> |     |   |
| Derivative liabilities |  |           |               |                 |               |                |               |     |   |
|                        | Interest rate contracts                      | <b>\$</b> | 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                                       |           | 329           | (291)           | 38            | -              | 38            | 100 |   |

|     |   |           |          |        |       |        |     |  |
|-----|---|-----------|----------|--------|-------|--------|-----|--|
|     | contracts-protection<br>purchased   |           |          |        |       |        |     |  |
|     | Other<br>contracts  | 78        | -        | 78     | -     | 78     | 100 |  |
|     | Total<br>derivative<br>liabilities  | \$ 83,058 | (71,116) | 11,942 | (342) | 11,600 |     |  |
| (1) | 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 \$293 million and \$352 million related to derivative assets and \$81 million and \$68 million related to derivative liabilities as of September 30, 2013, and December 31, 2012, respectively. Cash collateral totaled \$4.9 billion and \$12.0 billion, netted against derivative assets and liabilities, respectively, at September 30, 2013, and \$5.0 billion and \$14.5 billion, respectively, at December 31, 2012. |           |          |        |       |        |     |  |
| (2) | Net derivative assets of \$13.4 billion and \$18.3 billion are classified in Trading assets as of September 30, 2013, and December 31, 2012, respectively. \$3.0 billion and \$5.5 billion are classified in Other assets in the consolidated balance sheet as of September 30, 2013, and December 31, 2012, respectively. Net derivative liabilities are classified in Accrued expenses and other liabilities in the consolidated balance sheet.   |           |          |        |       |        |     |  |
| (3) | 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.  |           |          |        |       |        |     |  |
| (4) | 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.   |           |          |        |       |        |     |  |

**Note 12: Derivatives (continued)****Fair Value Hedges**

We use interest rate swaps to convert certain of our fixed-rate long-term debt 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.

|  |  |  |  |  |            |           |           |            |           | Total net |
|--|--|--|--|--|------------|-----------|-----------|------------|-----------|-----------|
|  |  |  |  |  |            |           |           |            |           | gains     |
|  |  |  |  |  |            |           |           |            |           | (losses)  |
|  |  |  |  |  | Securities | Mortgages |           | Securities |           | on fair   |
|  |  |  |  |  | available  | held for  | Long-term | available  | Long-term | value     |
| (in millions)  |  |  |  |  | for sale   | sale      | debt      | for sale   | debt      | hedges    |
| <b>Quarter ended September 30, 2013</b>                        |  |  |  |  |            |           |           |            |           |           |
| <b>Net interest income (expense) recognized on derivatives</b> |  |  |  |  |            |           |           |            |           |           |
|  |  |  |  |  | \$ (155)   | (10)      | 413       | (2)        | 69        | 315       |
| <b>Gains (losses) recorded in noninterest income</b>           |  |  |  |  |            |           |           |            |           |           |
|  |  |  |  |  | 165        | 45        | (406)     | (273)      | 687       | 218       |
|  |  |  |  |  | (174)      | (42)      | 349       | 271        | (678)     | (274)     |



|   |  |  |    |         |      |         |       |       |         |
|---|--|--|----|---------|------|---------|-------|-------|---------|
|   |  | <b>Net recognized on fair value hedges (ineffective portion) (1)</b> |    |         |      |         |       |       |         |
|   |  |  | \$ | (9)     | 3    | (57)    | (2)   | 9     | (56)    |
| Quarter ended September 30, 2012              |  |  |    |         |      |         |       |       |         |
|   |  | Net interest income (expense) recognized on derivatives              | \$ | (115)   | -    | 415     | -     | 55    | 355     |
| Gains (losses) recorded in noninterest income |  |  |    |         |      |         |       |       |         |
|   |  | Recognized on derivatives  |    | (19)    | (7)  | (67)    | (115) | 502   | 294     |
|   |  | Recognized on hedged item  |    | 24      | 4    | 26      | 130   | (515) | (331)   |
|   |  | Net recognized on fair value hedges (ineffective portion) (1)        | \$ | 5       | (3)  | (41)    | 15    | (13)  | (37)    |
| Nine months ended September 30, 2013          |  |  |    |         |      |         |       |       |         |
|   |  | Net interest income (expense) recognized on derivatives              | \$ | (416)   | (7)  | 1,205   | (4)   | 206   | 984     |
| Gains (losses) recorded in noninterest income |  |  |    |         |      |         |       |       |         |
|   |  | Recognized on derivatives  |    | 1,368   | 36   | (2,800) | 39    | (693) | (2,050) |
|   |  | Recognized on hedged item  |    | (1,352) | (43) | 2,613   | (32)  | 650   | 1,836   |
|   |  | Net recognized on fair value hedges (ineffective portion) (1)        | \$ | 16      | (7)  | (187)   | 7     | (43)  | (214)   |
| Nine months ended September 30, 2012          |  |  |    |         |      |         |       |       |         |
|   |  | Net interest income (expense) recognized on derivatives              | \$ | (340)   | 1    | 1,281   | (4)   | 186   | 1,124   |
| Gains (losses) recorded in noninterest income |  |  |    |         |      |         |       |       |         |
|   |  | Recognized on derivatives  |    | (229)   | (13) | 267     | 71    | 351   | 447     |
|   |  | Recognized on hedged item  |    | 222     | 6    | (186)   | (32)  | (393) | (383)   |
|   |  | Net recognized on fair value hedges (ineffective portion) (1)        | \$ | (7)     | (7)  | 81      | 39    | (42)  | 64      |

(1) The third quarter and first nine months of 2013 included \$(1) million and \$(5) million, respectively, and the third quarter and first nine months of 2012 included \$(3) million and \$(5) million, respectively, of the time value component recognized as net interest income (expense) on forward derivatives hedging foreign currency long-term debt that were excluded from the assessment of hedge effectiveness.



## 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, noninterest income 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 \$238 million (pre tax) of deferred net gains on derivatives in OCI at September 30, 2013, will be reclassified into net interest income 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 (losses) recognized related to derivatives in cash flow hedging relationships.

|   |    |     |     |  |  | Quarter             | Nine months         |
|---|----|-----|-----|--|--|---------------------|---------------------|
|   |    |     |     |  |  | ended September 30, | ended September 30, |
| (in millions)   |    |     |     |  |  | 2013                | 2012                |
| Gains (losses) (pre tax) recognized in OCI on derivatives                               | \$ | (7) | 24  |  |  | (10)                | 63                  |
| Gains (pre tax) reclassified from cumulative OCI into net income (1)                    |    | 69  | 89  |  |  | 225                 | 295                 |
| Gains (losses) (pre tax) recognized in noninterest income for hedge ineffectiveness (2) |    | (1) | (1) |  |  | -                   | (2)                 |
|   |    |     |     |  |  |                     |                     |
|   |    |     |     |  |  |                     |                     |

(1) See Note 17 for detail on components of net income.

(2) None of the change in value of the derivatives was excluded from the assessment of hedge effectiveness.

## 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 gains of \$239 million and net losses of \$2.2 billion in third quarter 2013 and first nine months of 2013, respectively and net derivative gains of \$1.6 billion and \$3.7 billion in third quarter 2012 and first nine months of 2012, respectively, which are included in mortgage banking noninterest income. The aggregate fair value of these derivatives was a net asset of \$1.3 billion at September 30, 2013 and a net asset of \$87 million at December 31, 2012. 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 \$222 million and \$497 million at September 30, 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 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

**Note 12: Derivatives (continued)**

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         |         | Nine months     |         |
|--|----------------------|-----------------|---------|-----------------|---------|
|  |                      | ended Sept. 30, |         | ended Sept. 30, |         |
| (in millions)  |                      | 2013            | 2012    | 2013            | 2012    |
| <b>Net gains (losses) recognized on free-standing derivatives (economic hedges):</b>                         |                      |                 |         |                 |         |
| Interest rate contracts  |                      |                 |         |                 |         |
| Recognized in noninterest income:  |                      |                 |         |                 |         |
|  | Mortgage banking (1) | \$ 109          | (1,356) | 1,837           | (2,182) |
|  | Other (2)            | (3)             | (7)     | 95              | (40)    |
| Equity contracts (3)   |                      |                 |         |                 |         |
|  |                      | (50)            | -       | (88)            | 1       |
| Foreign exchange contracts (2)   |                      |                 |         |                 |         |
|  |                      | (227)           | (37)    | (207)           | (38)    |
| Credit contracts (2)   |                      |                 |         |                 |         |
|  |                      | -               | (3)     | (6)             | (13)    |
|  | Subtotal             | (171)           | (1,403) | 1,631           | (2,272) |
| <b>Net gains (losses) recognized on customer accommodation, trading and other free-standing derivatives:</b> |                      |                 |         |                 |         |
| Interest rate contracts  |                      |                 |         |                 |         |
| Recognized in noninterest income:  |                      |                 |         |                 |         |
|  | Mortgage banking (4) | 210             | 2,794   | (696)           | 6,336   |
|  | Other (5)            | (13)            | 136     | 568             | 466     |
| Commodity contracts (5)  |                      |                 |         |                 |         |
|  |                      | 52              | (72)    | 276             | (116)   |
| Equity contracts (5)   |                      |                 |         |                 |         |
|  |                      | (153)           | 99      | (410)           | 20      |
| Foreign exchange contracts (5)   |                      |                 |         |                 |         |
|  |                      | 69              | 131     | 484             | 380     |
| Credit contracts (5)   |                      |                 |         |                 |         |
|  |                      | (11)            | (29)    | (31)            | (18)    |
|  | Subtotal             | 154             | 3,059   | 191             | 7,068   |
| Net gains recognized related to derivatives not designated as hedging instruments                            |                      |                 |         |                 |         |
|  |                      | \$ (17)         | 1,656   | 1,822           | 4,796   |

(1) Predominantly mortgage banking noninterest income including gains (losses) on the derivatives used as economic hedges of MSR's 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.

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## 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.

The following table provides details of sold and purchased credit derivatives.

|                                 |  | Notional amount |            |            |                 |           |            |            |           |
|---------------------------------|--|-----------------|------------|------------|-----------------|-----------|------------|------------|-----------|
|                                 |  |                 | Protection |            | Protection      |           | Net        |            |           |
|                                 |  |                 | non-       |            | with            |           | protection | Other      |           |
|                                 |  | Fair value      | Protection | investment | identical       | sold      | protection | Range of   |           |
| (in millions)                   |  | liability       | sold (A)   | grade      | underlyings (B) | (A) - (B) | purchased  | maturities |           |
| <b>September 30, 2013</b>       |  |                 |            |            |                 |           |            |            |           |
| <b>Credit default swaps on:</b> |  |                 |            |            |                 |           |            |            |           |
|                                 | <b>Corporate bonds</b>                             | \$ 69           | 11,355     | 5,953      |                 | 6,120     | 5,235      | 6,759      | 2013-2021 |
|                                 | <b>Structured products</b>                         | 1,254           | 1,753      | 1,419      |                 | 753       | 1,000      | 356        | 2016-2056 |
| <b>Credit protection on:</b>    |  |                 |            |            |                 |           |            |            |           |
|                                 | <b>Default swap index</b>                          | 1               | 3,064      | 303        |                 | 2,871     | 193        | 618        | 2014-2018 |
|                                 | <b>Commercial mortgage-backed securities index</b> | 401             | 1,149      | 214        |                 | 570       | 579        | 618        | 2049-2052 |
|                                 | <b>Asset-backed securities index</b>               | 50              | 57         | 57         |                 | 3         | 54         | 88         | 2037-2046 |
|                                 | <b>Other</b>                                       | 1               | 3,180      | 3,167      |                 | 13        | 3,167      | 4,883      | 2013-2056 |
|                                 | <b>Total credit derivatives</b>                    | \$ 1,776        | 20,558     | 11,113     |                 | 10,330    | 10,228     | 13,322     |           |

|                          |   |    |       |        |        |        |        |        |           |
|--------------------------|---|----|-------|--------|--------|--------|--------|--------|-----------|
| 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.



**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 \$15.3 billion at September 30, 2013, and \$16.2 billion at December 31, 2012, respectively, for which we posted \$12.3 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 September 30, 2013, or December 31, 2012, we would have been required to post additional collateral of \$3.1 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. We incorporate credit valuation adjustments (“CVA”) to reflect counterparty credit risk in determining the fair value of our derivatives. Such adjustments, which consider the effects of enforceable master netting agreements and collateral arrangements, reflect market-based views of the credit quality of each counterparty. Our CVA calculation is determined based on observed credit spreads in the credit default swap market and indices indicative of the credit quality of the counterparties to our derivatives.

**Note 13: Fair Values of Assets and Liabilities**

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We use fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Assets and liabilities recorded at fair value on a recurring basis are presented in the recurring table in this Note. 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. 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.

**Fair Value Hierarchy** We group our assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

**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;



**Note 13: Fair Values of Assets and Liabilities (continued)**

- 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
- 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.

| (in millions)  | Brokers |         |         | Third party pricing services |         |         |
|--|---------|---------|---------|------------------------------|---------|---------|
|  | Level 1 | Level 2 | Level 3 | Level 1                      | Level 2 | Level 3 |
| <b>September 30, 2013</b>                            |         |         |         |                              |         |         |
| <b>Trading assets (excluding derivatives)</b>        | \$ -    | 311     | 6       | 1,540                        | 918     | -       |
| <b>Securities available for sale:</b>                |         |         |         |                              |         |         |
| Securities of U.S. Treasury and federal agencies     | -       | -       | -       | 566                          | 5,840   | -       |
| Securities of U.S. states and political subdivisions | -       | -       | -       | -                            | 38,584  | 63      |
| Mortgage-backed securities                           | -       | 1,491   | 1       | -                            | 149,424 | 273     |
| Other debt securities (1)                            | -       | 15,476  | 3,065   | -                            | 27,827  | 70      |
| <b>Total debt securities</b>                         | -       | 16,967  | 3,066   | 566                          | 221,675 | 406     |
| <b>Total marketable equity securities</b>            | -       | -       | -       | 8                            | 625     | -       |
| <b>Total securities available for sale</b>           | -       | 16,967  | 3,066   | 574                          | 222,300 | 406     |
| <b>Derivatives (trading and other assets)</b>        | -       | 5       | -       | -                            | 481     | 2       |
| <b>Derivatives (liabilities)</b>                     | -       | (18)    | -       | -                            | (486)   | -       |
| <b>Other liabilities</b>                             | -       | (140)   | -       | -                            | (49)    | -       |

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|   |  |  |  |  |  |    |   |       |        |  |       |         |     |  |  |  |  |  |  |
|---|--|--|--|--|--|----|---|-------|--------|--|-------|---------|-----|--|--|--|--|--|--|
|   |  |  |  |  |  |    |   |       |        |  |       |         |     |  |  |  |  |  |  |
| 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)   |  |  |  |  |  |    | - | 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)   | -   |  |  |  |  |  |  |
|   |  |  |  |  |  |    |   |       |        |  |       |         |     |  |  |  |  |  |  |
|   |  |  |  |  |  |    |   |       |        |  |       |         |     |  |  |  |  |  |  |
| (1) Includes corporate debt securities, collateralized loan and other debt obligations, asset-backed securities, and other debt securities. |  |  |  |  |  |    |   |       |        |  |       |         |     |  |  |  |  |  |  |
|   |  |  |  |  |  |    |   |       |        |  |       |         |     |  |  |  |  |  |  |

## 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   |
|--|----|---------|---------|-----------|---------|---------|
| <b>September 30, 2013</b>                            |    |         |         |           |         |         |
| <b>Trading assets (excluding derivatives)</b>        |    |         |         |           |         |         |
| Securities of U.S. Treasury and federal agencies     | \$ | 8,443   | 4,319   | -         | -       | 12,762  |
| Securities of U.S. states and political subdivisions |    | -       | 2,252   | 39        | -       | 2,291   |
| Collateralized loan and other debt obligations (1)   |    | -       | 217     | 543       | -       | 760     |
| Corporate debt securities                            |    | -       | 8,052   | 36        | -       | 8,088   |
| Mortgage-backed securities                           |    | -       | 12,623  | 1         | -       | 12,624  |
| Asset-backed securities                              |    | 3       | 768     | 100       | -       | 871     |
| Equity securities                                    |    | 4,521   | 76      | -         | -       | 4,597   |
| Total trading securities(2)                          |    | 12,967  | 28,307  | 719       | -       | 41,993  |
| Other trading assets                                 |    | 2,478   | 2,306   | 60        | -       | 4,844   |
| Total trading assets (excluding derivatives)         |    | 15,445  | 30,613  | 779       | -       | 46,837  |
| Securities of U.S. Treasury and federal agencies     |    | 566     | 5,840   | -         | -       | 6,406   |
| Securities of U.S. states and political subdivisions |    | -       | 38,650  | 3,643 (3) | -       | 42,293  |
| <b>Mortgage-backed securities:</b>                   |    |         |         |           |         |         |
| Federal agencies                                     |    | -       | 118,963 | -         | -       | 118,963 |
| Residential  |    | -       | 13,436  | 88        | -       | 13,524  |
| Commercial   |    | -       | 18,617  | 188       | -       | 18,805  |
| Total mortgage-backed securities                     |    | -       | 151,016 | 276       | -       | 151,292 |
| Corporate debt securities                            |    | 113     | 20,851  | 234       | -       | 21,198  |
| Collateralized loan and other debt obligations(4)    |    | -       | 14,390  | 3,386 (3) | -       | 17,776  |
| <b>Asset-backed securities:</b>                      |    |         |         |           |         |         |
| Auto loans and leases                                |    | -       | 17      | 5,174 (3) | -       | 5,191   |
| Home equity loans                                    |    | -       | 831     | -         | -       | 831     |
| Other asset-backed securities                        |    | -       | 6,870   | 3,211 (3) | -       | 10,081  |
| Total asset-backed securities                        |    | -       | 7,718   | 8,385     | -       | 16,103  |
| Other debt securities                                |    | -       | 751     | -         | -       | 751     |
| Total debt securities                                |    | 679     | 239,216 | 15,924    | -       | 255,819 |
| <b>Marketable equity securities:</b>                 |    |         |         |           |         |         |
| Perpetual preferred securities (5)                   |    | 536     | 622     | 740 (3)   | -       | 1,898   |

|  |  |  |   |  |            |          |         |              |          |
|--|--|--|---|--|------------|----------|---------|--------------|----------|
|  |  |  | <b>Other marketable equity securities</b>                   |  | 1,672      | 10       | -       | -            | 1,682    |
|  |  |  | <b>Total marketable equity securities</b>                   |  | 2,208      | 632      | 740     | -            | 3,580    |
|  |  |  | <b>Total securities available for sale</b>                  |  | 2,887      | 239,848  | 16,664  | -            | 259,399  |
|  |  |  | <b>Mortgages held for sale</b>                              |  | -          | 20,776   | 2,433   | -            | 23,209   |
|  |  |  | <b>Loans held for sale</b>                                  |  | -          | 2        | -       | -            | 2        |
|  |  |  | <b>Loans</b>  |  | -          | 246      | 5,805   | -            | 6,051    |
|  |  |  | <b>Mortgage servicing rights (residential)</b>              |  | -          | -        | 14,501  | -            | 14,501   |
|  |  |  | <b>Derivative assets:</b>                                   |  |            |          |         |              |          |
|  |  |  | <b>Interest rate contracts</b>                              |  | 33         | 55,363   | 588     | -            | 55,984   |
|  |  |  | <b>Commodity contracts</b>                                  |  | -          | 3,018    | 23      | -            | 3,041    |
|  |  |  | <b>Equity contracts</b>                                     |  | 648        | 3,580    | 1,208   | -            | 5,436    |
|  |  |  | <b>Foreign exchange contracts</b>                           |  | 30         | 5,061    | 5       | -            | 5,096    |
|  |  |  | <b>Credit contracts</b>                                     |  | -          | 819      | 563     | -            | 1,382    |
|  |  |  | <b>Other derivative contracts</b>                           |  | -          | -        | -       | -            | -        |
|  |  |  | <b>Netting</b>  |  | -          | -        | -       | (54,567) (6) | (54,567) |
|  |  |  | <b>Total derivative assets (7)</b>                          |  | 711        | 67,841   | 2,387   | (54,567)     | 16,372   |
|  |  |  | <b>Other assets</b>   |  | 50         | 4        | 1,038   | -            | 1,092    |
|  |  |  | <b>Total assets recorded at fair value</b>                  |  | \$ 19,093  | 359,330  | 43,607  | (54,567)     | 367,463  |
|  |  |  | <b>Derivative liabilities:</b>                              |  |            |          |         |              |          |
|  |  |  | <b>Interest rate contracts</b>                              |  | \$ (47)    | (54,933) | (334)   | -            | (55,314) |
|  |  |  | <b>Commodity contracts</b>                                  |  | -          | (2,918)  | (19)    | -            | (2,937)  |
|  |  |  | <b>Equity contracts</b>                                     |  | (332)      | (4,173)  | (1,133) | -            | (5,638)  |
|  |  |  | <b>Foreign exchange contracts</b>                           |  | (29)       | (4,306)  | (1)     | -            | (4,336)  |
|  |  |  | <b>Credit contracts</b>                                     |  | -          | (842)    | (1,259) | -            | (2,101)  |
|  |  |  | <b>Other derivative contracts</b>                           |  | -          | -        | (24)    | -            | (24)     |
|  |  |  | <b>Netting</b>  |  | -          | -        | -       | 61,375 (6)   | 61,375   |
|  |  |  | <b>Total derivative liabilities (7)</b>                     |  | (408)      | (67,172) | (2,770) | 61,375       | (8,975)  |
|  |  |  | <b>Short sale liabilities:</b>                              |  |            |          |         |              |          |
|  |  |  | <b>Securities of U.S. Treasury and federal agencies</b>     |  | (6,284)    | (1,934)  | -       | -            | (8,218)  |
|  |  |  | <b>Securities of U.S. states and political subdivisions</b> |  | -          | (18)     | -       | -            | (18)     |
|  |  |  | <b>Corporate debt securities</b>                            |  | -          | (4,556)  | -       | -            | (4,556)  |
|  |  |  | <b>Equity securities</b>                                    |  | (1,728)    | (25)     | -       | -            | (1,753)  |
|  |  |  | <b>Other securities</b>                                     |  | -          | (42)     | -       | -            | (42)     |
|  |  |  | <b>Total short sale liabilities</b>                         |  | (8,012)    | (6,575)  | -       | -            | (14,587) |
|  |  |  | <b>Other liabilities</b>                                    |  | -          | -        | (41)    | -            | (41)     |
|  |  |  | <b>Total liabilities recorded at fair value</b>             |  | \$ (8,420) | (73,747) | (2,811) | 61,375       | (23,603) |

(1) Includes collateralized debt obligations of \$5 million.



(2) Net gains (losses) from trading activities recognized in the income statement for the nine months ended September 30, 2013 and 2012, include \$(215) million and \$464 million in net unrealized gains (losses) on trading securities held at September 30, 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 \$700 million.

(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)*

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**Note 13: Fair Values of Assets and Liabilities (continued)**

| <i>(continued from previous page)</i>  |  |  |    |        |         |        |         |         |         |   |         |         |       |
|--|--|--|----|--------|---------|--------|---------|---------|---------|---|---------|---------|-------|
| (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 loan 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:                        |  |    |        |         |        |         |         |         |   |         |         |       |

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|  |  |  |            |          |         |          |     |          |
|--|--|--|------------|----------|---------|----------|-----|----------|
|  | 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.

(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.

(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.

**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.

Transfers into and out of Level 1, Level 2, and Level 3 for the periods presented 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 |   |
| <b>Quarter ended September 30, 2013</b>          |    |         |     |         |         |             |         |       |   |
| <b>Trading securities</b>                        | \$ | -       | (1) | 15      | (14)    | 15          | (15)    | -     | - |
| <b>Securities available for sale</b>             |    | -       | -   | 12      | (77)    | 77          | (12)    | -     | - |
| <b>Mortgages held for sale</b>                   |    | -       | -   | 177     | (77)    | 77          | (177)   | -     | - |
| <b>Loans</b>                                     |    | -       | -   | 48      | -       | -           | (48)    | -     | - |
| <b>Net derivative assets and liabilities (2)</b> |    | -       | -   | (188)   | 32      | (32)        | 188     | -     | - |
| <b>Short sale liabilities</b>                    |    | -       | -   | -       | -       | -           | -       | -     | - |
| <b>Total transfers</b>                           | \$ | -       | (1) | 64      | (136)   | 137         | (64)    | -     | - |
| <b>Quarter ended September 30, 2012</b>          |    |         |     |         |         |             |         |       |   |
| <b>Trading securities</b>                        | \$ | 23      | -   | 6       | (23)    | -           | (6)     | -     | - |
| <b>Securities available for sale (3)</b>         |    | -       | -   | 5,417   | (16)    | 16          | (5,417) | -     | - |
| <b>Mortgages held for sale</b>                   |    | -       | -   | 79      | (127)   | 127         | (79)    | -     | - |
| <b>Loans (4)</b>                                 |    | -       | -   | -       | (5,851) | 5,851       | -       | -     | - |
| <b>Net derivative assets and liabilities</b>     |    | -       | -   | 84      | -       | -           | (84)    | -     | - |
| <b>Short sale liabilities</b>                    |    | (29)    | -   | -       | 29      | -           | -       | -     | - |
| <b>Total transfers</b>                           | \$ | (6)     | -   | 5,586   | (5,988) | 5,994       | (5,586) | -     | - |

| Nine months ended<br>September 30, 2013 |    |      |       |  |        |         |  |       |          |   |
|---|----|------|-------|--|--------|---------|--|-------|----------|---|
|   | \$ |      |       |  |        |         |  |       |          |   |
| Trading securities (5)                  |    | -    | (247) |  | 483    | (40)    |  | 41    | (237)    | - |
| Securities available for sale (5)       |    | 17   | -     |  | 10,853 | (94)    |  | 77    | (10,853) | - |
| Mortgages held for sale                 |    | -    | -     |  | 316    | (255)   |  | 255   | (316)    | - |
| Loans                                   |    | -    | -     |  | 154    | -       |  | -     | (154)    | - |
| Net derivative assets and liabilities   |    | -    | -     |  | (139)  | 32      |  | (32)  | 139      | - |
| Short sale liabilities                  |    | -    | -     |  | -      | -       |  | -     | -        | - |
|   | \$ |      |       |  |        |         |  |       |          |   |
| Total transfers                         |    | 17   | (247) |  | 11,667 | (357)   |  | 341   | (11,421) | - |
| Nine months ended September 30, 2012    |    |      |       |  |        |         |  |       |          |   |
|   | \$ |      |       |  |        |         |  |       |          |   |
| Trading securities                      |    | 23   | -     |  | 16     | (37)    |  | 14    | (16)     | - |
| Securities available for sale (3)       |    | -    | -     |  | 9,453  | (73)    |  | 73    | (9,453)  | - |
| Mortgages held for sale                 |    | -    | -     |  | 229    | (298)   |  | 298   | (229)    | - |
| Loans (4)                               |    | -    | -     |  | -      | (5,851) |  | 5,851 | -        | - |
| Net derivative assets and liabilities   |    | -    | -     |  | 97     | 8       |  | (8)   | (97)     | - |
| Short sale liabilities                  |    | (29) | -     |  | -      | 29      |  | -     | -        | - |
|   | \$ |      |       |  |        |         |  |       |          |   |
| Total transfers                         |    | (6)  | -     |  | 9,795  | (6,222) |  | 6,228 | (9,795)  | - |

(1) All transfers in and out of Level 3 are disclosed within the recurring Level 3 rollforward table in this Note.

(2) Consists of net derivative liabilities that were transferred from Level 3 to Level 2 due to increased observable market data. Also includes net derivative liabilities that were transferred from Level 2 to Level 3 in conjunction with a change in our valuation technique from an internal model with significant observable inputs to an internal model with significant unobservable inputs.

(3) Includes \$5.2 billion and \$9.1 billion of securities of U.S. states and political subdivisions that we transferred from Level 3 to Level 2 in third quarter and first nine months of 2012, respectively, as a result of increased observable market data in the valuation of such instruments. This transfer was done in conjunction with a change in our valuation technique from an internal model based upon unobservable inputs to third party vendor pricing based upon market observable data.

(4) Consists of reverse mortgage loans securitized with GNMA which were accounted for as secured borrowing transactions. We transferred the loans from Level 2 to Level 3 in third quarter 2012 due to decreased market activity and visibility to significant trades of the same or similar products. As a result, we changed our valuation technique from an internal model based on market observable data to an internal discounted cash flow model based on unobservable inputs.

(5) 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 in first quarter 2013 as a result of increased observable market data in the valuation of such instruments.

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**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 September 30, 2013, are summarized as follows:

|   | (in millions) | Balance, beginning of period | Net income | Other comprehensive income | Total net gains (losses) included in | Purchases, sales, and issuances | 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 |
|---|---------------|------------------------------|------------|----------------------------|--------------------------------------|---------------------------------|------------------------|--------------------------|------------------------|---|
|   |               |                              |            |                            |                                      |                                 |                        |                          |                        |   |
| <b>Quarter ended September 30, 2013</b>                     |               |                              |            |                            |                                      |                                 |                        |                          |                        |   |
| <b>Trading assets</b>                                       |               |                              |            |                            |                                      |                                 |                        |                          |                        |   |
| <b>(excluding derivatives):</b>                             |               |                              |            |                            |                                      |                                 |                        |                          |                        |   |
| <b>Securities of U.S. states and political subdivisions</b> |               |                              |            |                            |                                      |                                 |                        |                          |                        |   |
|   | \$            | 40                           | -          | -                          | (1)                                  | -                               | -                      | -                        | 39                     | -   |
| <b>Collateralized loan and other debt obligations</b>       |               |                              |            |                            |                                      |                                 |                        |                          |                        |   |
|   |               | 495                          | 10         | -                          | 38                                   | -                               | -                      | -                        | 543                    | 7   |
| <b>Corporate debt securities</b>                            |               |                              |            |                            |                                      |                                 |                        |                          |                        |   |
|   |               | 14                           | 2          | -                          | 5                                    | 15                              | -                      | -                        | 36                     | 1   |
| <b>Mortgage-backed securities</b>                           |               |                              |            |                            |                                      |                                 |                        |                          |                        |   |
|   |               | 9                            | -          | -                          | 7                                    | -                               | (15)                   | -                        | 1                      | -   |
| <b>Asset-backed securities</b>                              |               |                              |            |                            |                                      |                                 |                        |                          |                        |   |
|   |               | 109                          | 10         | -                          | (19)                                 | -                               | -                      | -                        | 100                    | 20  |
| <b>Equity securities</b>                                    |               |                              |            |                            |                                      |                                 |                        |                          |                        |   |
|   |               | -                            | -          | -                          | -                                    | -                               | -                      | -                        | -                      | -   |
| <b>Total trading securities</b>                             |               |                              |            |                            |                                      |                                 |                        |                          |                        |   |
|   |               | 667                          | 22         | -                          | 30                                   | 15                              | (15)                   | -                        | 719                    | 28  |
|   |               | 63                           | (3)        | -                          | -                                    | -                               | -                      | -                        | 60                     | (1)   |



|  |  |        |     |      |       |    |      |        |     |  |
|--|--|--------|-----|------|-------|----|------|--------|-----|--|
| Other trading assets                                 |  |        |     |      |       |    |      |        |     |  |
| Total trading assets                                 |  |        |     |      |       |    |      |        |     |  |
| (excluding derivatives)                              |  | 730    | 19  | -    | 30    | 15 | (15) | 779    | 27  |  |
| Securities available for sale:                       |  |        |     |      |       |    |      |        |     |  |
| Securities of U.S. states and political subdivisions |  | 3,759  | 3   | 1    | (162) | 53 | (11) | 3,643  | -   |  |
| Mortgage-backed securities:                          |  |        |     |      |       |    |      |        |     |  |
| Residential  |  | 98     | 8   | (2)  | (16)  | -  | -    | 88     | -   |  |
| Commercial   |  | 194    | (2) | 3    | (6)   | -  | (1)  | 188    | (2) |  |
| Total mortgage-backed securities                     |  | 292    | 6   | 1    | (22)  | -  | (1)  | 276    | (2) |  |
| Corporate debt securities                            |  | 243    | 2   | (9)  | (2)   | -  | -    | 234    | -   |  |
| Collateralized loan and other debt obligations       |  | 3,227  | (2) | 16   | 145   | -  | -    | 3,386  | -   |  |
| Asset-backed securities:                             |  |        |     |      |       |    |      |        |     |  |
| Auto loans and leases                                |  | 4,872  | 1   | (3)  | 304   | -  | -    | 5,174  | -   |  |
| Home equity loans                                    |  | -      | -   | -    | -     | -  | -    | -      | -   |  |
| Other asset-backed securities                        |  | 2,948  | 2   | 29   | 208   | 24 | -    | 3,211  | -   |  |
| Total asset-backed securities                        |  | 7,820  | 3   | 26   | 512   | 24 | -    | 8,385  | -   |  |
| Total debt securities                                |  | 15,341 | 12  | 35   | 471   | 77 | (12) | 15,924 | (2) |  |
| Marketable equity securities:                        |  |        |     |      |       |    |      |        |     |  |
| Perpetual preferred securities                       |  | 788    | 3   | (36) | (15)  | -  | -    | 740    | -   |  |
| Other marketable equity securities                   |  | -      | -   | -    | -     | -  | -    | -      | -   |  |
| Total marketable                                     |  |        |     |      |       |    |      |        |     |  |

|  |  |  |  |  |  |   |         |       |      |       |      |       |        |       |
|--|--|--|--|--|--|---|---------|-------|------|-------|------|-------|--------|-------|
|  |  |  |  |  |  | equity securities                         | 788     | 3     | (36) | (15)  | -    | -     | 740    | -     |
|  |  |  |  |  |  | Total securities                          |         |       |      |       |      |       |        |       |
|  |  |  |  |  |  | available for sale                        | 16,129  | 15    | (1)  | 456   | 77   | (12)  | 16,664 | (2)   |
|  |  |  |  |  |  | Mortgages held for sale                   | 2,641   | 4     | -    | (112) | 77   | (177) | 2,433  | 5     |
|  |  |  |  |  |  | Loans                                     | 5,860   | (17)  | -    | 10    | -    | (48)  | 5,805  | (13)  |
|  |  |  |  |  |  | Mortgage servicing rights                 | 14,185  | (638) | -    | 954   | -    | -     | 14,501 | (213) |
|  |  |  |  |  |  | Net derivative assets and liabilities:    |         |       |      |       |      |       |        |       |
|  |  |  |  |  |  | Interest rate contracts                   | (561)   | 224   | -    | 591   | -    | -     | 254    | 220   |
|  |  |  |  |  |  | Commodity contracts                       | (12)    | (4)   | -    | (24)  | (1)  | 45    | 4      | 10    |
|  |  |  |  |  |  | Equity contracts                          | 27      | (13)  | -    | (50)  | (32) | 143   | 75     | (7)   |
|  |  |  |  |  |  | Foreign exchange contracts                | (29)    | 32    | -    | -     | 1    | -     | 4      | 32    |
|  |  |  |  |  |  | Credit contracts                          | (799)   | (7)   | -    | 110   | -    | -     | (696)  | 11    |
|  |  |  |  |  |  | Other derivative contracts                | (36)    | 13    | -    | (1)   | -    | -     | (24)   | -     |
|  |  |  |  |  |  | Total derivative contracts                | (1,410) | 245   | -    | 626   | (32) | 188   | (383)  | 266   |
|  |  |  |  |  |  | Other assets                              | 731     | 52    | -    | 255   | -    | -     | 1,038  | (2)   |
|  |  |  |  |  |  | Short sale liabilities                    | -       | -     | -    | -     | -    | -     | -      | -     |
|  |  |  |  |  |  | Other liabilities (excluding derivatives) | (43)    | 12    | -    | (10)  | -    | -     | (41)   | 1     |
|  |  |  |  |  |  |   |         |       |      |       |      |       |        |       |
|  |  |  |  |  |  |   |         |       |      |       |      |       |        |       |

(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, equity investments and other noninterest income in the income statement.

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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 September 30, 2013.

| (in millions)   |   | Purchases    | Sales        | Issuances  | Settlements    | Net         |
|---|---|--------------|--------------|------------|----------------|-------------|
| <b>Quarter ended September 30, 2013</b>               |   |              |              |            |                |             |
| <b>Trading assets</b>                                 |   |              |              |            |                |             |
| <b>(excluding derivatives):</b>                       |   |              |              |            |                |             |
| <b>Securities of U.S. states and</b>                  |   |              |              |            |                |             |
|   | political subdivisions                  | \$ 2         | (3)          | -          | -              | (1)         |
| <b>Collateralized loan and other debt obligations</b> |   |              |              |            |                |             |
|   |   | 172          | (135)        | -          | 1              | 38          |
| <b>Corporate debt securities</b>                      |   |              |              |            |                |             |
|   |   | 5            | -            | -          | -              | 5           |
| <b>Mortgage-backed securities</b>                     |   |              |              |            |                |             |
|   |   | 425          | (418)        | -          | -              | 7           |
| <b>Asset-backed securities</b>                        |   |              |              |            |                |             |
|   |   | 2            | (9)          | -          | (12)           | (19)        |
| <b>Equity securities</b>                              |   |              |              |            |                |             |
|   |   | -            | -            | -          | -              | -           |
|   | <b>Total trading securities</b>         | <b>606</b>   | <b>(565)</b> | <b>-</b>   | <b>(11)</b>    | <b>30</b>   |
| <b>Other trading assets</b>                           |   |              |              |            |                |             |
|   |   | -            | -            | -          | -              | -           |
|   | <b>Total trading assets</b>             |              |              |            |                |             |
|   | <b>(excluding derivatives)</b>          | <b>606</b>   | <b>(565)</b> | <b>-</b>   | <b>(11)</b>    | <b>30</b>   |
| <b>Securities available for sale:</b>                 |   |              |              |            |                |             |
| <b>Securities of U.S. states and</b>                  |   |              |              |            |                |             |
|   | political subdivisions                  | -            | (1)          | 21         | (182)          | (162)       |
| <b>Mortgage-backed securities:</b>                    |   |              |              |            |                |             |
|   | Residential                             | -            | (16)         | -          | -              | (16)        |
|   | Commercial                              | -            | 1            | -          | (7)            | (6)         |
|   | <b>Total mortgage-backed securities</b> | <b>-</b>     | <b>(15)</b>  | <b>-</b>   | <b>(7)</b>     | <b>(22)</b> |
| <b>Corporate debt securities</b>                      |   |              |              |            |                |             |
|   |   | -            | -            | -          | (2)            | (2)         |
| <b>Collateralized loan and other debt obligations</b> |   |              |              |            |                |             |
|   |   | 216          | -            | -          | (71)           | 145         |
| <b>Asset-backed securities:</b>                       |   |              |              |            |                |             |
|   | Auto loans and leases                   | 750          | -            | 509        | (955)          | 304         |
|   | Home equity loans                       | -            | -            | -          | -              | -           |
|   | Other asset-backed securities           | 496          | -            | 173        | (461)          | 208         |
|   | <b>Total asset-backed securities</b>    | <b>1,246</b> | <b>-</b>     | <b>682</b> | <b>(1,416)</b> | <b>512</b>  |

|  |  |  |  |  |  |              |             |            |                |              |
|--|--|--|--|--|--|--------------|-------------|------------|----------------|--------------|
|  |  |  |  | <b>Total debt securities</b>                     |  | <b>1,462</b> | <b>(16)</b> | <b>703</b> | <b>(1,678)</b> | <b>471</b>   |
|  |  |  |  | <b>Marketable equity securities:</b>             |  |              |             |            |                |              |
|  |  |  |  | <b>Perpetual preferred securities</b>            |  | <b>-</b>     | <b>-</b>    | <b>-</b>   | <b>(15)</b>    | <b>(15)</b>  |
|  |  |  |  | <b>Other marketable equity securities</b>        |  | <b>-</b>     | <b>-</b>    | <b>-</b>   | <b>-</b>       | <b>-</b>     |
|  |  |  |  | <b>Total marketable</b>                          |  |              |             |            |                |              |
|  |  |  |  | <b>equity securities</b>                         |  | <b>-</b>     | <b>-</b>    | <b>-</b>   | <b>(15)</b>    | <b>(15)</b>  |
|  |  |  |  | <b>Total securities</b>                          |  |              |             |            |                |              |
|  |  |  |  | <b>available for sale</b>                        |  | <b>1,462</b> | <b>(16)</b> | <b>703</b> | <b>(1,693)</b> | <b>456</b>   |
|  |  |  |  | <b>Mortgages held for sale</b>                   |  | <b>55</b>    | <b>-</b>    | <b>-</b>   | <b>(167)</b>   | <b>(112)</b> |
|  |  |  |  | <b>Loans</b>                                     |  | <b>1</b>     | <b>-</b>    | <b>112</b> | <b>(103)</b>   | <b>10</b>    |
|  |  |  |  | <b>Mortgage servicing rights</b>                 |  | <b>-</b>     | <b>1</b>    | <b>953</b> | <b>-</b>       | <b>954</b>   |
|  |  |  |  | <b>Net derivative assets and liabilities:</b>    |  |              |             |            |                |              |
|  |  |  |  | <b>Interest rate contracts</b>                   |  | <b>-</b>     | <b>(9)</b>  | <b>-</b>   | <b>600</b>     | <b>591</b>   |
|  |  |  |  | <b>Commodity contracts</b>                       |  | <b>(2)</b>   | <b>2</b>    | <b>-</b>   | <b>(24)</b>    | <b>(24)</b>  |
|  |  |  |  | <b>Equity contracts</b>                          |  | <b>(269)</b> | <b>130</b>  | <b>-</b>   | <b>89</b>      | <b>(50)</b>  |
|  |  |  |  | <b>Foreign exchange contracts</b>                |  | <b>-</b>     | <b>-</b>    | <b>-</b>   | <b>-</b>       | <b>-</b>     |
|  |  |  |  | <b>Credit contracts</b>                          |  | <b>-</b>     | <b>(3)</b>  | <b>-</b>   | <b>113</b>     | <b>110</b>   |
|  |  |  |  | <b>Other derivative contracts</b>                |  | <b>-</b>     | <b>-</b>    | <b>-</b>   | <b>(1)</b>     | <b>(1)</b>   |
|  |  |  |  | <b>Total derivative contracts</b>                |  | <b>(271)</b> | <b>120</b>  | <b>-</b>   | <b>777</b>     | <b>626</b>   |
|  |  |  |  | <b>Other assets</b>                              |  | <b>263</b>   | <b>(1)</b>  | <b>-</b>   | <b>(7)</b>     | <b>255</b>   |
|  |  |  |  | <b>Short sale liabilities</b>                    |  | <b>-</b>     | <b>-</b>    | <b>-</b>   | <b>-</b>       | <b>-</b>     |
|  |  |  |  | <b>Other liabilities (excluding derivatives)</b> |  | <b>-</b>     | <b>-</b>    | <b>-</b>   | <b>(10)</b>    | <b>(10)</b>  |
|  |  |  |  |  |  |              |             |            |                |              |
|  |  |  |  |  |  |              |             |            |                |              |

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**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 September 30, 2012, are summarized as follows:

| (in millions)   | Balance,<br>beginning<br>of period | Net<br>income | compre-<br>hensive<br>income | Purchases,<br>sales,<br>and<br>issuances<br>and<br>settlements,<br>net (1) | Transfers<br>into<br>Level 3 | Transfers<br>out of<br>Level 3 | Balance,<br>end of<br>period | Net<br>unrealized<br>gains<br>(losses)<br>included in<br>income<br>related<br>to assets<br>and<br>liabilities<br>held<br>at period<br>end (2) |
|---|------------------------------------|---------------|------------------------------|--|------------------------------|--------------------------------|------------------------------|---|
|   |                                    |               |                              |  |                              |                                |                              |   |
| Quarter ended<br>September 30, 2012                           |                                    |               |                              |  |                              |                                |                              |   |
| Trading assets  |                                    |               |                              |  |                              |                                |                              |   |
| (excluding<br>derivatives):                                   |                                    |               |                              |  |                              |                                |                              |   |
| Securities of U.S.<br>states and<br>political<br>subdivisions | \$ 58                              | 2             | -                            | 1  | -                            | -                              | 61                           | -   |
| Collateralized loan<br>and other debt<br>obligations          | 1,273                              | (224)         | -                            | 26   | -                            | -                              | 1,075                        | (246)   |
| Corporate debt<br>securities                                  | 56                                 | -             | -                            | (14)   | -                            | -                              | 42                           | (2)   |
| Mortgage-backed<br>securities                                 | 93                                 | -             | -                            | (59)   | -                            | 10                             | 44                           | -   |
| Asset-backed<br>securities                                    | 179                                | 18            | -                            | (9)  | -                            | (16)                           | 172                          | 13  |
| Equity securities   | 3                                  | -             | -                            | -  | -                            | -                              | 3                            | -   |
| Total trading<br>securities                                   | 1,662                              | (204)         | -                            | (55)   | -                            | (6)                            | 1,397                        | (235)   |
|   | 91                                 | (9)           | -                            | -  | -                            | -                              | 82                           | (7)   |

|  |        |       |     |       |    |         |        |       |     |  |  |
|--|--------|-------|-----|-------|----|---------|--------|-------|-----|--|--|
| Other trading assets                                 |        |       |     |       |    |         |        |       |     |  |  |
| Total trading assets                                 |        |       |     |       |    |         |        |       |     |  |  |
| (excluding derivatives)                              | 1,753  | (213) | -   | (55)  | -  | (6)     | 1,479  | (242) | (3) |  |  |
| Securities available for sale:                       |        |       |     |       |    |         |        |       |     |  |  |
| Securities of U.S. states and political subdivisions | 9,505  | 13    | (6) | (136) | 14 | (5,178) | 4,212  | -     |     |  |  |
| Mortgage-backed securities:                          |        |       |     |       |    |         |        |       |     |  |  |
| Residential  | 15     | -     | -   | -     | -  | (13)    | 2      | -     |     |  |  |
| Commercial   | 189    | (3)   | (2) | (5)   | -  | -       | 179    | (3)   |     |  |  |
| Total mortgage-backed securities                     | 204    | (3)   | (2) | (5)   | -  | (13)    | 181    | (3)   |     |  |  |
| Corporate debt securities                            | 286    | 14    | -   | (38)  | -  | (41)    | 221    | -     |     |  |  |
| Collateralized loan and other debt obligations       | 9,147  | 27    | 210 | 841   | -  | -       | 10,225 | -     |     |  |  |
| Asset-backed securities:                             |        |       |     |       |    |         |        |       |     |  |  |
| Auto loans and leases                                | 6,206  | -     | (2) | (717) | -  | -       | 5,487  | -     |     |  |  |
| Home equity loans                                    | 257    | 3     | (3) | -     | 2  | (162)   | 97     | -     |     |  |  |
| Other asset-backed securities                        | 3,074  | (5)   | 34  | (157) | -  | (23)    | 2,923  | (6)   |     |  |  |
| Total asset-backed securities                        | 9,537  | (2)   | 29  | (874) | 2  | (185)   | 8,507  | (6)   |     |  |  |
| Total debt securities                                | 28,679 | 49    | 231 | (212) | 16 | (5,417) | 23,346 | (9)   | (4) |  |  |
| Marketable equity securities:                        |        |       |     |       |    |         |        |       |     |  |  |
| Perpetual preferred securities                       | 927    | 14    | (4) | (88)  | -  | -       | 849    | -     |     |  |  |
| Other marketable equity securities                   | 2      | 1     | -   | (3)   | -  | -       | -      | -     |     |  |  |
| Total marketable                                     |        |       |     |       |    |         |        |       |     |  |  |

|  |  |  |  |  |  |   |  |  |         |         |     |         |       |         |         |         |     |
|--|--|--|--|--|--|---|--|--|---------|---------|-----|---------|-------|---------|---------|---------|-----|
|  |  |  |  |  |  | equity securities                         |  |  | 929     | 15      | (4) | (91)    | -     | -       | 849     | -       | (5) |
|  |  |  |  |  |  | Total securities                          |  |  |         |         |     |         |       |         |         |         |     |
|  |  |  |  |  |  | available for sale                        |  |  | 29,608  | 64      | 227 | (303)   | 16    | (5,417) | 24,195  | (9)     |     |
|  |  |  |  |  |  | Mortgages held for sale                   |  |  | 3,328   | 38      | -   | (107)   | 127   | (79)    | 3,307   | 37      | (6) |
|  |  |  |  |  |  | Loans                                     |  |  | 24      | 59      | -   | 79      | 5,851 | -       | 6,013   | 59      | (6) |
|  |  |  |  |  |  | Mortgage servicing rights                 |  |  | 12,081  | (2,298) | -   | 1,173   | -     | -       | 10,956  | (1,427) | (6) |
|  |  |  |  |  |  | Net derivative assets and liabilities:    |  |  |         |         |     |         |       |         |         |         |     |
|  |  |  |  |  |  | Interest rate contracts                   |  |  | 906     | 2,879   | -   | (2,392) | -     | -       | 1,393   | 1,248   |     |
|  |  |  |  |  |  | Commodity contracts                       |  |  | 4       | 48      | -   | (21)    | -     | (3)     | 28      | 21      |     |
|  |  |  |  |  |  | Equity contracts                          |  |  | (269)   | 25      | -   | 133     | -     | (81)    | (192)   | 1       |     |
|  |  |  |  |  |  | Foreign exchange contracts                |  |  | 1       | 19      | -   | 2       | -     | -       | 22      | 21      |     |
|  |  |  |  |  |  | Credit contracts                          |  |  | (1,657) | (15)    | -   | 291     | -     | -       | (1,381) | (2)     |     |
|  |  |  |  |  |  | Other derivative contracts                |  |  | (106)   | 15      | -   | -       | -     | -       | (91)    | -       |     |
|  |  |  |  |  |  | Total derivative contracts                |  |  | (1,121) | 2,971   | -   | (1,987) | -     | (84)    | (221)   | 1,289   | (7) |
|  |  |  |  |  |  | Other assets                              |  |  | 225     | (10)    | -   | (22)    | -     | -       | 193     | (8)     | (3) |
|  |  |  |  |  |  | Short sale liabilities                    |  |  | (9)     | -       | -   | 9       | -     | -       | -       | -       | (3) |
|  |  |  |  |  |  | Other liabilities (excluding derivatives) |  |  | (245)   | (17)    | -   | 9       | -     | -       | (253)   | -       | (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.



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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 September 30, 2012.

| (in millions)                                  |  | Purchases | Sales | Issuances | Settlements | Net   |
|--|--|-----------|-------|-----------|-------------|-------|
| Quarter ended September 30, 2012               |  |           |       |           |             |       |
| Trading assets                                 |  |           |       |           |             |       |
| (excluding derivatives):                       |  |           |       |           |             |       |
| Securities of U.S. states and                  |  |           |       |           |             |       |
|  | political subdivisions                         | \$ 5      | (4)   | -         | -           | 1     |
| Collateralized loan and other debt obligations |  |           |       |           |             |       |
|  | Corporate debt securities                      | -         | (14)  | -         | -           | (14)  |
|  | Mortgage-backed securities                     | -         | (59)  | -         | -           | (59)  |
|  | Asset-backed securities                        | 6         | (3)   | -         | (12)        | (9)   |
|  | Equity securities                              | -         | -     | -         | -           | -     |
|  | Total trading securities                       | 282       | (325) | -         | (12)        | (55)  |
| Other trading assets                           |  |           |       |           |             |       |
|  | Total trading assets                           | -         | -     | -         | -           | -     |
|  | (excluding derivatives)                        | 282       | (325) | -         | (12)        | (55)  |
| Securities available for sale:                 |  |           |       |           |             |       |
| Securities of U.S. states and                  |  |           |       |           |             |       |
|  | political subdivisions                         | 199       | (35)  | 65        | (365)       | (136) |
| Mortgage-backed securities:                    |  |           |       |           |             |       |
|  | Residential                                    | -         | -     | -         | -           | -     |
|  | Commercial                                     | -         | -     | -         | (5)         | (5)   |
|  | Total mortgage-backed                          | -         | -     | -         | (5)         | (5)   |
|  | securities                                     | -         | -     | -         | (5)         | (5)   |
| Corporate debt securities                      |  |           |       |           |             |       |
|  | Collateralized loan and other debt obligations | 1,188     | -     | -         | (347)       | 841   |
| Asset-backed securities:                       |  |           |       |           |             |       |
|  | Auto loans and leases                          | -         | -     | 180       | (897)       | (717) |
|  | Home equity loans                              | -         | -     | -         | -           | -     |
|  | Other asset-backed securities                  | 94        | (38)  | 270       | (483)       | (157) |
|  | Total asset-backed securities                  | 94        | (38)  | 450       | (1,380)     | (874) |
|  | Total debt securities                          | 1,481     | (110) | 515       | (2,098)     | (212) |
| Marketable equity securities:                  |  |           |       |           |             |       |

|  |   |  |  |                    |  |       |       |       |         |         |
|--|---|--|--|--------------------|--|-------|-------|-------|---------|---------|
|  | Perpetual preferred securities            |  |  |                    |  | -     | -     | -     | (88)    | (88)    |
|  | Other marketable equity securities        |  |  |                    |  | -     | (3)   | -     | -       | (3)     |
|  |   |  |  | Total marketable   |  |       |       |       |         |         |
|  |   |  |  | equity securities  |  | -     | (3)   | -     | (88)    | (91)    |
|  |   |  |  | Total securities   |  |       |       |       |         |         |
|  |   |  |  | available for sale |  | 1,481 | (113) | 515   | (2,186) | (303)   |
|  | Mortgages held for sale                   |  |  |                    |  | 100   | -     | -     | (207)   | (107)   |
|  | Loans                                     |  |  |                    |  | -     | -     | 129   | (50)    | 79      |
|  | Mortgage servicing rights                 |  |  |                    |  | -     | -     | 1,173 | -       | 1,173   |
|  | Net derivative assets and liabilities:    |  |  |                    |  |       |       |       |         |         |
|  | Interest rate contracts                   |  |  |                    |  | 28    | (22)  | -     | (2,398) | (2,392) |
|  | Commodity contracts                       |  |  |                    |  | 22    | (8)   | -     | (35)    | (21)    |
|  | Equity contracts                          |  |  |                    |  | 13    | 49    | 1     | 70      | 133     |
|  | Foreign exchange contracts                |  |  |                    |  | -     | -     | -     | 2       | 2       |
|  | Credit contracts                          |  |  |                    |  | -     | -     | -     | 291     | 291     |
|  | Other derivative contracts                |  |  |                    |  | -     | -     | -     | -       | -       |
|  | Total derivative contracts                |  |  |                    |  | 63    | 19    | 1     | (2,070) | (1,987) |
|  | Other assets                              |  |  |                    |  | -     | (5)   | -     | (17)    | (22)    |
|  | Short sale liabilities                    |  |  |                    |  | 9     | -     | -     | -       | 9       |
|  | Other liabilities (excluding derivatives) |  |  |                    |  | (2)   | 1     | (8)   | 18      | 9       |
|  |   |  |  |                    |  |       |       |       |         |         |
|  |   |  |  |                    |  |       |       |       |         |         |

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**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 nine months ended September 30, 2013, are summarized as follows:

|   |  | Balance,  | Net    | Other   | Purchases,   | Transfers | Transfers | Balance,  | Net         |
|---|--|-----------|--------|---------|--------------|-----------|-----------|-----------|-------------|
|   |  | beginning | income | compre- | and          | into      | out of    | end of    | unrealized  |
|   |  | of        |        | sive    | settlements, | Level 3   | Level 3   | period    | gains       |
|   |  | period    | income | income  | net (1)      |           |           | at period | (losses)    |
|   |  |           |        |         |              |           |           | end       | included in |
|   |  |           |        |         |              |           |           |           | income      |
|   |  |           |        |         |              |           |           |           | related     |
|   |  |           |        |         |              |           |           |           | to assets   |
|   |  |           |        |         |              |           |           |           | and         |
|   |  |           |        |         |              |           |           |           | liabilities |
|   |  |           |        |         |              |           |           |           | held        |
|   |  |           |        |         |              |           |           |           | at period   |
|   |  |           |        |         |              |           |           |           | end         |
| (in millions)   |  |           |        |         |              |           |           |           |             |
| <b>Nine months ended September 30, 2013</b>                 |  |           |        |         |              |           |           |           |             |
| <b>Trading assets</b>                                       |  |           |        |         |              |           |           |           |             |
| <b>(excluding derivatives):</b>                             |  |           |        |         |              |           |           |           |             |
| <b>Securities of U.S. states and political subdivisions</b> |  | \$ 46     | 2      | -       | (9)          | -         | -         | 39        | (1)         |
| <b>Collateralized loan and other debt obligations</b>       |  | 742       | 74     | -       | (71)         | -         | (202)     | 543       | (6)         |
| <b>Corporate debt securities</b>                            |  | 52        | 4      | -       | (36)         | 16        | -         | 36        | 2           |
| <b>Mortgage-backed securities</b>                           |  | 6         | 1      | -       | 9            | -         | (15)      | 1         | -           |
| <b>Asset-backed securities</b>                              |  | 138       | 12     | -       | (55)         | 25        | (20)      | 100       | 11          |
| <b>Equity securities</b>                                    |  | 3         | -      | -       | (3)          | -         | -         | -         | -           |
| <b>Total trading securities</b>                             |  | 987       | 93     | -       | (165)        | 41        | (237)     | 719       | 6           |
|   |  | 76        | (16)   | -       | -            | -         | -         | 60        | (5)         |

|  |  |        |     |      |       |    |          |        |      |  |
|--|--|--------|-----|------|-------|----|----------|--------|------|--|
| Other trading assets                                 |  |        |     |      |       |    |          |        |      |  |
| Total trading assets                                 |  |        |     |      |       |    |          |        |      |  |
| (excluding derivatives)                              |  | 1,063  | 77  | -    | (165) | 41 | (237)    | 779    | 1    |  |
| Securities available for sale:                       |  |        |     |      |       |    |          |        |      |  |
| Securities of U.S. states and political subdivisions |  | 3,631  | 7   | (66) | 194   | 53 | (176)    | 3,643  | -    |  |
| Mortgage-backed securities:                          |  |        |     |      |       |    |          |        |      |  |
| Residential  |  | 94     | 5   | 9    | (19)  | -  | (1)      | 88     | -    |  |
| Commercial   |  | 203    | (9) | 20   | (14)  | -  | (12)     | 188    | (5)  |  |
| Total mortgage-backed securities                     |  | 297    | (4) | 29   | (33)  | -  | (13)     | 276    | (5)  |  |
| Corporate debt securities                            |  | 274    | 6   | (18) | (25)  | -  | (3)      | 234    | -    |  |
| Collateralized loan and other debt obligations       |  | 13,188 | (6) | 107  | 710   | -  | (10,613) | 3,386  | -    |  |
| Asset-backed securities:                             |  |        |     |      |       |    |          |        |      |  |
| Auto loans and leases                                |  | 5,921  | 1   | (28) | (720) | -  | -        | 5,174  | -    |  |
| Home equity loans                                    |  | 51     | 3   | (1)  | (5)   | -  | (48)     | -      | -    |  |
| Other asset-backed securities                        |  | 3,283  | 26  | 29   | (151) | 24 | -        | 3,211  | (7)  |  |
| Total asset-backed securities                        |  | 9,255  | 30  | -    | (876) | 24 | (48)     | 8,385  | (7)  |  |
| Total debt securities                                |  | 26,645 | 33  | 52   | (30)  | 77 | (10,853) | 15,924 | (12) |  |
| Marketable equity securities:                        |  |        |     |      |       |    |          |        |      |  |
| Perpetual preferred securities                       |  | 794    | 6   | (13) | (47)  | -  | -        | 740    | -    |  |
| Other marketable equity securities                   |  | -      | -   | -    | -     | -  | -        | -      | -    |  |
| Total marketable                                     |  |        |     |      |       |    |          |        |      |  |

|  |  |  |  |  |  |  |  |   |  |  |         |       |      |       |      |          |        |       |
|--|--|--|--|--|--|--|--|---|--|--|---------|-------|------|-------|------|----------|--------|-------|
|  |  |  |  |  |  |  |  | equity securities                         |  |  | 794     | 6     | (13) | (47)  | -    | -        | 740    | -     |
|  |  |  |  |  |  |  |  | Total securities                          |  |  |         |       |      |       |      |          |        |       |
|  |  |  |  |  |  |  |  | available for sale                        |  |  | 27,439  | 39    | 39   | (77)  | 77   | (10,853) | 16,664 | (12)  |
|  |  |  |  |  |  |  |  | Mortgages held for sale                   |  |  | 3,250   | 31    | -    | (787) | 255  | (316)    | 2,433  | (51)  |
|  |  |  |  |  |  |  |  | Loans                                     |  |  | 6,021   | (171) | -    | 109   | -    | (154)    | 5,805  | (147) |
|  |  |  |  |  |  |  |  | Mortgage servicing rights                 |  |  | 11,538  | 598   | -    | 2,365 | -    | -        | 14,501 | 2,415 |
|  |  |  |  |  |  |  |  | Net derivative assets and liabilities:    |  |  |         |       |      |       |      |          |        |       |
|  |  |  |  |  |  |  |  | Interest rate contracts                   |  |  | 659     | (759) | -    | 354   | -    | -        | 254    | 104   |
|  |  |  |  |  |  |  |  | Commodity contracts                       |  |  | 21      | 3     | -    | (55)  | (1)  | 36       | 4      | 1     |
|  |  |  |  |  |  |  |  | Equity contracts                          |  |  | (122)   | (42)  | -    | 168   | (32) | 103      | 75     | (26)  |
|  |  |  |  |  |  |  |  | Foreign exchange contracts                |  |  | 21      | (22)  | -    | 4     | 1    | -        | 4      | (14)  |
|  |  |  |  |  |  |  |  | Credit contracts                          |  |  | (1,150) | (20)  | -    | 474   | -    | -        | (696)  | 28    |
|  |  |  |  |  |  |  |  | Other derivative contracts                |  |  | (78)    | 54    | -    | -     | -    | -        | (24)   | -     |
|  |  |  |  |  |  |  |  | Total derivative contracts                |  |  | (649)   | (786) | -    | 945   | (32) | 139      | (383)  | 93    |
|  |  |  |  |  |  |  |  | Other assets                              |  |  | 162     | 88    | -    | 788   | -    | -        | 1,038  | (5)   |
|  |  |  |  |  |  |  |  | Short sale liabilities                    |  |  | -       | -     | -    | -     | -    | -        | -      | -     |
|  |  |  |  |  |  |  |  | Other liabilities (excluding derivatives) |  |  | (49)    | 18    | -    | (10)  | -    | -        | (41)   | 5     |
|  |  |  |  |  |  |  |  |   |  |  |         |       |      |       |      |          |        |       |
|  |  |  |  |  |  |  |  |   |  |  |         |       |      |       |      |          |        |       |

(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, equity investments and other noninterest income in the income statement.

*(continued on following page)*

(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 nine months ended September 30, 2013.

| (in millions)   |                                  | Purchases | Sales   | Issuances | Settlements | Net   |
|---|----------------------------------|-----------|---------|-----------|-------------|-------|
| <b>Nine months ended September 30, 2013</b>           |                                  |           |         |           |             |       |
| <b>Trading assets</b>                                 |                                  |           |         |           |             |       |
| <b>(excluding derivatives):</b>                       |                                  |           |         |           |             |       |
| <b>Securities of U.S. states and</b>                  |                                  |           |         |           |             |       |
|   | political subdivisions           | \$ 125    | (134)   | -         | -           | (9)   |
| <b>Collateralized loan and other debt obligations</b> |                                  |           |         |           |             |       |
|   | Corporate debt securities        | 691       | (760)   | -         | (2)         | (71)  |
|   | Mortgage-backed securities       | 71        | (107)   | -         | -           | (36)  |
|   | Asset-backed securities          | 429       | (420)   | -         | -           | 9     |
|   | Equity securities                | 14        | (36)    | -         | (33)        | (55)  |
|   | Total trading securities         | -         | (3)     | -         | -           | (3)   |
|   | Total trading securities         | 1,330     | (1,460) | -         | (35)        | (165) |
| <b>Other trading assets</b>                           |                                  |           |         |           |             |       |
|   | Total trading assets             | -         | -       | -         | -           | -     |
|   | (excluding derivatives)          | 1,330     | (1,460) | -         | (35)        | (165) |
| <b>Securities available for sale:</b>                 |                                  |           |         |           |             |       |
| <b>Securities of U.S. states and</b>                  |                                  |           |         |           |             |       |
|   | political subdivisions           | -         | (68)    | 726       | (464)       | 194   |
| <b>Mortgage-backed securities:</b>                    |                                  |           |         |           |             |       |
|   | Residential                      | -         | (16)    | -         | (3)         | (19)  |
|   | Commercial                       | -         | -       | -         | (14)        | (14)  |
|   | Total mortgage-backed securities | -         | (16)    | -         | (17)        | (33)  |
|   | Corporate debt securities        | -         | -       | -         | (25)        | (25)  |
| <b>Collateralized loan and other debt obligations</b> |                                  |           |         |           |             |       |
|   | Asset-backed securities:         | 989       | (14)    | -         | (265)       | 710   |
|   | Auto loans and leases            | 1,102     | -       | 813       | (2,635)     | (720) |
|   | Home equity loans                | -         | (5)     | -         | -           | (5)   |
|   | Other asset-backed securities    | 1,018     | (36)    | 781       | (1,914)     | (151) |
|   | Total asset-backed securities    | 2,120     | (41)    | 1,594     | (4,549)     | (876) |



|  |  |  |  |  |  |              |              |              |                |              |
|--|--|--|--|--|--|--------------|--------------|--------------|----------------|--------------|
|  |  |  |  | <b>Total debt securities</b>                     |  | <b>3,109</b> | <b>(139)</b> | <b>2,320</b> | <b>(5,320)</b> | <b>(30)</b>  |
|  |  |  |  | <b>Marketable equity securities:</b>             |  |              |              |              |                |              |
|  |  |  |  | <b>Perpetual preferred securities</b>            |  | <b>-</b>     | <b>(20)</b>  | <b>-</b>     | <b>(27)</b>    | <b>(47)</b>  |
|  |  |  |  | <b>Other marketable equity securities</b>        |  | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>       | <b>-</b>     |
|  |  |  |  | <b>Total marketable</b>                          |  |              |              |              |                |              |
|  |  |  |  | <b>equity securities</b>                         |  | <b>-</b>     | <b>(20)</b>  | <b>-</b>     | <b>(27)</b>    | <b>(47)</b>  |
|  |  |  |  | <b>Total securities</b>                          |  |              |              |              |                |              |
|  |  |  |  | <b>available for</b>                             |  |              |              |              |                |              |
|  |  |  |  | <b>sale</b>                                      |  | <b>3,109</b> | <b>(159)</b> | <b>2,320</b> | <b>(5,347)</b> | <b>(77)</b>  |
|  |  |  |  | <b>Mortgages held for sale</b>                   |  | <b>258</b>   | <b>(572)</b> | <b>-</b>     | <b>(473)</b>   | <b>(787)</b> |
|  |  |  |  | <b>Loans</b>                                     |  | <b>23</b>    | <b>-</b>     | <b>344</b>   | <b>(258)</b>   | <b>109</b>   |
|  |  |  |  | <b>Mortgage servicing rights</b>                 |  | <b>-</b>     | <b>(583)</b> | <b>2,948</b> | <b>-</b>       | <b>2,365</b> |
|  |  |  |  | <b>Net derivative assets and liabilities:</b>    |  |              |              |              |                |              |
|  |  |  |  | <b>Interest rate contracts</b>                   |  | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>354</b>     | <b>354</b>   |
|  |  |  |  | <b>Commodity contracts</b>                       |  | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>(55)</b>    | <b>(55)</b>  |
|  |  |  |  | <b>Equity contracts</b>                          |  | <b>-</b>     | <b>(79)</b>  | <b>-</b>     | <b>247</b>     | <b>168</b>   |
|  |  |  |  | <b>Foreign exchange contracts</b>                |  | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>4</b>       | <b>4</b>     |
|  |  |  |  | <b>Credit contracts</b>                          |  | <b>5</b>     | <b>(4)</b>   | <b>-</b>     | <b>473</b>     | <b>474</b>   |
|  |  |  |  | <b>Other derivative contracts</b>                |  | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>       | <b>-</b>     |
|  |  |  |  | <b>Total derivative contracts</b>                |  | <b>5</b>     | <b>(83)</b>  | <b>-</b>     | <b>1,023</b>   | <b>945</b>   |
|  |  |  |  | <b>Other assets</b>                              |  | <b>820</b>   | <b>(2)</b>   | <b>-</b>     | <b>(30)</b>    | <b>788</b>   |
|  |  |  |  | <b>Short sale liabilities</b>                    |  | <b>8</b>     | <b>(8)</b>   | <b>-</b>     | <b>-</b>       | <b>-</b>     |
|  |  |  |  | <b>Other liabilities (excluding derivatives)</b> |  | <b>-</b>     | <b>-</b>     | <b>(4)</b>   | <b>(6)</b>     | <b>(10)</b>  |
|  |  |  |  |  |  |              |              |              |                |              |
|  |  |  |  |  |  |              |              |              |                |              |

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**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 nine months ended September 30, 2012, are summarized as follows:

| (in millions)   | Balance,<br>beginning<br>of period | Net<br>income | compre-<br>hensive<br>income | Purchases,<br>sales,<br>and<br>issuances<br>and<br>settlements,<br>net (1) | Transfers<br>into<br>Level 3 | Transfers<br>out of<br>Level 3 | Balance,<br>end of<br>period | Net<br>unrealized<br>gains<br>(losses)<br>included in<br>income<br>related<br>to assets<br>and<br>liabilities<br>held<br>at period<br>end (2) |
|---|------------------------------------|---------------|------------------------------|--|------------------------------|--------------------------------|------------------------------|---|
|   |                                    |               |                              |  |                              |                                |                              |   |
| Trading assets<br>(excluding<br>derivatives):                 |                                    |               |                              |  |                              |                                |                              |   |
| Securities of U.S.<br>states and<br>political<br>subdivisions | \$ 53                              | 2             | -                            | 6  | -                            | -                              | 61                           | (1)   |
| Collateralized loan<br>and other debt<br>obligations          | 1,582                              | (206)         | -                            | (301)  | -                            | -                              | 1,075                        | (261)   |
| Corporate debt<br>securities                                  | 97                                 | (2)           | -                            | (53)   | -                            | -                              | 42                           | (4)   |
| Mortgage-backed<br>securities                                 | 108                                | 3             | -                            | (67)   | -                            | -                              | 44                           | (2)   |
| Asset-backed<br>securities                                    | 190                                | 46            | -                            | (62)   | 14                           | (16)                           | 172                          | 35  |
| Equity securities   | 4                                  | 1             | -                            | (2)  | -                            | -                              | 3                            | -   |
| Total trading<br>securities                                   | 2,034                              | (156)         | -                            | (479)  | 14                           | (16)                           | 1,397                        | (233)   |
|   | 115                                | (33)          | -                            | -  | -                            | -                              | 82                           | (18)  |

|  |        |       |      |         |    |         |        |       |     |  |  |
|--|--------|-------|------|---------|----|---------|--------|-------|-----|--|--|
| Other trading assets                                 |        |       |      |         |    |         |        |       |     |  |  |
| Total trading assets                                 |        |       |      |         |    |         |        |       |     |  |  |
| (excluding derivatives)                              | 2,149  | (189) | -    | (479)   | 14 | (16)    | 1,479  | (251) | (3) |  |  |
| Securities available for sale:                       |        |       |      |         |    |         |        |       |     |  |  |
| Securities of U.S. states and political subdivisions | 11,516 | 8     | 188  | 1,565   | 14 | (9,079) | 4,212  | -     |     |  |  |
| Mortgage-backed securities:                          |        |       |      |         |    |         |        |       |     |  |  |
| Residential  | 61     | 11    | 11   | (35)    | 28 | (74)    | 2      | (1)   |     |  |  |
| Commercial   | 232    | (17)  | 19   | (55)    | -  | -       | 179    | (1)   |     |  |  |
| Total mortgage-backed securities                     | 293    | (6)   | 30   | (90)    | 28 | (74)    | 181    | (2)   |     |  |  |
| Corporate debt securities                            | 295    | 17    | (5)  | (46)    | 1  | (41)    | 221    | -     |     |  |  |
| Collateralized loan and other debt obligations       | 8,599  | 112   | 387  | 1,127   | -  | -       | 10,225 | -     |     |  |  |
| Asset-backed securities:                             |        |       |      |         |    |         |        |       |     |  |  |
| Auto loans and leases                                | 6,641  | 3     | 5    | (1,162) | -  | -       | 5,487  | -     |     |  |  |
| Home equity loans                                    | 282    | 14    | 11   | (3)     | 29 | (236)   | 97     | (4)   |     |  |  |
| Other asset-backed securities                        | 2,863  | (28)  | 96   | 14      | 1  | (23)    | 2,923  | (26)  |     |  |  |
| Total asset-backed securities                        | 9,786  | (11)  | 112  | (1,151) | 30 | (259)   | 8,507  | (30)  |     |  |  |
| Total debt securities                                | 30,489 | 120   | 712  | 1,405   | 73 | (9,453) | 23,346 | (32)  | (4) |  |  |
| Marketable equity securities:                        |        |       |      |         |    |         |        |       |     |  |  |
| Perpetual preferred securities                       | 1,344  | 85    | (28) | (552)   | -  | -       | 849    | -     |     |  |  |
| Other marketable equity securities                   | 23     | 2     | (15) | (10)    | -  | -       | -      | -     |     |  |  |
| Total marketable                                     |        |       |      |         |    |         |        |       |     |  |  |

|  |  |   |         |         |      |         |       |         |         |         |     |
|--|--|---|---------|---------|------|---------|-------|---------|---------|---------|-----|
|  |  | equity securities                         | 1,367   | 87      | (43) | (562)   | -     | -       | 849     | -       | (5) |
|  |  | Total securities                          |         |         |      |         |       |         |         |         |     |
|  |  | available for sale                        | 31,856  | 207     | 669  | 843     | 73    | (9,453) | 24,195  | (32)    |     |
|  |  | Mortgages held for sale                   | 3,410   | 4       | -    | (176)   | 298   | (229)   | 3,307   | 16      | (6) |
|  |  | Loans                                     | 23      | 59      | -    | 80      | 5,851 | -       | 6,013   | 59      | (6) |
|  |  | Mortgage servicing rights                 | 12,603  | (5,442) | -    | 3,795   | -     | -       | 10,956  | (3,216) | (6) |
|  |  | Net derivative assets and liabilities:    |         |         |      |         |       |         |         |         |     |
|  |  | Interest rate contracts                   | 609     | 6,565   | -    | (5,781) | -     | -       | 1,393   | 1,292   |     |
|  |  | Commodity contracts                       | -       | 71      | -    | (32)    | (8)   | (3)     | 28      | 36      |     |
|  |  | Equity contracts                          | (75)    | (19)    | -    | (4)     | -     | (94)    | (192)   | (18)    |     |
|  |  | Foreign exchange contracts                | (7)     | 21      | -    | 8       | -     | -       | 22      | 29      |     |
|  |  | Credit contracts                          | (1,998) | 96      | -    | 521     | -     | -       | (1,381) | 37      |     |
|  |  | Other derivative contracts                | (117)   | 26      | -    | -       | -     | -       | (91)    | -       |     |
|  |  | Total derivative contracts                | (1,588) | 6,760   | -    | (5,288) | (8)   | (97)    | (221)   | 1,376   | (7) |
|  |  | Other assets                              | 244     | (6)     | -    | (45)    | -     | -       | 193     | (11)    | (3) |
|  |  | Short sale liabilities                    | -       | -       | -    | -       | -     | -       | -       | -       | (3) |
|  |  | Other liabilities (excluding derivatives) | (44)    | (19)    | -    | (190)   | -     | -       | (253)   | -       | (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)



(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 nine months ended September 30, 2012.

| (in millions)                                  |                               | Purchases | Sales   | Issuances | Settlements | Net     |
|--|-------------------------------|-----------|---------|-----------|-------------|---------|
| Nine months ended September 30, 2012           |                               |           |         |           |             |         |
| Trading assets                                 |                               |           |         |           |             |         |
| (excluding derivatives):                       |                               |           |         |           |             |         |
| Securities of U.S. states and                  |                               |           |         |           |             |         |
|  | political subdivisions        | \$ 73     | (67)    | -         | -           | 6       |
| Collateralized loan and other debt obligations |                               |           |         |           |             |         |
|  | Corporate debt securities     | 151       | (204)   | -         | -           | (53)    |
|  | Mortgage-backed securities    | 44        | (111)   | -         | -           | (67)    |
|  | Asset-backed securities       | 104       | (130)   | -         | (36)        | (62)    |
|  | Equity securities             | 1         | (3)     | -         | -           | (2)     |
|  | Total trading securities      | 1,015     | (1,458) | -         | (36)        | (479)   |
| Other trading assets                           |                               |           |         |           |             |         |
|  |                               | -         | -       | -         | -           | -       |
|  | Total trading assets          |           |         |           |             |         |
|  | (excluding derivatives)       | 1,015     | (1,458) | -         | (36)        | (479)   |
| Securities available for sale:                 |                               |           |         |           |             |         |
| Securities of U.S. states and                  |                               |           |         |           |             |         |
|  | political subdivisions        | 1,759     | (37)    | 965       | (1,122)     | 1,565   |
| Mortgage-backed securities:                    |                               |           |         |           |             |         |
|  | Residential                   | 1         | (34)    | -         | (2)         | (35)    |
|  | Commercial                    | 10        | -       | -         | (65)        | (55)    |
|  | Total mortgage-backed         |           |         |           |             |         |
|  | securities                    | 11        | (34)    | -         | (67)        | (90)    |
| Corporate debt securities                      |                               |           |         |           |             |         |
|  |                               | -         | (37)    | -         | (9)         | (46)    |
| Collateralized loan and other debt obligations |                               |           |         |           |             |         |
|  |                               | 2,403     | (185)   | -         | (1,091)     | 1,127   |
| Asset-backed securities:                       |                               |           |         |           |             |         |
|  | Auto loans and leases         | 2,040     | -       | 490       | (3,692)     | (1,162) |
|  | Home equity loans             | -         | (2)     | -         | (1)         | (3)     |
|  | Other asset-backed securities | 996       | (132)   | 1,030     | (1,880)     | 14      |
|  | Total asset-backed securities | 3,036     | (134)   | 1,520     | (5,573)     | (1,151) |
|  | Total debt securities         | 7,209     | (427)   | 2,485     | (7,862)     | 1,405   |
| Marketable equity securities:                  |                               |           |         |           |             |         |

|  |  |   |  |                    |       |       |       |         |         |
|--|--|---|--|--------------------|-------|-------|-------|---------|---------|
|  |  | Perpetual preferred securities            |  |                    | -     | -     | -     | (552)   | (552)   |
|  |  | Other marketable equity securities        |  |                    | -     | (8)   | -     | (2)     | (10)    |
|  |  |   |  | Total marketable   |       |       |       |         |         |
|  |  |   |  | equity securities  |       | (8)   | -     | (554)   | (562)   |
|  |  |   |  | Total securities   |       |       |       |         |         |
|  |  |   |  | available for sale | 7,209 | (435) | 2,485 | (8,416) | 843     |
|  |  | Mortgages held for sale                   |  |                    | 355   | -     | -     | (531)   | (176)   |
|  |  | Loans                                     |  |                    | 2     | -     | 129   | (51)    | 80      |
|  |  | Mortgage servicing rights                 |  |                    | -     | (293) | 4,088 | -       | 3,795   |
|  |  | Net derivative assets and liabilities:    |  |                    |       |       |       |         |         |
|  |  | Interest rate contracts                   |  |                    | 28    | (22)  | -     | (5,787) | (5,781) |
|  |  | Commodity contracts                       |  |                    | 22    | (8)   | -     | (46)    | (32)    |
|  |  | Equity contracts                          |  |                    | 117   | (133) | 1     | 11      | (4)     |
|  |  | Foreign exchange contracts                |  |                    | -     | -     | -     | 8       | 8       |
|  |  | Credit contracts                          |  |                    | (5)   | 2     | -     | 524     | 521     |
|  |  | Other derivative contracts                |  |                    | -     | -     | -     | -       | -       |
|  |  | Total derivative contracts                |  |                    | 162   | (161) | 1     | (5,290) | (5,288) |
|  |  | Other assets                              |  |                    | 17    | (5)   | -     | (57)    | (45)    |
|  |  | Short sale liabilities                    |  |                    | 9     | (9)   | -     | -       | -       |
|  |  | Other liabilities (excluding derivatives) |  |                    | (3)   | 11    | (216) | 18      | (190)   |
|  |  |   |  |                    |       |       |       |         |         |
|  |  |   |  |                    |       |       |       |         |         |

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.

## Note 13: Fair Values of Assets and Liabilities (continued)

|   |  |  |  |  | Fair Value |  | Valuation                        | Significant                     | Range of |   |      |     |  |  | Weighted    |
|---|--|--|--|--|------------|--|----------------------------------|---------------------------------|----------|---|------|-----|--|--|-------------|
| (\$ in millions, except cost to service amounts)  |  |  |  |  | Level 3    |  | Technique(s)                     | Unobservable Input              | Inputs   |   |      |     |  |  | Average (1) |
| <b>September 30, 2013</b>                         |  |  |  |  |            |  |                                  |                                 |          |   |      |     |  |  |             |
| <b>Trading and available for sale securities:</b> |  |  |  |  |            |  |                                  |                                 |          |   |      |     |  |  |             |
|   | <b>Securities of U.S. states and political subdivisions:</b> |  |  |  |            |  |                                  |                                 |          |   |      |     |  |  |             |
|   |  | <b>Government, healthcare and other revenue bonds</b>    |  |  | \$ 3,117   |  | <b>Discounted cash flow</b>      | <b>Discount rate</b>            | 0.4      | - | 6.1  | %   |  |  | 1.4         |
|   |  |  |  |  | 63         |  | <b>Vendor priced</b>             |                                 |          |   |      |     |  |  |             |
|   |  | <b>Auction rate securities and other municipal bonds</b> |  |  | 502        |  | <b>Discounted cash flow</b>      | <b>Discount rate</b>            | 0.4      | - | 11.8 |     |  |  | 4.4         |
|   |  |  |  |  |            |  |                                  | <b>Weighted average life</b>    | 1.8      | - | 6.6  | yrs |  |  | 4.7         |
|   | <b>Collateralized loan and other debt obligations (2)</b>    |  |  |  | 904        |  | <b>Market comparable pricing</b> | <b>Comparability adjustment</b> | (18.0)   | - | 21.7 | %   |  |  | 2.5         |
|   |  |  |  |  | 3,025      |  | <b>Vendor priced</b>             |                                 |          |   |      |     |  |  |             |
|   | <b>Asset-backed securities:</b>                              |  |  |  |            |  |                                  |                                 |          |   |      |     |  |  |             |
|   |  | <b>Auto loans and leases</b>                             |  |  | 5,174      |  | <b>Discounted cash flow</b>      | <b>Default rate</b>             | 1.9      | - | 8.5  |     |  |  | 3.1         |
|   |  |  |  |  |            |  |                                  | <b>Discount rate</b>            | 0.5      | - | 2.0  |     |  |  | 0.8         |
|   |  |  |  |  |            |  |                                  | <b>Loss severity</b>            | 50.0     | - | 66.0 |     |  |  | 52.9        |
|   |  |  |  |  |            |  |                                  | <b>Prepayment rate</b>          | 0.6      | - | 1.4  |     |  |  | 0.8         |
|   | <b>Other asset-backed securities:</b>                        |  |  |  |            |  |                                  |                                 |          |   |      |     |  |  |             |
|   |  |  |  |  | 1,782      |  |                                  | <b>Discount rate</b>            | 0.7      | - | 1.6  |     |  |  | 0.9         |



|  |  |  |  |        |     |                      |                              |       |   |      |     |  |  |      |
|--|--|--|--|--------|-----|----------------------|------------------------------|-------|---|------|-----|--|--|------|
|  |  | Dealer floor plan                        |  |        |     | Discounted cash flow |                              |       |   |      |     |  |  |      |
|  |  | Diversified payment rights (3)           |  | 654    |     | Discounted cash flow | Discount rate                | 1.8   | - | 3.2  |     |  |  | 2.4  |
|  |  | Other commercial and consumer            |  | 782    | (4) | Discounted cash flow | Discount rate                | 0.1   | - | 21.1 |     |  |  | 2.8  |
|  |  |  |  |        |     |                      | Weighted average life        | 0.8   | - | 6.9  | yrs |  |  | 2.5  |
|  |  |  |  | 93     |     | Vendor priced        |                              |       |   |      |     |  |  |      |
|  |  | Marketable equity securities: perpetual  |  |        |     |                      |                              |       |   |      |     |  |  |      |
|  |  | preferred                                |  | 740    | (5) | Discounted cash flow | Discount rate                | 4.8   | - | 7.9  | %   |  |  | 7.0  |
|  |  |  |  |        |     |                      | Weighted average life        | 1.0   | - | 15.0 | yrs |  |  | 12.1 |
|  |  | Mortgages held for sale (residential)    |  | 2,433  |     | Discounted cash flow | Default rate                 | 0.6   | - | 14.4 | %   |  |  | 3.0  |
|  |  |  |  |        |     |                      | Discount rate                | 3.6   | - | 7.9  |     |  |  | 5.5  |
|  |  |  |  |        |     |                      | Loss severity                | 1.3   | - | 33.3 |     |  |  | 21.6 |
|  |  |  |  |        |     |                      | Prepayment rate              | 2.0   | - | 9.7  |     |  |  | 5.5  |
|  |  | Loans                                    |  | 5,805  | (6) | Discounted cash flow | Discount rate                | 2.4   | - | 3.6  |     |  |  | 3.1  |
|  |  |  |  |        |     |                      | Prepayment rate              | 3.1   | - | 39.3 |     |  |  | 12.2 |
|  |  |  |  |        |     |                      | Utilization rate             | 0.0   | - | 2.0  |     |  |  | 0.8  |
|  |  | Mortgage servicing rights (residential)  |  | 14,501 |     | Discounted cash flow | Cost to service per loan (7) | \$ 87 | - | 826  |     |  |  | 198  |
|  |  |  |  |        |     |                      | Discount rate                | 5.6   | - | 11.1 | %   |  |  | 7.6  |
|  |  |  |  |        |     |                      | Prepayment rate (8)          | 6.8   | - | 20.0 |     |  |  | 11.7 |
|  |  | Net derivative assets and (liabilities): |  |        |     |                      |                              |       |   |      |     |  |  |      |
|  |  | Interest rate contracts                  |  | 35     |     | Discounted cash flow | Default rate                 | 0.2   | - | 15.5 |     |  |  | 5.0  |
|  |  |  |  |        |     |                      | Loss severity                | 40.9  | - | 50.0 |     |  |  | 50.0 |
|  |  |  |  |        |     |                      | Prepayment rate              | 11.0  | - | 15.6 |     |  |  | 15.6 |
|  |  | Interest rate contracts: derivative loan |  |        |     |                      |                              |       |   |      |     |  |  |      |
|  |  | commitments                              |  | 219    | (9) | Discounted cash flow | Fall-out factor              | 1.0   | - | 99.0 |     |  |  | 27.6 |
|  |  |  |  |        |     |                      |                              | (6.8) | - | 82.8 | bps |  |  | 41.5 |

|  |   |   |  |  |  |                  |                                  |                                 |               |   |              |            |               |  |
|--|---|---|--|--|--|------------------|----------------------------------|---------------------------------|---------------|---|--------------|------------|---------------|--|
|  |   |   |  |  |  |                  | <b>Initial-value servicing</b>   |                                 |               |   |              |            |               |  |
|  | <b>Equity contracts</b>                               |   |  |  |  | <b>199</b>       | <b>Discounted cash flow</b>      | <b>Conversion factor</b>        | <b>(20.2)</b> | - | <b>0.0</b>   | %          | <b>(17.6)</b> |  |
|  |   |   |  |  |  |                  |                                  | <b>Weighted average life</b>    | <b>0.5</b>    | - | <b>3.5</b>   | <b>yrs</b> | <b>1.6</b>    |  |
|  |   |   |  |  |  | <b>(124)</b>     | <b>Option model</b>              | <b>Correlation factor</b>       | <b>0.0</b>    | - | <b>88.0</b>  | %          | <b>75.7</b>   |  |
|  |   |   |  |  |  |                  |                                  | <b>Volatility factor</b>        | <b>10.9</b>   | - | <b>68.2</b>  |            | <b>23.2</b>   |  |
|  | <b>Credit contracts</b>                               |   |  |  |  | <b>(700)</b>     | <b>Market comparable pricing</b> | <b>Comparability adjustment</b> | <b>(30.7)</b> | - | <b>34.5</b>  |            | <b>0.4</b>    |  |
|  |   |   |  |  |  | <b>4</b>         | <b>Option model</b>              | <b>Credit spread</b>            | <b>0.1</b>    | - | <b>15.2</b>  |            | <b>1.1</b>    |  |
|  |   |   |  |  |  |                  |                                  | <b>Loss severity</b>            | <b>16.5</b>   | - | <b>87.5</b>  |            | <b>43.9</b>   |  |
|  |   |   |  |  |  |                  |                                  |                                 |               |   |              |            |               |  |
|  | <b>Other assets: nonmarketable equity investments</b> |   |  |  |  | <b>911</b>       | <b>Market comparable pricing</b> | <b>Comparability adjustment</b> | <b>(30.0)</b> | - | <b>(4.0)</b> |            | <b>(24.8)</b> |  |
|  |   |   |  |  |  |                  |                                  |                                 |               |   |              |            |               |  |
|  | <b>Insignificant Level 3 assets,</b>                  |   |  |  |  |                  |                                  |                                 |               |   |              |            |               |  |
|  | <b>net of liabilities</b>                             |   |  |  |  | <b>677</b>       | <b>(10)</b>                      |                                 |               |   |              |            |               |  |
|  |   | <b>Total level 3 assets, net of liabilities</b> |  |  |  | <b>\$ 40,796</b> | <b>(11)</b>                      |                                 |               |   |              |            |               |  |
|  |   |   |  |  |  |                  |                                  |                                 |               |   |              |            |               |  |

(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 \$705 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 \$87 - \$339.

(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) Total derivative loan commitments were a net asset of \$222 million, of which \$219 million were classified as level 3 at September 30, 2013.

(10) 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 liabilities and certain net derivative assets and liabilities, such as commodity contracts, foreign exchange contracts and other derivative contracts.

(11) Consists of total Level 3 assets of \$43.6 billion and total Level 3 liabilities of \$2.8 billion, before netting of derivative balances.

|   |  |  |  | Fair Value |  | Valuation                 | Significant              | Range of |   |      |   | Weighted |  |  |      |
|---|--|--|--|------------|--|---------------------------|--------------------------|----------|---|------|---|----------|--|--|------|
| (\$ in millions, except cost to service amounts)      |  |  |  | Level 3    |  | Technique(s)              | Unobservable             | Inputs   |   |      |   | Average  |  |  |      |
|   |  |  |  |            |  |                           | Input                    |          |   |      |   | (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  |
| 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  |
|   |  |  |  |            |  |                           |                          |          |   |      |   |          |  |  |      |
|   |  |  |  | 639        |  | Discounted cash flow      | Discount rate            | 1.0      | - | 2.9  |   |          |  |  | 1.8  |
|   |  |  |  |            |  |                           |                          |          |   |      |   |          |  |  |      |
|   |  |  |  | 1,665 (4)  |  | Discounted cash flow      | Discount rate            | 0.6      | - | 6.8  |   |          |  |  | 2.7  |

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|  |  |  |  |  |         |               |                           |                              |        |     |       |     |      |
|--|--|--|--|--|---------|---------------|---------------------------|------------------------------|--------|-----|-------|-----|------|
|  |  |  |  |  |         |               | Weighted average life     | 1.0                          | -      | 7.5 | yrs   | 2.9 |      |
|  |  |  |  |  | 87      | Vendor priced |                           |                              |        |     |       |     |      |
| Marketable equity securities: perpetual  |  |  |  |  |         |               |                           |                              |        |     |       |     |      |
|  |  |  |  |  | 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 |  |  |  |  |         |               |                           |                              |        |     |       |     |      |
|  |  |  |  |  | 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.

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**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.
- Conversion Factor - is the risk-adjusted rate in which a particular instrument may be exchanged for another instrument upon settlement, expressed as a percentage change from a specified rate.
- 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 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, other nonmarketable equity investments, 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, weighted average life, conversion 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, conversion factor, 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, weighted average life, 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, weighted average life, conversion factor, 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 MSR is discussed further in Note 7.

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**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 first nine months of 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.

|                                     |    | September 30, 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) | \$ | -                  | 721     | 922     | 1,643 | -                 | 1,509   | 1,045   | 2,554 |
| Loans held for sale                 |    | -                  | 39      | -       | 39    | -                 | 4       | -       | 4     |
| Loans:                              |    |                    |         |         |       |                   |         |         |       |
| Commercial                          |    | -                  | 430     | 7       | 437   | -                 | 1,507   | -       | 1,507 |
| Consumer                            |    | -                  | 3,517   | 7       | 3,524 | -                 | 5,889   | 4       | 5,893 |
| Total loans (2)                     |    | -                  | 3,947   | 14      | 3,961 | -                 | 7,396   | 4       | 7,400 |
| Other assets (3)                    |    | -                  | 402     | 115     | 517   | -                 | 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.

|                                 |    | Nine months ended Sept. 30, |      |
|---------------------------------|----|-----------------------------|------|
| (in millions)                   |    | 2013                        | 2012 |
| Mortgages held for sale (LOCOM) | \$ | (13)                        | 45   |

|                     |             |             |       |  |  |  |                   |  |                |
|---------------------|-------------|-------------|-------|--|--|--|-------------------|--|----------------|
| Loans held for sale |             |             |       |  |  |  | <b>(1)</b>        |  | 1              |
| Loans:              |             |             |       |  |  |  |                   |  |                |
|                     | Commercial  |             |       |  |  |  | <b>(156)</b>      |  | <b>(788)</b>   |
|                     | Consumer(1) |             |       |  |  |  | <b>(1,803)</b>    |  | <b>(2,813)</b> |
|                     |             | Total loans |       |  |  |  | <b>(1,959)</b>    |  | <b>(3,601)</b> |
| Other assets (2)    |             |             |       |  |  |  | <b>(191)</b>      |  | <b>(320)</b>   |
|                     |             |             | Total |  |  |  | <b>\$ (2,164)</b> |  | <b>(3,875)</b> |
|                     |             |             |       |  |  |  |                   |  |                |

(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.

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.

|  | Fair Value   | Valuation Technique(s) | Significant Unobservable Inputs | Range of inputs | Weighted Average |
|--|--------------|------------------------|---------------------------------|-----------------|------------------|
| (\$ in millions)                           | Level 3      | (1)                    | (1)                             |                 | (2)              |
| <b>September 30, 2013</b>                  |              |                        |                                 |                 |                  |
| <b>Residential mortgages held for sale</b> |              |                        |                                 |                 |                  |
| (LOCOM)                                    | \$ 922 (3)   | Discounted cash flow   | Default rate (4)                | 1.2 - 5.6 %     | 2.7 %            |
|  |              |                        | Discount rate                   | 4.3 - 12.1      | 11.1             |
|  |              |                        | Loss severity                   | 1.9 - 47.5      | 5.2              |
|  |              |                        | Prepayment rate (5)             | 2.0 - 100.0     | 67.1             |
| Insignificant level 3 assets               | 129          |                        |                                 |                 |                  |
| <b>Total</b>                               | <b>1,051</b> |                        |                                 |                 |                  |
| <b>December 31, 2012</b>                   |              |                        |                                 |                 |                  |
| <b>Residential mortgages held for sale</b> |              |                        |                                 |                 |                  |
|  | \$ 1,045 (3) | Discounted cash flow   | Default rate (4)                | 2.9 - 21.2 %    | 7.9 %            |
| (LOCOM)                                    |              |                        | 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          |                        |                                 |                 |                  |
| <b>Total</b>                               | <b>1,193</b> |                        |                                 |                 |                  |

(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 \$853 million and \$942 million government insured/guaranteed loans purchased from GNMA-guaranteed mortgage securitization, at September 30, 2013 and December 31, 2012, respectively and \$69 million and \$103 million of other mortgage loans which are not government insured/guaranteed at September 30, 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.

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**Note 13: Fair Values of Assets and Liabilities (continued)****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.

|                              |  |  |  |  |  |                 |                    |                                    |  | <b>Redemption</b>   |
|------------------------------|--|--|--|--|--|-----------------|--------------------|------------------------------------|--|---------------------|
|                              |  |  |  |  |  | <b>Fair</b>     | <b>Unfunded</b>    | <b>Redemption</b>                  |  | <b>notice</b>       |
| <b>(in millions)</b>         |  |  |  |  |  | <b>value</b>    | <b>commitments</b> | <b>frequency</b>                   |  | <b>period</b>       |
| <b>September 30, 2013</b>    |  |  |  |  |  |                 |                    |                                    |  |                     |
| <b>Offshore funds</b>        |  |  |  |  |  | \$ 391          | -                  | <b>Daily - Quarterly</b>           |  | <b>1 - 180 days</b> |
| <b>Funds of funds</b>        |  |  |  |  |  | -               | -                  | <b>N/A</b>                         |  | <b>N/A</b>          |
| <b>Hedge funds</b>           |  |  |  |  |  | <b>3</b>        | -                  | <b>Monthly - Semi<br/>Annually</b> |  | <b>5 - 95 days</b>  |
| <b>Private equity funds</b>  |  |  |  |  |  | <b>740</b>      | <b>170</b>         | <b>N/A</b>                         |  | <b>N/A</b>          |
| <b>Venture capital funds</b> |  |  |  |  |  | <b>77</b>       | <b>16</b>          | <b>N/A</b>                         |  | <b>N/A</b>          |
| <b>Total</b>                 |  |  |  |  |  | \$ <b>1,211</b> | <b>186</b>         |                                    |  |                     |
| <b>December 31, 2012</b>     |  |  |  |  |  |                 |                    |                                    |  |                     |
| <b>Offshore funds</b>        |  |  |  |  |  | \$ 379          | -                  | <b>Daily - Annually</b>            |  | <b>1 - 180 days</b> |
| <b>Funds of funds</b>        |  |  |  |  |  | 1               | -                  | <b>Quarterly</b>                   |  | <b>90 days</b>      |
| <b>Hedge funds</b>           |  |  |  |  |  | 2               | -                  | <b>Daily - Annually</b>            |  | <b>5 - 95 days</b>  |
| <b>Private equity funds</b>  |  |  |  |  |  | 807             | 195                | <b>N/A</b>                         |  | <b>N/A</b>          |
| <b>Venture capital funds</b> |  |  |  |  |  | 82              | 21                 | <b>N/A</b>                         |  | <b>N/A</b>          |
| <b>Total</b>                 |  |  |  |  |  | \$ <b>1,271</b> | <b>216</b>         |                                    |  |                     |

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 \$187 million and \$189 million at September 30, 2013 and December 31, 2012, respectively, due to lock-up provisions that will remain in effect until February 2016.

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 twelve 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.

**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 MSR's 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.

|                          | September 30, 2013              |                            |                            | December 31, 2012          |                            |                            |
|--------------------------|---------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|                          | Fair value carrying amount less | Aggregate unpaid principal | aggregate unpaid principal | Fair value carrying amount | Aggregate unpaid principal | aggregate unpaid principal |
| (in millions)            | amount                          | principal                  | principal                  | amount                     | principal                  | principal                  |
| Mortgages held for sale: |                                 |                            |                            |                            |                            |                            |

|                      |   |    |               |               |              |            |        |         |       |            |
|----------------------|---|----|---------------|---------------|--------------|------------|--------|---------|-------|------------|
|                      | Total loans                                       | \$ | <b>23,209</b> | <b>22,836</b> | <b>373</b>   | <b>(1)</b> | 42,305 | 41,183  | 1,122 | <b>(1)</b> |
|                      | Nonaccrual loans                                  |    | <b>264</b>    | <b>460</b>    | <b>(196)</b> |            | 309    | 655     | (346) |            |
|                      | Loans 90 days or more past due and still accruing |    | <b>36</b>     | <b>43</b>     | <b>(7)</b>   |            | 49     | 64      | (15)  |            |
| Loans held for sale: |   |    |               |               |              |            |        |         |       |            |
|                      | Total loans                                       |    | <b>2</b>      | <b>9</b>      | <b>(7)</b>   |            | 6      | 10      | (4)   |            |
|                      | Nonaccrual loans                                  |    | <b>2</b>      | <b>9</b>      | <b>(7)</b>   |            | 2      | 6       | (4)   |            |
| Loans:               |   |    |               |               |              |            |        |         |       |            |
|                      | Total loans                                       |    | <b>6,051</b>  | <b>5,689</b>  | <b>362</b>   |            | 6,206  | 5,669   | 537   |            |
|                      | Nonaccrual loans                                  |    | <b>141</b>    | <b>142</b>    | <b>(1)</b>   |            | 89     | 89      | -     |            |
|                      | Loans 90 days or more past due and still accruing |    | <b>18</b>     | <b>17</b>     | <b>1</b>     |            | -      | -       | -     |            |
|                      | Other assets (2)                                  |    | <b>911</b>    | <b>n/a</b>    | <b>n/a</b>   |            | -      | n/a     | n/a   |            |
|                      | Long-term debt                                    |    | <b>-</b>      | <b>(199)</b>  | <b>199</b>   | <b>(3)</b> | (1)    | (1,157) | 1,156 | <b>(3)</b> |
|                      |   |    |               |               |              |            |        |         |       |            |
|                      |   |    |               |               |              |            |        |         |       |            |

(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) Consists of nonmarketable equity investments carried at fair value. See Note 6 for more information.

(3) 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.

**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       |             |  |
|--|--|------------|-------------|-------------|------------|-------------|--|
|  |  | Net gains  |             |             | Net gains  |             |  |
|  | Mortgage   | (losses)   |             | Mortgage    | (losses)   |             |  |
|  | banking  | from       | Other       | banking     | from       | Other       |  |
|  | noninterest  | trading    | noninterest | noninterest | trading    | noninterest |  |
| (in millions)                          | income   | activities | income      | income      | activities | income      |  |
| <b>Quarter ended September 30,</b>     |  |            |             |             |            |             |  |
| Mortgages held for sale                | \$ 771   | -          | -           | 2,594       | -          | -           |  |
| Loans held for sale                    | -  | -          | -           | -           | -          | 4           |  |
| Loans                                  | -  | -          | (21)        | -           | -          | 54          |  |
| Other assets                           | -  | -          | 54          | -           | -          | -           |  |
| Long-term debt                         | -  | -          | -           | -           | -          | (19)        |  |
| Other interests held (1)               | -  | (4)        | -           | -           | (12)       | 18          |  |
| <b>Nine months ended September 30,</b> |  |            |             |             |            |             |  |
| Mortgages held for sale                | \$ 1,805   | -          | -           | 6,915       | -          | 1           |  |
| Loans held for sale                    | -  | -          | -           | -           | -          | 23          |  |
| Loans                                  | -  | -          | (175)       | -           | -          | 81          |  |
| Other assets                           | -  | -          | 93          | -           | -          | -           |  |
| Long-term debt                         | -  | -          | -           | -           | -          | (23)        |  |
| Other interests held (1)               | -  | (17)       | 6           | -           | (36)       | 33          |  |
| (1)                                    | Consists of retained interests in securitization and changes in fair value of letters of credit. |            |             |             |            |             |  |

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 Sept. 30, |      | Nine months ended Sept. 30, |      |
|---|-------------------------|-------------------------|------|-----------------------------|------|
| (in millions)   |                         | 2013                    | 2012 | 2013                        | 2012 |
| Gains (losses) attributable to instrument-specific credit risk: |                         |                         |      |                             |      |
|   | Mortgages held for sale | \$ 1                    | (8)  | 126                         | (99) |
|   | Loans held for sale     | -                       | 4    | -                           | 23   |
|   | Total                   | \$ 1                    | (4)  | 126                         | (76) |

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**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 MSR, 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     |
| <b>September 30, 2013</b>    |   |                      |         |         |         |           |
| <b>Financial assets</b>      |   |                      |         |         |         |           |
|                              | Cash and due from banks (1)                           | \$ 18,928            | 18,928  | -       | -       | 18,928    |
|                              | Federal funds sold, securities purchased under resale |                      |         |         |         |           |
|                              | agreements and other short-term investments (1)       | 182,036              | 5,327   | 176,709 | -       | 182,036   |
|                              | Mortgages held for sale (2)                           | 2,186                | -       | 1,267   | 922     | 2,189     |
|                              | Loans held for sale (2)                               | 202                  | -       | 182     | 24      | 206       |
|                              | Loans, net (3)  | 779,525              | -       | 56,776  | 728,612 | 785,388   |
|                              | Nonmarketable equity investments (cost method)        | 7,201                | -       | -       | 8,700   | 8,700     |
| <b>Financial liabilities</b> |   |                      |         |         |         |           |
|                              | Deposits  | 1,041,871            | -       | 996,869 | 45,421  | 1,042,290 |
|                              | Short-term borrowings (1)                             | 53,851               | -       | 53,851  | -       | 53,851    |
|                              | Long-term debt (4)                                    | 151,201              | -       | 142,862 | 10,678  | 153,540   |
| <b>December 31, 2012</b>     |   |                      |         |         |         |           |
| <b>Financial assets</b>      |   |                      |         |         |         |           |
|                              | 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 \$11.7 billion and \$12.4 billion at September 30, 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 \$11 million and \$12 million at September 30, 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 \$617 million and \$586 million at September 30, 2013 and December 31, 2012, respectively.

**Note 14: Preferred Stock**

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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, P and Q 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.

|  | September 30, 2013     |                                  | December 31, 2012      |                                  |
|--|------------------------|----------------------------------|------------------------|----------------------------------|
|  | Liquidation preference | Shares authorized and designated | Liquidation preference | Shares authorized and designated |
|  | per share              |                                  | per share              |                                  |
| <b>DEP Shares</b>  |                        |                                  |                        |                                  |
| Dividend Equalization Preferred Shares                                   | \$ 10                  | 97,000                           | \$ 10                  | 97,000                           |
| <b>Series G</b>  |                        |                                  |                        |                                  |
| 7.25% Class A Preferred Stock  | 15,000                 | 50,000                           | 15,000                 | 50,000                           |
| <b>Series H</b>  |                        |                                  |                        |                                  |
| Floating Class A Preferred Stock   | 20,000                 | 50,000                           | 20,000                 | 50,000                           |
| <b>Series I</b>  |                        |                                  |                        |                                  |
| Floating Class A Preferred Stock   | 100,000                | 25,010                           | 100,000                | 25,010                           |
| <b>Series J</b>  |                        |                                  |                        |                                  |
| 8.00% Non-Cumulative Perpetual Class A Preferred Stock                   | 1,000                  | 2,300,000                        | 1,000                  | 2,300,000                        |
| <b>Series K</b>  |                        |                                  |                        |                                  |
| 7.98% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock | 1,000                  | 3,500,000                        | 1,000                  | 3,500,000                        |
| <b>Series L</b>  |                        |                                  |                        |                                  |
| 7.50% Non-Cumulative Perpetual Convertible Class A Preferred Stock       | 1,000                  | 4,025,000                        | 1,000                  | 4,025,000                        |
| <b>Series N</b>  |                        |                                  |                        |                                  |
| 5.20% Non-Cumulative Perpetual Class A Preferred Stock                   | 25,000                 | 30,000                           | 25,000                 | 30,000                           |
| <b>Series O</b>  |                        |                                  |                        |                                  |
| 5.125% Non-Cumulative Perpetual Class A Preferred Stock                  | 25,000                 | 27,600                           | 25,000                 | 27,600                           |
| <b>Series P</b>  |                        |                                  |                        |                                  |



|  |  |        |            |  |  |   |            |
|--|--|--------|------------|--|--|---|------------|
| 5.25% Non-Cumulative Perpetual Class A Preferred Stock |  | 25,000 | 26,400     |  |  | - | -          |
| <b>Series Q</b>  |  |        |            |  |  |   |            |
| 5.85% Non-Cumulative Perpetual Class A Preferred Stock |  | 25,000 | 69,000     |  |  | - | -          |
| Total  |  |        | 10,200,010 |  |  |   | 10,104,610 |

|  |             | September 30, 2013 |       |          |             | December 31, 2012 |       |          |   |
|--|-------------|--------------------|-------|----------|-------------|-------------------|-------|----------|---|
|  |             | Shares             |       |          |             | Shares            |       |          |   |
|  |             | issued and         | Par   | Carrying |             | issued and        | Par   | Carrying |   |
| (in millions, except shares)   | outstanding | value              | value | Discount | outstanding | value             | value | Discount |   |
| <b>DEP Shares</b>  |             |                    |       |          |             |                   |       |          |   |
| Dividend Equalization Preferred Shares                                   | 96,546      | \$ -               | -     | -        | 96,546      | \$ -              | -     | -        | - |
| <b>Series I (1)</b>  |             |                    |       |          |             |                   |       |          |   |
| Floating Class A Preferred Stock   | 25,010      | 2,501              | 2,501 | -        | 25,010      | 2,501             | 2,501 | -        | - |
| <b>Series J (1)</b>  |             |                    |       |          |             |                   |       |          |   |
| 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      |   |
| <b>Series K (1)</b>  |             |                    |       |          |             |                   |       |          |   |
| 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      |   |
| <b>Series L (1)</b>  |             |                    |       |          |             |                   |       |          |   |
| 7.50% Non-Cumulative Perpetual Convertible Class A Preferred             | 3,968,000   | 3,968              | 3,200 | 768      | 3,968,000   | 3,968             | 3,200 | 768      |   |

|  |            |           |        |       |            |           |        |       |  |
|--|------------|-----------|--------|-------|------------|-----------|--------|-------|--|
| Stock  |            |           |        |       |            |           |        |       |  |
| <b>Series N (1)</b>  |            |           |        |       |            |           |        |       |  |
| 5.20%<br>Non-Cumulative<br>Perpetual<br>Class A<br>Preferred<br>Stock  | 30,000     | 750       | 750    | -     | 30,000     | 750       | 750    | -     |  |
| <b>Series O (1)</b>  |            |           |        |       |            |           |        |       |  |
| 5.125%<br>Non-Cumulative<br>Perpetual<br>Class A<br>Preferred<br>Stock | 26,000     | 650       | 650    | -     | 26,000     | 650       | 650    | -     |  |
| <b>Series P (1)</b>  |            |           |        |       |            |           |        |       |  |
| 5.25%<br>Non-Cumulative<br>Perpetual<br>Class A<br>Preferred<br>Stock  | 25,000     | 625       | 625    | -     | -          | -         | -      | -     |  |
| <b>Series Q (1)</b>  |            |           |        |       |            |           |        |       |  |
| 5.85%<br>Non-Cumulative<br>Perpetual<br>Class A<br>Preferred<br>Stock  | 69,000     | 1,725     | 1,725  | -     | -          | -         | -      | -     |  |
| <b>ESOP</b>  |            |           |        |       |            |           |        |       |  |
| Cumulative<br>Convertible<br>Preferred<br>Stock                        | 1,227,182  | 1,227     | 1,227  | -     | 910,934    | 911       | 911    | -     |  |
| Total  | 10,969,113 | \$ 16,948 | 15,549 | 1,399 | 10,558,865 | \$ 14,282 | 12,883 | 1,399 |  |

(1) Preferred shares qualify as Tier 1 capital.

In March 2013, we issued 25 million Depositary Shares, each representing a 1/1,000<sup>th</sup> interest in a share of the Non-Cumulative Perpetual Class A Preferred Stock, Series P, for an aggregate public offering price of \$625 million.

In July 2013, we issued 69 million Depositary Shares, each representing a 1/1,000<sup>th</sup> interest in a share of the Non-Cumulative Perpetual Class A Preferred Stock, Series Q, for an aggregate public offering price of \$1.7 billion.

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 |         |
|---|--|-------------------------------|----------|----------------|----------|--------------------------|---------|
|   |  | Sept. 30,                     | Dec. 31, | Sept. 30,      | Dec. 31, | Minimum                  | Maximum |
| (in millions, except shares)                    |  | 2013                          | 2012     | 2013           | 2012     |                          |         |
| <b>ESOP Preferred Stock</b>                     |  |                               |          |                |          |                          |         |
| <b>\$1,000 liquidation preference per share</b> |  |                               |          |                |          |                          |         |
| 2013  |  | 434,007                       | -        | \$ 434         | -        | 8.50 %                   | 11.00   |
| 2012  |  | 224,454                       | 245,604  | 224            | 246      | 10.00                    | 11.00   |
| 2011  |  | 250,263                       | 277,263  | 250            | 277      | 9.00                     | 10.00   |
| 2010  |  | 178,511                       | 201,011  | 179            | 201      | 9.50                     | 10.50   |
| 2008  |  | 61,724                        | 73,434   | 62             | 73       | 10.50                    | 11.50   |
| 2007  |  | 42,878                        | 53,768   | 43             | 54       | 10.75                    | 11.75   |
| 2006  |  | 24,244                        | 33,559   | 24             | 34       | 10.75                    | 11.75   |
| 2005  |  | 11,101                        | 18,882   | 11             | 19       | 9.75                     | 10.75   |
| 2004  |  | -                             | 7,413    | -              | 7        | 8.50                     | 9.50    |
| Total ESOP Preferred Stock (1)                  |  | 1,227,182                     | 910,934  | \$ 1,227       | 911      |                          |         |
| Unearned ESOP shares (2)                        |  |                               |          | \$ (1,332)     | (986)    |                          |         |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

(1) At September 30, 2013 and December 31, 2012, additional paid-in capital included \$105 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.

**Note 15: Employee Benefits**

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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 |           |           |          |
|  |    |       |    | Non-             | Other     | Qualified        | Non-      | Other     |          |
| (in millions)                          |    |       |    | Qualified        | qualified | benefits         | Qualified | qualified | benefits |
| <b>Quarter ended September 30,</b>     |    |       |    |                  |           |                  |           |           |          |
| Service cost                           | \$ | 1     | -  | 3                | -         | 1                | 3         |           |          |
| Interest cost                          |    | 121   | 7  | 11               | 128       | 8                | 15        |           |          |
| Expected return on plan assets         |    | (166) | -  | (9)              | (162)     | -                | (9)       |           |          |
| Amortization of net actuarial loss     |    | 29    | 4  | -                | 33        | 2                | -         |           |          |
| Amortization of prior service credit   |    | -     | -  | (1)              | -         | -                | (1)       |           |          |
| Settlement                             |    | 27    | -  | -                | 1         | -                | (2)       |           |          |
| Net periodic benefit cost (income)     | \$ | 12    | 11 | 4                | -         | 11               | 6         |           |          |
| <b>Nine months ended September 30,</b> |    |       |    |                  |           |                  |           |           |          |
| Service cost                           | \$ | 1     | -  | 8                | 1         | 1                | 9         |           |          |
| Interest cost                          |    | 347   | 21 | 35               | 384       | 24               | 45        |           |          |
| Expected return on plan assets         |    | (507) | -  | (27)             | (487)     | -                | (26)      |           |          |
| Amortization of net actuarial loss     |    | 113   | 11 | -                | 99        | 7                | -         |           |          |
| Amortization of prior service credit   |    | -     | -  | (2)              | -         | -                | (2)       |           |          |
| Settlement                             |    | 95    | 4  | -                | 2         | 5                | (3)       |           |          |
| Net periodic benefit cost (income)     | \$ | 49    | 36 | 14               | (1)       | 37               | 23        |           |          |

We recognize settlement losses for our Cash Balance Plan based on an assessment of whether our estimated lump sum payments related to the Cash Balance Plan will, in aggregate for the year, exceed the sum of its annual service and interest cost. Settlement losses of \$27 million during third quarter 2013 and \$95 million as of September 30, 2013 were recognized, representing the pro rata portion of the net loss remaining in cumulative other comprehensive income based on the percentage reduction in the Cash Balance Plan's projected benefit obligation. Recognizing settlement losses resulted in a re-measurement that decreased the Cash Balance Plan liability by \$297 million and \$1.1 billion for the quarter and nine months ended September 30, 2013, respectively, and with the impact of the settlement, increased other comprehensive income pre-tax by \$324 million and \$1.2 billion for the quarter and nine months ended September 30, 2013, respectively, and after-tax by \$202 million and \$726 million for the quarter and

nine months ended September 30, 2013, respectively. The re-measurement was based on a discount rate of 4.75% at September 30, 2013.

**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. See Note 1 for discussion of private share repurchases and the Consolidated Statement of Changes in Equity.

|   | Quarter ended Sept. 30, |         | Nine months ended Sept. 30, |         |
|---|-------------------------|---------|-----------------------------|---------|
| (in millions, except per share amounts)                       | 2013                    | 2012    | 2013                        | 2012    |
| Wells Fargo net income  | \$ 5,578                | 4,937   | 16,268                      | 13,807  |
| Less: Preferred stock dividends and other (1)                 | 261                     | 220     | 748                         | 665     |
| Wells Fargo net income applicable to common stock (numerator) | \$ 5,317                | 4,717   | 15,520                      | 13,142  |
| <b>Earnings per common share</b>                              |                         |         |                             |         |
| Average common shares outstanding (denominator)               | 5,295.3                 | 5,288.1 | 5,293.0                     | 5,292.7 |
| Per share   | \$ 1.00                 | 0.89    | 2.93                        | 2.48    |
| <b>Diluted earnings per common share</b>                      |                         |         |                             |         |
| Average common shares outstanding                             | 5,295.3                 | 5,288.1 | 5,293.0                     | 5,292.7 |
| Add: Stock options  | 34.0                    | 28.7    | 32.6                        | 28.3    |
| Restricted share rights                                       | 44.5                    | 38.6    | 43.9                        | 34.7    |
| Warrants  | 7.9                     | 0.2     | 5.2                         | -       |
| Diluted average common shares outstanding (denominator)       | 5,381.7                 | 5,355.6 | 5,374.7                     | 5,355.7 |
| Per share   | \$ 0.99                 | 0.88    | 2.89                        | 2.45    |

(1) Includes \$261 million and \$220 million of preferred stock dividends for third quarter 2013 and 2012, respectively, and \$747 million and \$659 million for the first nine months of 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.

|  | Weighted-average shares |  |
|--|-------------------------|--|
|  | Quarter ended Sept. 30, |  |
|  |                         |  |

|               |             |  |      |  | Nine months ended<br>Sept. 30, |      |
|---------------|-------------|--|------|--|--------------------------------|------|
|               | 2013        |  | 2012 |  | 2013                           | 2012 |
| (in millions) | <b>10.2</b> |  | 53.5 |  | <b>11.3</b>                    | 57.2 |
| Options       | <b>10.2</b> |  | 53.5 |  | <b>11.3</b>                    | 57.2 |
| Warrants      | -           |  | -    |  | -                              | 39.2 |
|               |             |  |      |  |                                |      |
|               |             |  |      |  |                                |      |

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**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 September 30, |               |                  |               |               |               | Nine months ended |               |               |               |  |
|--|-----------------------------|---------------|------------------|---------------|---------------|---------------|-------------------|---------------|---------------|---------------|--|
|  | 2013                        |               |                  | 2012          |               |               | 2013              |               |               | Before<br>tax |  |
|  | Before<br>tax               | Tax<br>effect | Net<br>of<br>tax | Before<br>tax | Tax<br>effect | Net of<br>tax | Before<br>tax     | Tax<br>effect | Net of<br>tax |               |  |
| (in millions)  |                             |               |                  |               |               |               |                   |               |               |               |  |
| Securities available for sale:                           |                             |               |                  |               |               |               |                   |               |               |               |  |
| Net unrealized gains (losses) arising during the period  | \$ 842                      | (199)         | 643              | 2,892         | (1,077)       | 1,815         | (5,922)           | 2,331         | (3,591)       | 5,597         |  |
| Reclassification of net (gains) losses to net income:    |                             |               |                  |               |               |               |                   |               |               |               |  |
| Net (gains) losses on debt securities available for sale | 6                           | (3)           | 3                | (3)           | 1             | (2)           | 15                | (6)           | 9             | 65            |  |
| Net gains from equity investments                        | (120)                       | 45            | (75)             | (38)          | 14            | (24)          | (212)             | 80            | (132)         | (355)         |  |
| Subtotal reclassifications to net income                 | (114)                       | 42            | (72)             | (41)          | 15            | (26)          | (197)             | 74            | (123)         | (290)         |  |
| Net change   | 728                         | (157)         | 571              | 2,851         | (1,062)       | 1,789         | (6,119)           | 2,405         | (3,714)       | 5,307         |  |
| Derivatives and hedging activities:                      |                             |               |                  |               |               |               |                   |               |               |               |  |
| Net unrealized gains (losses) arising during the period  | (7)                         | 3             | (4)              | 24            | (3)           | 21            | (10)              | 4             | (6)           | 63            |  |

|  |       |       |      |       |      |      |       |       |       |       |  |  |
|--|-------|-------|------|-------|------|------|-------|-------|-------|-------|--|--|
| Reclassification of net (gains) losses                         |       |       |      |       |      |      |       |       |       |       |  |  |
| on cash flow hedges to net income:                             |       |       |      |       |      |      |       |       |       |       |  |  |
| Interest income on loans                                       | (106) | 35    | (71) | (118) | 48   | (70) | (337) | 122   | (215) | (370) |  |  |
| Interest expense on long-term debt                             | 19    | (7)   | 12   | 24    | (8)  | 16   | 73    | (27)  | 46    | 70    |  |  |
| Noninterest income   | 18    | (7)   | 11   | -     | -    | -    | 35    | (13)  | 22    | -     |  |  |
| Salaries expense   | -     | -     | -    | 5     | (2)  | 3    | 4     | (2)   | 2     | 5     |  |  |
| Subtotal reclassifications                                     |       |       |      |       |      |      |       |       |       |       |  |  |
| to net income  | (69)  | 21    | (48) | (89)  | 38   | (51) | (225) | 80    | (145) | (295) |  |  |
| Net change   | (76)  | 24    | (52) | (65)  | 35   | (30) | (235) | 84    | (151) | (232) |  |  |
| Defined benefit plans adjustments:                             |       |       |      |       |      |      |       |       |       |       |  |  |
| Net actuarial gains (losses) arising during the period         | 297   | (112) | 185  | (1)   | -    | (1)  | 1,075 | (405) | 670   | (18)  |  |  |
| Reclassification of amounts to net periodic benefit costs (1): |       |       |      |       |      |      |       |       |       |       |  |  |
| Amortization of net actuarial loss                             | 33    | (13)  | 20   | 35    | (13) | 22   | 124   | (47)  | 77    | 106   |  |  |
| Settlements and other  | 26    | (9)   | 17   | -     | -    | -    | 97    | (36)  | 61    | 5     |  |  |
| Subtotal reclassifications to net periodic benefit costs       | 59    | (22)  | 37   | 35    | (13) | 22   | 221   | (83)  | 138   | 111   |  |  |
| Net change   | 356   | (134) | 222  | 34    | (13) | 21   | 1,296 | (488) | 808   | 93    |  |  |
| Foreign currency translation adjustments:                      |       |       |      |       |      |      |       |       |       |       |  |  |
| Net unrealized gains (losses) arising during the period        | 12    | 2     | 14   | 45    | (17) | 28   | (27)  | (4)   | (31)  | (1)   |  |  |
| Reclassification of net (gains)                                |       |       |      |       |      |      |       |       |       |       |  |  |

|  |  |          |       |        |       |         |       |         |       |         |       |  |  |
|--|--|----------|-------|--------|-------|---------|-------|---------|-------|---------|-------|--|--|
|  | losses to net income:  |          |       |        |       |         |       |         |       |         |       |  |  |
|  | Noninterest income   | 3        | -     | 3      | -     | -       | -     | (12)    | 5     | (7)     | (10)  |  |  |
|  | Net change   | 15       | 2     | 17     | 45    | (17)    | 28    | (39)    | 1     | (38)    | (11)  |  |  |
|  | Other comprehensive income (loss)  | \$ 1,023 | (265) | 758    | 2,865 | (1,057) | 1,808 | (5,097) | 2,002 | (3,095) | 5,157 |  |  |
|  | Less: Other comprehensive income from noncontrolling interests, net of tax |          |       | 266    |       |         | 2     |         |       | 266     |       |  |  |
|  | Wells Fargo other comprehensive income (loss), net of tax                  |          |       | \$ 492 |       |         | 1,806 |         |       | (3,361) |       |  |  |

(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).

Cumulative OCI balances were:

|   |    |              |            | Derivatives | Defined        | Foreign     |  | Cumulative   |
|---|----|--------------|------------|-------------|----------------|-------------|--|--------------|
|   |    |              | Securities | and         | benefit        | currency    |  | other        |
|   |    |              | available  | hedging     | plans          | translation |  | compre-      |
| (in millions)   |    |              | for sale   | activities  | adjustments    | adjustments |  | hensive      |
|   |    |              |            |             |                |             |  | income       |
| <b>Quarter ended September 30, 2013</b>                 |    |              |            |             |                |             |  |              |
| <b>Balance, beginning of period</b>                     | \$ | <b>3,177</b> |            | <b>190</b>  | <b>(1,595)</b> | <b>25</b>   |  | <b>1,797</b> |
| Net unrealized gains (losses) arising during the period |    | 643          |            | (4)         | 185            | 14          |  | 838          |
| Amounts reclassified to net income                      |    | (72)         |            | (48)        | 37             | 3           |  | (80)         |
| <b>Net change</b>                                       |    | <b>571</b>   |            | <b>(52)</b> | <b>222</b>     | <b>17</b>   |  | <b>758</b>   |
| Less: Other comprehensive income from                   |    |              |            |             |                |             |  |              |
| noncontrolling interests                                |    | 265          |            | -           | -              | 1           |  | 266          |
| <b>Balance, end of period</b>                           | \$ | <b>3,483</b> |            | <b>138</b>  | <b>(1,373)</b> | <b>41</b>   |  | <b>2,289</b> |
| <b>Quarter ended September 30, 2012</b>                 |    |              |            |             |                |             |  |              |
| Balance, beginning of period                            | \$ | 5,939        |            | 384         | (1,749)        | 55          |  | 4,629        |
| Net unrealized gains (losses) arising during the period |    | 1,815        |            | 21          | (1)            | 28          |  | 1,863        |
| Amounts reclassified to net income                      |    | (26)         |            | (51)        | 22             | -           |  | (55)         |
| <b>Net change</b>                                       |    | <b>1,789</b> |            | <b>(30)</b> | <b>21</b>      | <b>28</b>   |  | <b>1,808</b> |
| Less: Other comprehensive income (loss) from            |    |              |            |             |                |             |  |              |
| noncontrolling interests                                |    | 3            |            | -           | -              | (1)         |  | 2            |
| <b>Balance, end of period</b>                           | \$ | <b>7,725</b> |            | <b>354</b>  | <b>(1,728)</b> | <b>84</b>   |  | <b>6,435</b> |
| <b>Nine months ended September 30, 2013</b>             |    |              |            |             |                |             |  |              |
| <b>Balance, beginning of period</b>                     | \$ | <b>7,462</b> |            | <b>289</b>  | <b>(2,181)</b> | <b>80</b>   |  | <b>5,650</b> |

|   |                 |              |                |             |                |  |
|---|-----------------|--------------|----------------|-------------|----------------|--|
| <b>Net unrealized gains (losses)</b>                    |                 |              |                |             |                |  |
| arising during the period                               | (3,591)         | (6)          | 670            | (31)        | (2,958)        |  |
| Amounts reclassified to net income                      | (123)           | (145)        | 138            | (7)         | (137)          |  |
| <b>Net change</b>                                       | <b>(3,714)</b>  | <b>(151)</b> | <b>808</b>     | <b>(38)</b> | <b>(3,095)</b> |  |
| <b>Less: Other comprehensive income from</b>            |                 |              |                |             |                |  |
| noncontrolling interests                                | 265             | -            | -              | 1           | 266            |  |
| <b>Balance, end of period</b>                           | <b>\$ 3,483</b> | <b>138</b>   | <b>(1,373)</b> | <b>41</b>   | <b>2,289</b>   |  |
| Nine months ended September 30, 2012                    |                 |              |                |             |                |  |
| Balance, beginning of period                            | \$ 4,413        | 490          | (1,786)        | 90          | 3,207          |  |
| Net unrealized gains (losses) arising during the period | 3,500           | 44           | (11)           | (1)         | 3,532          |  |
| Amounts reclassified to net income                      | (181)           | (180)        | 69             | (6)         | (298)          |  |
| <b>Net change</b>                                       | <b>3,319</b>    | <b>(136)</b> | <b>58</b>      | <b>(7)</b>  | <b>3,234</b>   |  |
| <b>Less: Other comprehensive income (loss) from</b>     |                 |              |                |             |                |  |
| noncontrolling interests                                | 7               | -            | -              | (1)         | 6              |  |
| <b>Balance, end of period</b>                           | <b>\$ 7,725</b> | <b>354</b>   | <b>(1,728)</b> | <b>84</b>   | <b>6,435</b>   |  |

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**Note 18: Operating Segments**

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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.

**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*<sup>SM</sup>, 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*<sup>®</sup> (*CEO*<sup>®</sup>) 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 financial 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 fiduciary services. Abbot Downing, a Wells Fargo business, provides comprehensive wealth management services to ultra high net worth families and individuals as well as endowments and foundations. Brokerage serves customers' advisory, brokerage and other 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 recordkeeping) for businesses, retail retirement solutions for individuals and reinsurance services for the life insurance industry.

**Other** includes corporate items not specific to a business segment and elimination of certain items that are included in more than one business segment, substantially all of which represents products and services for wealth management customers provided in Community Banking stores.

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|  | Community Banking |       | Wholesale Banking |       | Wealth, Brokerage and Retirement |       | Other (1) |       | Consolidated Company |        |
|--|-------------------|-------|-------------------|-------|----------------------------------|-------|-----------|-------|----------------------|--------|
| (income/expense in millions, average balances in billions) | 2013              | 2012  | 2013              | 2012  | 2013                             | 2012  | 2013      | 2012  | 2013                 | 2012   |
| Quarter ended September 30,                                |                   |       |                   |       |                                  |       |           |       |                      |        |
| Net interest income (2) \$                                 | 7,244             | 7,247 | 3,059             | 3,028 | 749                              | 680   | (304)     | (293) | 10,748               | 10,662 |
| Provision (reversal of provision) for credit losses        | 240               | 1,627 | (144)             | (57)  | (38)                             | 30    | 17        | (9)   | 75                   | 1,591  |
| Noninterest income   | 5,000             | 5,863 | 2,812             | 2,921 | 2,558                            | 2,353 | (640)     | (586) | 9,730                | 10,551 |
| Noninterest expense  | 7,060             | 7,402 | 3,084             | 2,908 | 2,619                            | 2,457 | (661)     | (655) | 12,102               | 12,112 |
| Income (loss) before income tax expense (benefit)          | 4,944             | 4,081 | 2,931             | 3,098 | 726                              | 546   | (300)     | (215) | 8,301                | 7,510  |
| Income tax expense (benefit)                               | 1,505             | 1,250 | 952               | 1,103 | 275                              | 208   | (114)     | (81)  | 2,618                | 2,480  |
| Net income (loss) before noncontrolling interests          | 3,439             | 2,831 | 1,979             | 1,995 | 451                              | 338   | (186)     | (134) | 5,683                | 5,030  |
| Less: Net income from                                      |                   |       |                   |       |                                  |       |           |       |                      |        |



|   |                          |               |        |              |       |              |       |                |         |                |         |
|---|--------------------------|---------------|--------|--------------|-------|--------------|-------|----------------|---------|----------------|---------|
|   | noncontrolling interests | 98            | 91     | 6            | 2     | 1            | -     | -              | -       | 105            | 93      |
| Net income (loss) (3)                               | \$                       | <b>3,341</b>  | 2,740  | <b>1,973</b> | 1,993 | <b>450</b>   | 338   | <b>(186)</b>   | (134)   | <b>5,578</b>   | 4,937   |
| Average loans                                       | \$                       | <b>497.7</b>  | 485.3  | <b>290.4</b> | 277.1 | <b>46.7</b>  | 42.5  | <b>(30.0)</b>  | (28.2)  | <b>804.8</b>   | 776.7   |
| Average assets                                      |                          | <b>836.6</b>  | 765.1  | <b>500.7</b> | 490.7 | <b>180.8</b> | 163.8 | <b>(68.5)</b>  | (65.3)  | <b>1,449.6</b> | 1,354.3 |
| Average core deposits                               |                          | <b>618.2</b>  | 594.5  | <b>235.3</b> | 225.4 | <b>150.6</b> | 136.7 | <b>(63.8)</b>  | (61.2)  | <b>940.3</b>   | 895.4   |
| <b>Nine months ended September 30,</b>              |                          |               |        |              |       |              |       |                |         |                |         |
| Net interest income (2)                             | \$                       | <b>21,614</b> | 21,879 | <b>9,165</b> | 9,556 | <b>2,118</b> | 2,079 | <b>(900)</b>   | (927)   | <b>31,997</b>  | 32,587  |
| Provision (reversal of provision) for credit losses |                          | <b>2,265</b>  | 5,078  | <b>(320)</b> | 226   | <b>(5)</b>   | 110   | <b>6</b>       | (28)    | <b>1,946</b>   | 5,386   |
| Noninterest income                                  |                          | <b>16,471</b> | 17,744 | <b>8,927</b> | 8,543 | <b>7,647</b> | 6,987 | <b>(1,927)</b> | (1,723) | <b>31,118</b>  | 31,551  |
| Noninterest expense                                 |                          | <b>21,650</b> | 22,807 | <b>9,358</b> | 9,075 | <b>7,800</b> | 7,380 | <b>(2,051)</b> | (1,760) | <b>36,757</b>  | 37,502  |
| Income (loss) before income tax expense (benefit)   |                          | <b>14,170</b> | 11,738 | <b>9,054</b> | 8,798 | <b>1,970</b> | 1,576 | <b>(782)</b>   | (862)   | <b>24,412</b>  | 21,250  |
| Income tax expense (benefit)                        |                          | <b>4,426</b>  | 3,856  | <b>3,024</b> | 3,051 | <b>748</b>   | 599   | <b>(297)</b>   | (327)   | <b>7,901</b>   | 7,179   |
| Net income (loss) before noncontrolling interests   |                          | <b>9,744</b>  | 7,882  | <b>6,030</b> | 5,747 | <b>1,222</b> | 977   | <b>(485)</b>   | (535)   | <b>16,511</b>  | 14,071  |
| Less: Net income from noncontrolling interests      |                          | <b>234</b>    | 259    | <b>8</b>     | 5     | <b>1</b>     | -     | -              | -       | <b>243</b>     | 264     |
| Net income  | \$                       | <b>9,510</b>  | 7,623  | <b>6,022</b> | 5,742 | <b>1,221</b> | 977   | <b>(485)</b>   | (535)   | <b>16,268</b>  | 13,807  |

|                       |    |              |       |              |       |              |       |               |        |                |         |  |
|-----------------------|----|--------------|-------|--------------|-------|--------------|-------|---------------|--------|----------------|---------|--|
| (loss) (3)            |    |              |       |              |       |              |       |               |        |                |         |  |
| Average loans         | \$ | <b>498.3</b> | 485.1 | <b>287.3</b> | 272.0 | <b>45.3</b>  | 42.5  | <b>(29.8)</b> | (28.4) | <b>801.1</b>   | 771.2   |  |
| Average assets        |    | <b>819.2</b> | 750.1 | <b>498.9</b> | 479.0 | <b>179.4</b> | 162.2 | <b>(69.7)</b> | (64.9) | <b>1,427.8</b> | 1,326.4 |  |
| Average core deposits |    | <b>620.1</b> | 585.3 | <b>230.0</b> | 222.4 | <b>148.8</b> | 135.5 | <b>(64.8)</b> | (61.0) | <b>934.1</b>   | 882.2   |  |
|                       |    |              |       |              |       |              |       |               |        |                |         |  |
|                       |    |              |       |              |       |              |       |               |        |                |         |  |

(1) Includes corporate items not specific to a business segment and the elimination of certain items that are included in more than one business segment, substantially all of which represents products and services 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.

### 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. (the Bank).

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 September 30, 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.

Effective January 1, 2013, the Company implemented changes to the market risk capital rule, commonly referred to as Basel 2.5, as required by 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. The market risk capital rule is reflected in the Company's calculation of risk-weighted assets and upon initial adoption in first quarter 2013, negatively impacted 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.

The Bank is an approved seller/servicer, and is 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 September 30, 2013, the Bank met these requirements. Other subsidiaries, including the Company's insurance and broker-dealer subsidiaries, are also subject to various minimum capital levels, as defined by applicable industry regulations. The minimum capital levels for these subsidiaries, and related restrictions, are not significant to our consolidated operations.

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. |               | Well-                  | Minimum            |
|------------------------------|-----------------------|---------------|------------------------|---------------|------------------------|--------------------|
|                              | Sept. 30, 2013        | Dec. 31, 2012 | Sept. 30, 2013         | Dec. 31, 2012 | capitalized ratios (1) | capital ratios (1) |
| (in billions, except ratios) |                       |               |                        |               |                        |                    |
| <b>Regulatory capital:</b>   |                       |               |                        |               |                        |                    |
| Tier 1                       | \$ 137.5              | 126.6         | 110.2                  | 101.3         |                        |                    |
| Total                        | 171.3                 | 157.6         | 137.3                  | 124.8         |                        |                    |
| <b>Assets:</b>               |                       |               |                        |               |                        |                    |

|                        |    |                |   |         |                |  |         |  |       |      |
|------------------------|----|----------------|---|---------|----------------|--|---------|--|-------|------|
| Risk-weighted          | \$ | <b>1,135.1</b> |   | 1,077.1 | <b>1,046.3</b> |  | 1,002.0 |  |       |      |
| Adjusted average (2)   |    | <b>1,408.5</b> |   | 1,336.4 | <b>1,262.8</b> |  | 1,195.9 |  |       |      |
| <b>Capital ratios:</b> |    |                |   |         |                |  |         |  |       |      |
| Tier 1 capital         |    | <b>12.11</b>   | % | 11.75   | <b>10.53</b>   |  | 10.11   |  | 6.00  | 4.00 |
| Total capital          |    | <b>15.09</b>   |   | 14.63   | <b>13.12</b>   |  | 12.45   |  | 10.00 | 8.00 |
| Tier 1 leverage (2)    |    | <b>9.76</b>    |   | 9.47    | <b>8.72</b>    |  | 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.

| <b>Glossary of Acronyms</b> |  |                  |  |
|-----------------------------|--|------------------|--|
|                             |  |                  |  |
| <b>ACL</b>                  | Allowance for credit losses                      | <b>HAMP</b>      | Home Affordability Modification Program            |
| <b>ALCO</b>                 | Asset/Liability Management Committee             | <b>HPI</b>       | Home Price Index                                   |
| <b>ARM</b>                  | Adjustable-rate mortgage                         | <b>HUD</b>       | Department of Housing and Urban Development        |
| <b>ARS</b>                  | Auction rate security                            | <b>LHFS</b>      | Loans held for sale                                |
| <b>ASC</b>                  | Accounting Standards Codification                | <b>LIBOR</b>     | London Interbank Offered Rate                      |
| <b>ASU</b>                  | Accounting Standards Update                      | <b>LIHTC</b>     | Low-Income Housing Tax Credit                      |
| <b>AVM</b>                  | Automated valuation model                        | <b>LOCOM</b>     | Lower of cost or market value                      |
| <b>BCBS</b>                 | Basel Committee on Bank Supervision              | <b>LTV</b>       | Loan-to-value                                      |
| <b>BHC</b>                  | Bank holding company                             | <b>MBS</b>       | Mortgage-backed security                           |
| <b>CCAR</b>                 | Comprehensive Capital Analysis and Review        | <b>MHA</b>       | Making Home Affordable programs                    |
| <b>CD</b>                   | Certificate of deposit                           | <b>MHFS</b>      | Mortgages held for sale                            |
| <b>CDO</b>                  | Collateralized debt obligation                   | <b>MSR</b>       | Mortgage servicing right                           |
| <b>CDS</b>                  | Credit default swaps                             | <b>MTN</b>       | Medium-term note                                   |
| <b>CLO</b>                  | Collateralized loan obligation                   | <b>NAV</b>       | Net asset value                                    |
| <b>CLTV</b>                 | Combined loan-to-value                           | <b>NPA</b>       | Nonperforming asset                                |
| <b>CPP</b>                  | Capital Purchase Program                         | <b>OCC</b>       | Office of the Comptroller of the Currency          |
| <b>CPR</b>                  | Constant prepayment rate                         | <b>OCI</b>       | Other comprehensive income                         |
| <b>CRE</b>                  | Commercial real estate                           | <b>OTC</b>       | Over-the-counter                                   |
| <b>DPD</b>                  | Days past due                                    | <b>OTTI</b>      | Other-than-temporary impairment                    |
| <b>ESOP</b>                 | Employee Stock Ownership Plan                    | <b>PCI Loans</b> | Purchased credit-impaired loans                    |
| <b>FAS</b>                  | Statement of Financial Accounting Standards      | <b>PTPP</b>      | Pre-tax pre-provision profit                       |
| <b>FASB</b>                 | Financial Accounting Standards Board             | <b>RBC</b>       | Risk-based capital                                 |
| <b>FDIC</b>                 | Federal Deposit Insurance Corporation            | <b>ROA</b>       | Wells Fargo net income to average total assets     |
| <b>FFELP</b>                | Federal Family Education Loan Program            | <b>ROE</b>       | Wells Fargo net income applicable to common stock  |
| <b>FHA</b>                  | Federal Housing Administration                   |                  | to average Wells Fargo common stockholders' equity |
| <b>FHFA</b>                 | Federal Housing Finance Agency                   | <b>RWA</b>       | Risk-weighted assets                               |
| <b>FHLB</b>                 | Federal Home Loan Bank                           | <b>SEC</b>       | Securities and Exchange Commission                 |
| <b>FHLMC</b>                | Federal Home Loan Mortgage Corporation           | <b>SEC</b>       | Securities and Exchange Commission                 |
| <b>FICO</b>                 | Fair Isaac Corporation (credit rating)           | <b>S&amp;P</b>   | Standard & Poor's Ratings Services                 |
| <b>FNMA</b>                 | Federal National Mortgage Association            | <b>SPE</b>       | Special purpose entity                             |
| <b>FRB</b>                  | Board of Governors of the Federal Reserve System | <b>TARP</b>      | Troubled Asset Relief Program                      |
| <b>FSB</b>                  | Financial Stability Board                        | <b>TDR</b>       | Troubled debt restructuring                        |

|             |  |             |                                |
|-------------|--|-------------|--------------------------------|
| <b>FTC</b>  | Federal Trade Commission                 | <b>VA</b>   | Department of Veterans Affairs |
| <b>GAAP</b> | Generally accepted accounting principles | <b>VaR</b>  | Value-at-Risk                  |
| <b>GNMA</b> | Government National Mortgage Association | <b>VIE</b>  | Variable interest entity       |
| <b>GSE</b>  | Government-sponsored entity              | <b>WFCC</b> | Wells Fargo Canada Corporation |

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**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 September 30, 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 |
|----------------|--|---------------------------------------|-------|--|
| July           | 3,551,862  | \$                                    | 43.76 | 150,860,583  |
| August (2)     | 38,999,686   |                                       | 42.08 | 111,860,897  |
| September      | 8,299,531  |                                       | 41.68 | 103,561,366  |
| Total          | 50,851,079   |                                       |       |  |
| (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 two private repurchase transactions: 12,545,981 shares at a weighted-average price per share of \$39.85 and 11,608,847 shares at a weighted-average price per share of \$43.07.  |  |  |  |  |  |                                   |   |  |             |
| The following table shows Company repurchases of the warrants for each calendar month in the quarter ended September 30, 2013. |   |  |  |  |  |  |                                   |   |  |             |
|  |   |  |  |  |  |  |                                   |   |  |             |
|  |   |  |  |  |  |  |                                   |   |  |             |
|  |   |  |  |  | Total<br>number<br>of warrants<br>repurchased<br>(1) |  | Average price<br>paid per warrant |   | Maximum dollar value<br>of warrants that<br>may yet be purchased |             |
| Calendar month   |   |  |  |  |  |  |                                   |   |  |             |
| July   |   |  |  |  | -  |  | \$                                | - |  | 451,944,402 |
| August   |   |  |  |  | -  |  |                                   | - |  | 451,944,402 |
| September  |   |  |  |  | -  |  |                                   | - |  | 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, this authorization does not expire. |  |  |  |  |  |                                   |   |  |             |
|  |   |  |  |  |  |  |                                   |   |  |             |



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: November 6, 2013

WELLS FARGO & COMPANY

By: /s/ RICHARD D. LEVY

Richard D. Levy

Executive Vice President and Controller

(Principal Accounting Officer)

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## EXHIBIT INDEX

Exhibit

| <u>Number</u> | <u>Description</u>   | <u>Location</u>   |                 |                 |             |             |  |                 |                 |                 |                 |  |             |      |             |      |  |
|---------------|--|---|-----------------|-----------------|-------------|-------------|--|-----------------|-----------------|-----------------|-----------------|--|-------------|------|-------------|------|--|
| 3(a)          | Restated Certificate of Incorporation, as amended and in effect on the date hereof.  | Incorporated by reference to Exhibit 3(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013. |                 |                 |             |             |  |                 |                 |                 |                 |  |             |      |             |      |  |
| 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.  |   |                 |                 |             |             |  |                 |                 |                 |                 |  |             |      |             |      |  |
| 12(a)         | Computation of Ratios of Earnings to Fixed Charges:  | Filed herewith.   |                 |                 |             |             |  |                 |                 |                 |                 |  |             |      |             |      |  |
|               | <table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">Quarter</th> <th style="text-align: center;">Quarter</th> <th style="text-align: center;">Nine months</th> <th style="text-align: center;">Nine months</th> </tr> <tr> <th></th> <th style="text-align: center;">ended Sept. 30,</th> <th style="text-align: center;">ended Sept. 30,</th> <th style="text-align: center;">ended Sept. 30,</th> <th style="text-align: center;">ended Sept. 30,</th> </tr> <tr> <th></th> <th style="text-align: center;"><b>2013</b></th> <th style="text-align: center;">2012</th> <th style="text-align: center;"><b>2013</b></th> <th style="text-align: center;">2012</th> </tr> </thead> </table> |   | Quarter         | Quarter         | Nine months | Nine months |  | ended Sept. 30, | ended Sept. 30, | ended Sept. 30, | ended Sept. 30, |  | <b>2013</b> | 2012 | <b>2013</b> | 2012 |  |
|               | Quarter  | Quarter   | Nine months     | Nine months     |             |             |  |                 |                 |                 |                 |  |             |      |             |      |  |
|               | ended Sept. 30,  | ended Sept. 30,   | ended Sept. 30, | ended Sept. 30, |             |             |  |                 |                 |                 |                 |  |             |      |             |      |  |
|               | <b>2013</b>  | 2012  | <b>2013</b>     | 2012            |             |             |  |                 |                 |                 |                 |  |             |      |             |      |  |
|               | Including interest on deposits   | <b>8.29</b>   | 6.50            | <b>7.82</b>     | 5.99        |             |  |                 |                 |                 |                 |  |             |      |             |      |  |
|               | Excluding interest on deposits   | <b>11.17</b>  | 9.05            | <b>10.65</b>    | 8.29        |             |  |                 |                 |                 |                 |  |             |      |             |      |  |
| 12(b)         | Computation of Ratios of Earnings to Fixed Charges and Preferred Dividends:  | Filed herewith.   |                 |                 |             |             |  |                 |                 |                 |                 |  |             |      |             |      |  |
|               | <table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">Quarter</th> <th style="text-align: center;">Quarter</th> <th style="text-align: center;">Nine months</th> <th style="text-align: center;">Nine months</th> </tr> <tr> <th></th> <th style="text-align: center;">ended Sept. 30,</th> <th style="text-align: center;">ended Sept. 30,</th> <th style="text-align: center;">ended Sept. 30,</th> <th style="text-align: center;">ended Sept. 30,</th> </tr> <tr> <th></th> <th style="text-align: center;"><b>2013</b></th> <th style="text-align: center;">2012</th> <th style="text-align: center;"><b>2013</b></th> <th style="text-align: center;">2012</th> </tr> </thead> </table> |   | Quarter         | Quarter         | Nine months | Nine months |  | ended Sept. 30, | ended Sept. 30, | ended Sept. 30, | ended Sept. 30, |  | <b>2013</b> | 2012 | <b>2013</b> | 2012 |  |
|               | Quarter  | Quarter   | Nine months     | Nine months     |             |             |  |                 |                 |                 |                 |  |             |      |             |      |  |
|               | ended Sept. 30,  | ended Sept. 30,   | ended Sept. 30, | ended Sept. 30, |             |             |  |                 |                 |                 |                 |  |             |      |             |      |  |
|               | <b>2013</b>  | 2012  | <b>2013</b>     | 2012            |             |             |  |                 |                 |                 |                 |  |             |      |             |      |  |
|               | Including interest on deposits   | <b>6.18</b>   | 5.22            | <b>5.95</b>     | 4.83        |             |  |                 |                 |                 |                 |  |             |      |             |      |  |
|               | Excluding interest   | <b>7.57</b>   | 6.66            | <b>7.38</b>     | 6.13        |             |  |                 |                 |                 |                 |  |             |      |             |      |  |

on  
deposits

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| <u>Exhibit</u> | <u>Description</u>  | <u>Location</u>     |
|----------------|---|---------------------|
| <u>Number</u>  |   |                     |
| 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. |
| 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.     |

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