WELLS FARGO & COMPANY/MN
Form 10-Q
May 08, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2013

Commission file number 001-2979

WELLS FARGO & COMPANY

(Exact name of registrant as specified in its charter)

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

420 Montgomery Street, San Francisco, California 94163

(Address of principal executive offices) (Zip Code)

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

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

Yes þ No ¨

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

Yes þ No ¨

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

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

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

Yes ¨ No þ

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

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

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PART I - FINANCIAL INFORMATION

FINANCIAL REVIEW

Summary Financial Data

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

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

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

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

Financial Review

Overview

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

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

Financial Performance

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

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

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

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

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Overview ***(continued)***

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

Credit Quality

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

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

Capital

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

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

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

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Earnings Performance

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

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

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

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

Net Interest Income

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

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

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

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

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

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

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Earnings Performance ***(continued)***

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

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

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

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

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Noninterest Income

Table 2: Noninterest Income

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

NM - Not meaningful

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

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

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

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

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

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

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

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

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

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

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

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Earnings Performance ***(continued)***

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

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

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

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

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Noninterest Expense

Table 3: Noninterest Expense

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

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

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

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

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

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

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

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

Income Tax Expense

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

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Earnings Performance ***(continued)***

Operating Segment Results

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

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

Table 4: Operating Segment Results   Highlights

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

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

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

Community Banking reported net income of $2.9 billion, up $576 million, or 25%, from first quarter 2012. Revenue of $12.9 billion decreased $522 million, or 4%, from first quarter 2012 primarily due to lower net interest income, equity gains, and volume-related mortgage banking revenue. Average core deposits increased $44 billion, or 8%, from first quarter 2012. Primary consumer checking customers as of February 2013 (customers who actively use their checking account with transactions such as debit card purchases, online bill payments, and direct deposit) were up a net 2% from February 2012. Noninterest expense declined $448 million, or 6%, from first quarter 2012, largely the result of lower operating losses. The provision for credit losses was $616 million lower than a year ago due to improved portfolio performance and included a $144 million allowance release compared with a $300 million allowance release a year ago.

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

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

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

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

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

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

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

Balance Sheet Analysis

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

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

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

Securities Available for Sale

Table 5: Securities Available for Sale Summary

	March 31, 2013	December 31, 2012

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

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

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

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

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

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

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

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

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

Table 6: Mortgage-Backed Securities

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

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

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Loan Portfolio

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

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

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

Table 7: Loan Portfolios

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

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

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

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

Table 8: Maturities for Selected Commercial Loan Categories

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

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

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Balance Sheet Analysis *(continued)*

Deposits

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

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

Table 9: Deposits

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

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

Fair Valuation of Financial Instruments

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

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

Table 10: Fair Value Level 3 Summary

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

* Less than 1%.
(1) Before derivative netting adjustments.

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

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Off-Balance Sheet Arrangements

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

Off-Balance Sheet Transactions with Unconsolidated Entities

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

Risk Management

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

Operational Risk Management

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

Credit Risk Management

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

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

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

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

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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 to cease their continued origination as we actively work to limit losses and reduce our exposures.

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

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

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

Table 12: Non-Strategic and Liquidating Loan Portfolios

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

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

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

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

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

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Table 13: Changes in Nonaccretable Difference for PCI Loans

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

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

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

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

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

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

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

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

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Risk Management Credit Risk Management *(continued)*

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

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

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

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

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

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

* Less than 1%.

(1) Includes $191.2 million PCI loans, which are considered to be accruing due to the existence of the accretable yield and not based on consideration given to contractual interest payments.

(2) No other single category had loans in excess of $5.1 billion.

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

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

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

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Table 16: CRE Loans by State and Property Type

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

* Less than 1%.

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

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

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Risk Management Credit Risk Management *(continued)*

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

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

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

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

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

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

Table 17: European Exposure

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

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

(1) Lending exposure includes funded loans and unfunded commitments, leveraged leases, and money market placements presented on a gross basis prior to the deduction of impairment allowance and collateral received under the terms of the credit agreements.

(2) Includes $705 million in PCI loans, predominantly to customers in Germany and United Kingdom territories, and $2.4 billion in defeased leases secured predominantly by U.S. Treasury and government agency securities, or government guaranteed.

(3) Represents issuer exposure on cross-border debt and equity securities, held in trading or available-for-sale portfolio, at fair value.

(4) Represents counterparty exposure on foreign exchange and derivative contracts, and securities resale and lending agreements. This exposure is presented net of counterparty netting adjustments and reduced by the amount of cash collateral. It includes credit default swaps (CDS) predominantly used to manage our U.S. and London-based cash credit trading businesses, which sometimes results in selling and purchasing protection on the identical reference entity. Generally, we do not use market instruments such as CDS to hedge the credit risk of our investment or loan positions, although we do use them to manage risk in our trading businesses. At March 31, 2013, the gross notional amount of our CDS sold that reference assets domiciled in Europe was $7.2 billion, which was offset by the notional amount of CDS purchased of $7.3 billion. We did not have any CDS purchased or sold where the reference asset was solely the sovereign debt of a European country. Certain CDS purchased or sold reference pools of assets that contain sovereign debt, however the amount of referenced sovereign European debt was insignificant at March 31, 2013.

(5) Total non-sovereign exposure comprises $13.0 billion exposure to financial institutions and $16.8 billion to non-financial corporations at March 31, 2013.

(6) Includes non-sovereign exposure to Greece, Cyprus and Portugal in the amount of $5 million, $6 million and $28 million, respectively. We had less than $1 million sovereign debt exposure to these countries at March 31, 2013.

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

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

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

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

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

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

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

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Risk Management Credit Risk Management *(continued)*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Risk Management Credit Risk Management *(continued)*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table 21: Home Equity Portfolio Payment Schedule

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

* Less than 1%
(1) Includes scheduled end-of-term balloon payments totaling $1.7 billion during 2013 to 2014, $1.5 billion during 2015 to 2017 and $2.1 billion thereafter, and $125 million reported as Amortizing in the table.
(2) The portfolio also has unfunded credit commitments of $77.0 billion, at March 31, 2013.
(3) At March 31, 2013, $127 million, or 6% of outstanding lines of credit that are amortizing are 30 or more days past due compared to $1.6 billion, or 2% for lines in their draw period.
(4) Includes $2.4 billion of junior loans that require a balloon payment upon the end of the loan term, of which $96 million is reported as Amortizing in the table.

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

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Risk Management Credit Risk Management *(continued)*

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

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

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

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

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

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

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

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

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

Table 23: Home Equity Portfolios (1)

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

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

(2) Reflects the OCC guidance issued in third quarter 2012, which requires consumer loans discharged in bankruptcy to be written down to net realizable collateral value, regardless of their delinquency status.
(3) Includes $1.3 billion at March 31, 2013 and at December 31, 2012, associated with the Pick-a-Pay portfolio.

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

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

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

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Risk Management Credit Risk Management *(continued)*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table 25: Analysis of Changes in Nonaccrual Loans

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

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

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

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

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

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

63% of commercial nonaccrual loans were current on interest.

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

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

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

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Risk Management Credit Risk Management *(continued)*

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

Table 26: Foreclosed Assets

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

(1) Consistent with regulatory reporting requirements, foreclosed real estate securing government insured/guaranteed loans are classified as nonperforming. Both principal and interest for government insured/guaranteed loans secured by the foreclosed real estate are collectible because the loans are predominantly insured by the FHA or guaranteed by the VA.
(2) Foreclosed government insured/guaranteed loans are temporarily transferred to and held by us as servicer, until reimbursement is received from FHA or VA. The net change in government insured/guaranteed foreclosed assets is made up of inflows from mortgages held for investment and MHFS, and outflows when we are reimbursed by FHA/VA.
(3) Predominantly include loans moved into foreclosure from nonaccrual status, PCI loans transitioned directly to foreclosed assets and repossessed automobiles.

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

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

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TROUBLED DEBT RESTRUCTURINGS (TDRs)

Table 27: Troubled Debt Restructurings (TDRs)

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

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

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Risk Management Credit Risk Management *(continued)*

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

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

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

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

Table 28: Analysis of Changes in TDRs

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

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

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

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

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

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

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

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

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

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

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

NET CHARGE-OFFS

Table 30: Net Charge-offs

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

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

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

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

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

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

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

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

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

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

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

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Risk Management Credit Risk Management *(continued)*

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

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

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

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

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

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

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

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

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

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

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

Table 32: Unresolved Repurchase Demands and Mortgage Insurance Rescissions

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

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

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

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

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

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Risk Management Credit Risk Management *(continued)*

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

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

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

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

Table 33 summarizes the changes in our mortgage repurchase liability.

Table 33: Changes in Mortgage Repurchase Liability

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Risk Management Credit Risk Management *(continued)*

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

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

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

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

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

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

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

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

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Asset/Liability Management

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

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

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

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

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

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

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

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

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

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

(1) U.S. Constant Maturity Treasury Rate

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Risk Management Asset/Liability Management *(continued)*

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

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

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

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

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

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

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

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

Table 35 presents total revenue from trading activities.

Table 35: Income from Trading Activities

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

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

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

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

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

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

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

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

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

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

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

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

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Risk Management Asset/Liability Management *(continued)*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Regulatory VaR The VaR measurements required by Basel 2.5 include:

- Total VaR uses previous 12 months of historical data and is composed of General and Specific Risk VaR.
  - General VaR
    - Measures the risk of broad market movements such as changes in the level of interest rates, credit spreads, equity prices, foreign exchange rates, or commodity prices.
    - Uses historical approximation methodology based on 99% confidence level and a 10-day time horizon.
  - Specific Risk VaR
    - Measures the risk of loss that could result from factors other than broad market movement.
    - Uses historical simulation analysis based on a 99% confidence level and a 10-day time horizon.
- Total Stressed VaR uses a period of significant historical financial stress over a continuous 12 month period using historically available market data and is composed of General and Specific Risk Stressed VaR.
  - General Stressed VaR see descriptions above.
  - Specific Risk Stressed VaR see descriptions above.

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Risk Management Asset/Liability Management *(continued)*

Incremental Risk Charge

Measures the risk for both default and credit migration.

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

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

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

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

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

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

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

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

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

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

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

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

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Risk Management Asset/Liability Management *(continued)*

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

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

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

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

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

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

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

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

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

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

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

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

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

Table 43: Nonmarketable and Marketable Equity Investments

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

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

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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 March 31, 2013, core deposits were 117% of total loans, compared with 116% a year ago. Additional funding is provided by long-term debt, other foreign deposits, and short-term borrowings.

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

Table 44: Short-Term Borrowings

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

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

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

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

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

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

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

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

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

Table 45: Medium-Term Note (MTN) Programs

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

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

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

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

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

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

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

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Capital Management

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

Regulatory Capital Guidelines

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Capital Planning

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

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

Securities Repurchases

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

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

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

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Capital Management ***(continued)***

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

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

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

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

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

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

(2)

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

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

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

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

Regulatory Reform

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

rulemaking, guidance, and interpretation by regulatory authorities.

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

Critical Accounting Policies

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

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

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

Current Accounting Developments

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

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Forward-Looking Statements

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

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

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

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

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

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

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

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

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

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

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

hedging gains or losses;

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

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

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

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

changes in the value of our venture capital investments;

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

mergers, acquisitions and divestitures;

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

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

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

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

fiscal and monetary policies of the FRB; and

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

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

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

Risk Factors

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

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Controls and Procedures

Disclosure Controls and Procedures

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

Internal Control Over Financial Reporting

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

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets of the Company;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company s assets that could have a material effect on the financial statements.

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

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Wells Fargo & Company and Subsidiaries

Consolidated Statement of Income (Unaudited)

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

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

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

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

The accompanying notes are an integral part of these statements.

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Wells Fargo & Company and Subsidiaries

Consolidated Statement of Comprehensive Income (Unaudited)

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

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

The accompanying notes are an integral part of these statements.

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Wells Fargo & Company and Subsidiaries

Consolidated Balance Sheet (Unaudited)

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

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

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

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

The accompanying notes are an integral part of these statements.

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Wells Fargo & Company and Subsidiaries

Consolidated Statement of Changes in Equity (Unaudited)

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

The accompanying notes are an integral part of these statements.

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

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Wells Fargo & Company and Subsidiaries

Consolidated Statement of Cash Flows (Unaudited)

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

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

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

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

Note 1: Summary of Significant Accounting Policies

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

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

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

Accounting Standards Adopted in 2013

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

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

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

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

Private Share Repurchases

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

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

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

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

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

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

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

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Note 2: Business Combinations

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

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

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

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

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

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

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

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Note 4: Securities Available for Sale

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

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

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

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

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Gross Unrealized Losses and Fair Value

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

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

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

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

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

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

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

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

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

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

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

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Contractual Maturities

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

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

			Remaining contractual maturity							
		Weighted-			After one year		After five years			
	Total	average	Within one year		through five years		through ten years		After ten years	
(in millions)	amount	yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
March 31, 2013										
Securities of U.S. Treasury and federal agencies	**$ 6,884**	**1.62 %**	**$ 386**	**0.42 %**	**$ 498**	**1.57 %**	**$ 6,000**	**1.70 %**	**$ -**	**- %**
Securities of U.S. states and political subdivisions	**40,456**	**5.22**	**2,050**	**2.49**	**11,156**	**2.15**	**3,209**	**5.57**	**24,041**	**6.82**
Mortgage-backed securities:										
Federal agencies	**105,472**	**3.64**	**3**	**3.46**	**172**	**4.97**	**988**	**3.42**	**104,309**	**3.64**
Residential	**15,259**	**4.36**	**-**	**-**	**4**	**3.14**	**533**	**2.04**	**14,722**	